BIRCHCLIFF ENERGY LTD. ANNOUNCES Q3 2020 RESULTS, PRELIMINARY OUTLOOK FOR 2021 AND DISCOVERY OF EXTENSION TO THE GORDONDALE LIGHT OIL POOL

Calgary, Alberta (November 12, 2020) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its financial and operational results for the three and nine months ended September 30, 2020 and its preliminary outlook for 2021. Birchcliff is also excited to announce that it has discovered an extension to the Gordondale light oil pool.

"Birchcliff delivered excellent third quarter results, highlighted by quarterly adjusted funds flow of $59.4 million and free funds flow of $28.5 million, with quarterly average production of 78,376 boe/d. Our ability to drive significant cash flow in the current operating environment speaks to the strong performance of our assets and our low-cost structure," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. "During the third quarter, we brought our 14-well pad on production in Pouce Coupe. The 14 wells are producing significantly more condensate/light oil and less natural gas than we previously forecast and we believe we have discovered an extension to the Gordondale light oil pool into the northeastern area of Pouce Coupe. The increased condensate/light oil rates make these 14 wells more economic than we had anticipated. In addition, our new inlet liquids-handling facility in Pouce Coupe that we completed in the third quarter of 2020 allows us to process and sell the condensate/light oil from these wells in Pouce Coupe to achieve a premium price.

We are increasing our 2020 adjusted funds flow guidance to $195 million from $185 million and reducing our 2020 annual average production guidance to 76,000 to 77,000 boe/d from 78,000 to 80,000 boe/d.

For 2021, we are committed to free funds flow generation and debt reduction. Although we have not yet finalized our 2021 plans, we are targeting F&D capital spending to be in the range of $200 million to $220 million with annual average production expected to be 78,000 to 80,000 boe/d, which would generate free funds flow of approximately $140 million at today's strip prices. None of our production is currently subject to fixed price commodity hedges, which will allow us to take advantage of strengthening natural gas prices."

Birchcliff's unaudited interim condensed financial statements for the three and nine months ended September 30, 2020 and related management's discussion and analysis (the "**MD&A**") will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

Q3 2020 Highlights

- Delivered adjusted funds flow of $59.4 million ($0.22 per basic common share) in Q3 2020, a 174% increase from Q2 2020 and a 6% decrease from Q3 2019.
- Free funds flow of $28.5 million ($0.11 per basic common share) in Q3 2020, a 146% increase from Q2 2020 and a 25% increase from Q3 2019.
- Achieved quarterly average production of 78,376 boe/d in Q3 2020, a 5% increase from Q2 2020 and a 3% decrease from Q3 2019.
- Achieved record low operating expense of $2.73/boe in Q3 2020, a 6% decrease from Q2 2020 and a 1% decrease from Q3 2019.
- Realized an operating netback of $12.03/boe in Q3 2020, a 76% increase from Q2 2020 and a 23% increase from Q3 2019.
- Reduced total debt at September 30, 2020 by $23.2 million from June 30, 2020.
- Continued with the successful execution of its 2020 capital program (the "**2020 Capital Program**"), completing and bringing on production 14 (14.0 net) wells. F&D capital expenditures in Q3 2020 were $30.8 million.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
OPERATING				
Average production				
Light oil *(bbls/d)*	4,405	4,882	4,700	4,845
Condensate *(bbls/d)*	7,266	5,744	5,545	5,226
NGLs *(bbls/d)*	6,898	7,559	7,436	7,078
Natural gas *(Mcf/d)*	358,851	374,180	347,787	364,996
Total *(boe/d)*	**78,376**	**80,548**	**75,645**	**77,982**
Average realized sales price *(CDN$)*(1)				
Light oil *(per bbl)*	48.50	67.15	40.57	68.50
Condensate *(per bbl)*	48.27	65.94	46.07	67.82
NGLs *(per bbl)*	14.05	9.75	12.66	12.70
Natural gas *(per Mcf)*	2.48	1.71	2.33	2.38
Total *(per boe)*	**19.80**	**17.62**	**17.86**	**21.08**
NETBACK AND COST *($/boe)*				
Petroleum and natural gas revenue(1)	19.80	17.62	17.86	21.08
Royalty expense	(0.55)	(0.76)	(0.56)	(0.90)
Operating expense	(2.73)	(2.75)	(2.91)	(3.10)
Transportation and other expense	(4.49)	(4.34)	(4.94)	(4.41)
Operating netback *($/boe)*	**12.03**	**9.77**	**9.45**	**12.67**
G&A expense, net	(0.67)	(0.74)	(0.80)	(0.84)
Interest expense	(0.93)	(0.77)	(0.84)	(0.90)
Realized gain (loss) on financial instruments	(2.28)	0.22	(2.31)	0.95
Other income	0.08	0.02	0.19	0.03
Adjusted funds flow netback *($/boe)*	**8.23**	**8.50**	**5.69**	**11.91**
Depletion and depreciation expense	(7.54)	(7.57)	(7.63)	(7.51)
Unrealized loss on financial instruments	(3.55)	(8.22)	(3.75)	(6.87)
Other expenses(2)	(0.05)	(0.28)	(0.33)	(0.59)
Dividends on preferred shares	(0.27)	(0.26)	(0.28)	(0.27)
Income tax recovery	0.73	1.50	1.36	1.42
Net loss to common shareholders *($/boe)*	**(2.45)**	**(6.33)**	**(4.94)**	**(1.91)**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*(1)	142,779	130,588	370,222	448,800
Cash flow from operating activities *($000s)*	52,977	48,908	116,749	241,509
Adjusted funds flow *($000s)*	59,377	62,958	118,017	253,563
Per basic common share *($)*	0.22	0.24	0.44	0.95
Net loss to common shareholders *($000s)*	(17,692)	(46,889)	(102,415)	(40,595)
Per basic common share *($)*	(0.07)	(0.18)	(0.39)	(0.15)
End of period basic common shares *(000s)*	265,935	265,935	265,935	265,935
Weighted average basic common shares *(000s)*	265,935	265,935	265,935	265,928
Dividends on common shares *($000s)*	1,330	6,981	9,638	20,942
Dividends on preferred shares *($000s)*	1,905	1,921	5,749	5,765
Total capital expenditures *($000s)*(3)	31,193	41,621	248,006	242,111
Long-term debt *($000s)*	771,706	638,631	771,706	638,631
Total debt *($000s)*	784,414	644,407	784,414	644,407

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.
(2) Includes non-cash expenses such as compensation, accretion, amortization of deferred financing fees and other income.
(3) See *"Advisories – Capital Expenditures"*.

This report contains forward-looking statements within the meaning of applicable securities laws. For further information regarding the forward-looking statements contained herein, see "Advisories – Forward-Looking Statements". In addition, this report contains references to "adjusted funds flow", "adjusted funds flow per basic common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs" and "total debt", which do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information regarding these non-GAAP measures, see "Non-GAAP Measures". With respect to the disclosure of Birchcliff's production contained in this report, see "Advisories – Production".

OUTLOOK AND GUIDANCE

Preliminary Outlook for 2021

Based on current strip prices, Birchcliff expects to generate free funds flow of approximately $140 million in 2021(1), with priority being given to debt reduction. Although Birchcliff has not yet finalized its 2021 capital spending plans, it is currently targeting F&D capital spending of $200 million to $220 million and an annual average production rate of 78,000 to 80,000 boe/d. Birchcliff expects to be able to maintain its production at or near 2020 levels with less F&D capital due to the Corporation's high-quality, low-decline assets. Birchcliff expects facilities and infrastructure spending in 2021 to decrease by approximately 70%, from approximately $75 million in 2020 to approximately $20 million in 2021 as a result of one-time facilities and infrastructure projects completed in 2020.

The 2021 capital program will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices. As a result of Birchcliff's large inventory of potential future drilling locations, the Corporation has the ability to focus on natural gas, liquids-rich natural gas or light oil drilling, depending on its outlook for commodity prices.

Birchcliff believes that generating free funds flow and the repayment of debt in 2021 will provide it with the most optionality to take advantage of future opportunities in its industry and give Birchcliff the ability to maximize future shareholder returns. Birchcliff continues to work through its plans for 2021 and expects to announce details of its 2021 capital program and guidance in January 2021.

(1) Assuming the following commodity prices and exchange rate: an average WTI price of US$43.70/bbl; an average WTI-MSW differential of CDN$6.25/bbl; an average AECO 5A price of CDN$2.60/GJ; an average Dawn price of US$2.80/MMBtu; an average NYMEX HH price of US$2.95/MMBtu; and an exchange rate (CDN$ to US$1) of 1.31.

Revised 2020 Guidance

As noted above, Birchcliff is revising its adjusted funds flow guidance to $195 million from $185 million and its annual average production guidance to 76,000 to 77,000 boe/d from 78,000 to 80,000 boe/d. Average production in Q4 2020 is now expected to be 78,000 to 79,000 boe/d (previously 81,000 to 83,000 boe/d). Birchcliff expects to generate significant free funds flow in Q4 2020, which will be directed towards debt reduction. Birchcliff's F&D capital expenditures are expected to be approximately $285 million, which is the mid-point of Birchcliff's previous guidance range of $275 million to $295 million. Birchcliff now anticipates that total debt at year end will be $740 million to $760 million (previously $750 million to $770 million), a further reduction of $24 million to $44 million from total debt at September 30, 2020.

The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2020:

	Revised 2020 guidance and assumptions(1)	Previous 2020 guidance and assumptions(2)(3)
Production		
Annual average production *(boe/d)*	76,000 – 77,000	78,000 – 80,000
% Light oil	6%	7%
% Condensate	8%	8%
% NGLs	9%	9%
% Natural gas	77%	76%
Q4 average production *(boe/d)*	78,000 – 79,000	81,000 – 83,000
Average Expenses *($/boe)*		
Royalty	0.60 – 0.80	0.70 – 0.90
Operating	2.85 – 3.05	2.85 – 3.05
Transportation and other	4.90 – 5.10	5.00 – 5.20
Adjusted Funds Flow *(MM$)*	195(4)	185
F&D Capital Expenditures *(MM$)*	285(5)	275 – 295
Free Funds Flow *(MM$)*(6)	(90)	(90) – (110)
Total Debt at Year End *(MM$)*	740 – 760(7)	750 – 770
Natural Gas Market Exposure(8)		
AECO exposure as a % of total natural gas production	16%	19%

	Revised 2020 guidance and assumptions[(1)]	Previous 2020 guidance and assumptions[(2)(3)]
Dawn exposure as a % of total natural gas production	46%	44%
NYMEX HH exposure as a % of total natural gas production	34%	34%
Alliance exposure as a % of total natural gas production	4%	3%
Commodity Prices		
Average WTI price *(US$/bbl)*	37.50	39.00
Average WTI-MSW differential *(CDN$/bbl)*	8.10	8.75
Average AECO 5A price *(CDN$/GJ)*	2.20	2.10
Average Dawn price *(US$/MMBtu)*[(9)]	1.95	1.90
Average NYMEX HH price *(US$/MMBtu)*[(9)]	2.10	2.10
Exchange rate *(CDN$ to US$1)*	1.35	1.35

(1) Birchcliff's revised guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2020 is based on an annual average production rate of 76,500 boe/d during 2020, which is the mid-point of Birchcliff's revised annual average production guidance for 2020.
(2) Birchcliff's previous guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2020 was based on an annual average production rate of 79,000 boe/d during 2020, which was the mid-point of Birchcliff's previous annual average production guidance for 2020.
(3) As previously issued on August 12, 2020.
(4) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial commodity risk management contracts outstanding as at November 12, 2020.
(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions. See *"Advisories – Capital Expenditures".*
(6) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions and dispositions, dividend payments, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *"Non-GAAP Measures".*
(7) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates remaining flat; (ii) that a common share dividend of $0.005 per share is paid for the quarter ending December 31, 2020; (iii) that there are approximately 266 million common shares outstanding; (iv) that there will be 1.96 million cumulative redeemable preferred shares, Series C outstanding at December 31, 2020; (v) that the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (vi) the targets for production, commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.
(8) Birchcliff's guidance regarding its natural gas market exposure in 2020 assumes: (i) 175,000 GJ/d being sold at the Dawn index price; (ii) 15,600 GJ/d being sold at Alliance's Trading Pool daily index price; and (iii) 132,500 MMBtu/d being hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.
(9) See *"Advisories – MMBtu Pricing Conversions".*

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of adjusted funds flow for 2020 of $195 million, after taking into account the effects of its commodity risk management contracts outstanding as at November 12, 2020:

Forward Three Months' Sensitivity[(1)]	Estimated change to Q4 2020 adjusted funds flow *(MM$)*[(2)(3)]
Change in WTI US$1.00/bbl	0.9
Change in NYMEX HH US$0.10/MMBtu	0.5
Change in Dawn US$0.10/MMBtu	1.3
Change in AECO CDN$0.10/GJ	0.9
Change in CDN/US exchange rate CDN$0.01	0.3

(1) Adjusted funds flow sensitivities take into account actual prices and exchange rates from January 1, 2020 to September 30, 2020.
(2) See the guidance table above.
(3) The calculated impact on adjusted funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time.

Ongoing weakness in commodity prices resulting from the COVID-19 pandemic and market volatility may adversely and materially impact the Corporation's future financial and operational results. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact may be material. For further information, see *"Advisories – Forward-Looking Statements"* in this report.

Q3 2020 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 78,376 boe/d in Q3 2020, a 5% increase from 74,950 boe/d in Q2 2020. The increase was primarily due to the new 14-well pad brought on production in Pouce Coupe during Q3 2020, partially offset by natural production declines and ongoing impacts of frac-driven interaction. In order to manage the higher condensate and frac water flowback volumes associated with the 14-well pad, Birchcliff proactively and temporarily restricted production of existing wells in Pouce Coupe during Q3 2020.

Birchcliff's production in Q3 2020 decreased by 3% from 80,548 boe/d in Q3 2019. The decrease was primarily due to the on-stream timing of incremental production from new horizontal oil and condensate-rich natural gas wells in Gordondale and Pouce Coupe during Q3 2020 being later as compared to Q3 2019, as well as natural production declines and ongoing impacts of frac-driven interaction.

Liquids accounted for approximately 24% of Birchcliff's total production in Q3 2020, which was the same as Q2 2020 and up from 23% in Q3 2019. Liquids weighting increased from Q3 2019 primarily due to incremental production from new liquids-rich natural gas wells in 2020.

Adjusted Funds Flow

Birchcliff's adjusted funds flow for Q3 2020 was $59.4 million, or $0.22 per basic common share, a 174% and 175% increase, respectively, from $21.7 million and $0.08 per basic common share in Q2 2020. The increases were primarily due to higher reported revenue as compared to Q2 2020. Petroleum and natural gas revenue increased by 37% as compared to Q2 2020, primarily due to a higher average realized sales price in Q3 2020 and an increase in production. Adjusted funds flow was also positively impacted by lower transportation and other expense and a lower realized loss on financial instruments and negatively impacted by higher royalty and interest expenses as compared to Q2 2020.

Birchcliff's adjusted funds flow in Q3 2020 decreased by 6% and 8% from $63.0 million and $0.24 per basic common share in Q3 2019. The decreases were primarily due to a realized loss on financial instruments of $16.4 million in Q3 2020 as compared to a realized gain on financial instruments of $1.6 million in Q3 2019, partially offset by higher reported revenue. Petroleum and natural gas revenue increased by 9% as compared to Q3 2019, largely due to a higher average realized natural gas sales price in Q3 2020, partially offset by a decrease in the average realized light oil and condensate sales prices and a decrease in corporate production. Birchcliff's light oil and condensate revenue was negatively impacted by the significant weakness and volatility in oil prices as a result of the COVID-19 pandemic and ensuing global demand destruction. Adjusted funds flow was also negatively impacted by higher interest and transportation and other expenses, and positively impacted by lower operating and royalty expenses as compared to Q3 2019.

Net Loss to Common Shareholders

Birchcliff recorded a net loss to common shareholders of $17.7 million, or $0.07 per basic common share, in Q3 2020, a decrease from $39.5 million and $0.15 per basic common share in Q2 2020. The decreases were primarily due to higher adjusted funds flow as described above, partially offset by higher unrealized mark-to-market losses on financial instruments and a decrease in income tax recovery as compared to Q2 2020.

Birchcliff's net loss to common shareholders in Q3 2020 decreased from $46.9 million and $0.18 per basic common share in Q3 2019. The decreases were primarily due to lower unrealized mark-to-market losses on financial instruments, partially offset by lower adjusted funds flow as described above and a decrease in income tax recovery as compared to Q3 2019.

Operating Expense

Birchcliff's record low operating expense was $2.73/boe in Q3 2020, a 6% decrease from $2.89/boe in Q2 2020 and a 1% decrease from $2.75/boe in Q3 2019. The decreases were primarily due to various field optimization and cost-saving initiatives in Pouce Coupe and Gordondale, which included the Corporation's expanded liquids-handling capabilities in Pouce Coupe.

Operating Netback

Birchcliff's operating netback was $12.03/boe in Q3 2020, a 76% and 23% increase from $6.84/boe in Q2 2020 and $9.77/boe in Q3 2019. The increase from Q2 2020 was primarily due to a higher average realized sales price and lower per boe operating and transportation and other expenses, partially offset by a higher per boe royalty expense. The increase from Q3 2019 was primarily due to a higher average realized sales price and lower per boe operating and royalty expenses, partially offset by higher per boe transportation and other expense.

Total Cash Costs

Birchcliff's total cash costs were $9.37/boe in Q3 2020, a 6% decrease from $9.96/boe in Q2 2020. The decrease was primarily due to lower per boe operating, G&A and transportation and other expenses, partially offset by higher per boe royalty and interest expenses. Birchcliff's total cash costs on a per boe basis in Q3 2020 were comparable to $9.36/boe in Q3 2019.

Debt and Credit Facilities

Birchcliff has significant liquidity from its credit facilities which have an aggregate principal amount of $1.0 billion and are comprised of an extendible revolving syndicated term credit facility of $900.0 million and an extendible revolving working capital facility of $100.0 million. Birchcliff's credit facilities do not contain any financial maintenance covenants and do not mature until May 11, 2022. At September 30, 2020, Birchcliff had long-term bank debt of $771.7 million (June 30, 2020: $753.1 million; September 30, 2019: $638.6 million), leaving $222.6 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at September 30, 2020 was $784.4 million as compared to $807.6 million at June 30, 2020 and $644.4 million at September 30, 2019. Total debt peaked in early Q3 2020 and is expected to decrease throughout the remainder of 2020, with total debt at year end 2020 anticipated to be $740 million to $760 million, a reduction of $24 million to $44 million from total debt at September 30, 2020. See *"Outlook and Guidance – Revised 2020 Guidance".*

Pouce Coupe Gas Plant Netbacks

Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through Birchcliff's 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") in the nine months ended September 30, 2020 as compared to 73% and 63%, respectively, in the nine months ended September 30, 2019. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Nine months ended September 30, 2020		**Nine months ended September 30, 2019**	
Average production:				
Condensate *(bbls/d)*		4,126		3,845
NGLs *(bbls/d)*		1,056		871
Natural gas *(Mcf/d)*		238,482		264,699
Total *(boe/d)*		**44,929**		**48,832**
Liquids-to-gas ratio[(1)] *(bbls/MMcf)*		**21.7**		**17.8**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[(2)]	2.87	17.19	3.09	18.55
Royalty expense	(0.05)	(0.30)	(0.05)	(0.32)
Operating expense[(3)]	(0.37)	(2.17)	(0.35)	(2.10)
Transportation and other expense	(0.88)	(5.30)	(0.75)	(4.47)
Operating netback	**$1.57**	**$9.42**	**$1.94**	**$11.66**
Operating margin[(4)]	**55%**	**55%**	**63%**	**63%**

(1) Liquids consists of condensate and other NGLs.

(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(3) Represents plant and field operating expense.

(4) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

Birchcliff's liquids-to-gas ratio increased by 22% as compared to the nine months ended September 30, 2019 primarily due to: (i) the completion of Birchcliff's inlet liquids-handling facility at the Pouce Coupe Gas Plant (the "**Inlet Liquids-Handling Facility**"); and (ii) the addition of the new condensate-rich 14-well pad brought on production in Pouce Coupe in Q3 2020.

Commodity Prices

The following table sets forth the average benchmark index prices and exchange rate for the periods indicated:

	Three months ended September 30, 2020	Three months ended September 30, 2019	% Change
Light oil – WTI Cushing *(US$/bbl)*	40.27	56.45	(29)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	48.09	67.88	(29)
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	1.98	2.23	(11)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.13	0.86	148
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	1.62	0.79	105
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	1.82	2.12	(14)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.12	0.93	128
Exchange rate *(CDN$ to US$1)*	1.3316	1.3207	1
Exchange rate *(US$ to CDN$1)*	0.7509	0.7572	(1)

(1) See *"Advisories – MMBtu Pricing Conversions"*.

Marketing and Natural Gas Market Diversification

Birchcliff's physical natural gas sales exposure primarily consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing.

The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q3 2020, after taking into account the Corporation's financial instruments:

Three months ended September 30, 2020						
	Effective sales *(CDN$000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total natural gas production *(%)*	Percentage of total corporate production *(%)*	Effective average realized sales price *(CDN$)*
Markets						
AECO(1)	13,727	11%	61,913 Mcf	18%	13%	2.41/Mcf
Dawn(2)	37,723	29%	158,745 Mcf	44%	34%	2.58/Mcf
Alliance(3)	3,958	3%	18,122 Mcf	5%	4%	2.37/Mcf
NYMEX HH(1)	12,813	10%	120,071 Mcf	33%	25%	1.16/Mcf
Total natural gas	**68,221**	**53%**	**358,851 Mcf**	**100%**	**76%**	**2.07/Mcf**
Light oil	19,655	15%	4,405 bbls		6%	48.50/bbl
Condensate	32,263	25%	7,266 bbls		9%	48.27/bbl
NGLs	8,917	7%	6,898 bbls		9%	14.05/bbl
Total liquids	**60,835**	**47%**	**18,569 bbls**		**24%**	**35.61/bbl**
Total corporate	**129,056**	**100%**	**78,378 boe**		**100%**	**17.90/boe**

(1) A portion of AECO 5A sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical and financial NYMEX/AECO 7A basis swap contracts has been included as effective sales and production in NYMEX HH markets. Birchcliff sold financial and physical AECO 7A basis swaps for 100,000 MMBtu/d at an average contract price of NYMEX less US$1.23/MMBtu during Q3 2020.

(2) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario.

(3) Birchcliff has sales agreements with a third party marketer to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

Effectively 89% of the Corporation's sales revenue, representing 82% of its total natural gas production and 87% of its total corporate production, was generated from markets outside of AECO in Q3 2020, after taking into account its liquids sales and long-term financial NYMEX/AECO basis swap position.

The following tables set forth Birchcliff's sales, production, average realized sales price, transportation costs and natural gas sales netback by natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

Three months ended September 30, 2020							
	Natural gas sales[1] *(CDN$000s)*	Percentage of natural gas sales *(%)*	Natural gas production *(Mcf/d)*	Percentage of natural gas production *(%)*	Average realized natural gas sales price[1] *(CDN$/Mcf)*	Natural gas transportation costs[2] *(CDN$/Mcf)*	Natural gas sales netback[3] *(CDN$/Mcf)*
AECO	40,259	49	181,984	51	2.41	0.36	2.04
Dawn	37,723	46	158,745	44	2.58	1.37	1.21
Alliance[4]	3,958	5	18,122	5	2.37	-	2.37
Total	**81,940**	**100**	**358,851**	**100**	**2.48**	**0.79**	**1.69**

Three months ended September 30, 2019							
	Natural gas sales[1] *(CDN$000s)*	Percentage of natural gas sales *(%)*	Natural gas production *(Mcf/d)*	Percentage of natural gas production *(%)*	Average realized natural gas sales price[1] *(CDN$/Mcf)*	Natural gas transportation costs[2] *(CDN$/Mcf)*	Natural gas sales netback[3] *(CDN$/Mcf)*
AECO	20,343	34	225,991	60	0.98	0.31	0.67
Dawn	37,528	64	137,018	37	2.98	1.35	1.63
Alliance[4]	929	2	11,171	3	0.90	-	0.90
Total	**58,800**	**100**	**374,180**	**100**	**1.71**	**0.68**	**1.02**

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.
(2) Reflects costs to transport natural gas from the field receipt point to the delivery sales trading hub.
(3) Natural gas sales netback denotes the average realized natural gas sales price less natural gas transportation costs.
(4) Alliance sales are recorded net of transportation tolls.

Capital Activities and Investment

During Q3 2020, Birchcliff continued with the successful execution of the 2020 Capital Program, completing and bringing on production 14 (14.0 net) wells. Total capital expenditures in the quarter were $31.2 million and F&D capital expenditures were $30.8 million. For further information regarding Birchcliff's operational activities year-to-date, see *"Operational Update"*.

OPERATIONAL UPDATE

Discovery of Extension to the Gordondale Light Oil Pool

In Q3 2020, the Corporation brought the production on from its 14-well pad (14-19-079-12W6) located in the northeastern area of Pouce Coupe. The 14 wells were drilled in 3 different intervals, with 5 wells drilled in the Montney D2, 4 wells drilled in the Montney D1 and 5 in the Montney C. The wells have now been producing for over 60 days and have produced significantly more condensate/light oil than previously forecast. During the initial 60 days of production, the pad was flowing inline post-fracture condensate/light oil, raw natural gas and frac water. The production rates of the wells have been stabilizing as the frac water flowing back to surface has been diminishing over time. The following table summarizes the aggregate and average production rates for the 14 wells:

	IP 30[1]	IP 60[1]
Aggregate production rate *(boe/d)*	**10,353**	**9,932**
Aggregate natural gas production rate *(Mcf/d)*	31,214	33,991
Aggregate condensate/light oil production rate *(bbls/d)*	5,150	4,265
Average per well production rate *(boe/d)*	**740**	**709**
Average per well natural gas production rate *(Mcf/d)*	2,230	2,428
Average per well condensate/light oil production rate *(bbls/d)*	368	305
Condensate/light oil to gas ratio *(bbls/MMcf)*	**165**	**125**

(1) Represents the cumulative volumes for each well measured at the wellhead separator for the 30 or 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable. See *"Advisories – Initial Production Rates"*.

The results from Birchcliff's 14-well pad demonstrate the extension of the Gordondale light oil pool into the northeastern area of Pouce Coupe, which provides the Corporation with significantly more potential condensate/light oil drilling opportunities. The 14 wells are showing strong initial condensate/light oil rates, similar to the light oil wells that Birchcliff drilled in Gordondale over the past year, and are delivering strong rates of return at current commodity prices. The Inlet Liquids-Handling Facility, which was completed in the Q3 2020, allows the Corporation to process and sell the condensate/light oil from these wells in Pouce Coupe to achieve a premium price.

Update on the 2020 Capital Program

Birchcliff has completed the vast majority of its 2020 Capital Program, with all previously planned wells brought on production and all major facilities and infrastructure projects successfully completed. The 2020 Capital Program was strategically front-end loaded, allowing Birchcliff to bring new wells on production relatively early in the year in order to optimize producing days for capital spent. Birchcliff expects to spend $285 million in 2020, the mid-point of its previous capital expenditure guidance, as it completes its capital program in Q4 2020. Birchcliff intends to utilize any capital savings realized on the $285 million 2020 Capital Program to prepare for the efficient execution of its 2021 capital program.

The following table summarizes the wells that Birchcliff has brought on production in 2020:

Area	Total wells brought on production in 2020
Pouce Coupe	
Montney D1 horizontal natural gas wells	4
Montney D2 horizontal natural gas wells	12
Montney C horizontal natural gas wells	8
Total – Pouce Coupe	**24**
Gordondale	
Montney D1 horizontal oil wells	5
Montney D2 horizontal oil wells	4
Montney D4 horizontal oil wells	1
Total – Gordondale	**10**
TOTAL – COMBINED	**34**

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated November 12, 2020 is with respect to the three and nine months ended September 30, 2020 (the "**Reporting Periods**") as compared to the three and nine months ended September 30, 2019 (the "**Comparable Prior Periods**"). This MD&A has been prepared by management and approved by the Corporation's Audit Committee and Board of Directors and should be read in conjunction with the annual audited financial statements of the Corporation and the related notes for the year ended December 31, 2019 which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

This MD&A uses the terms "adjusted funds flow", "adjusted funds flow per common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs", "adjusted working capital deficit" and "total debt", which do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information, including reconciliations to the most directly comparable GAAP measures where applicable, see "*Non-GAAP Measures*" in this MD&A.

This MD&A contains forward-looking statements and information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements are based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking statements. For further information regarding the forward-looking statements contained herein, see *"Advisories – Forward-Looking Statements"* in this MD&A.

All boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and all Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. For further information, see "*Advisories – Boe and Mcfe Conversions*" in this MD&A.

With respect to the disclosure of Birchcliff's production contained in this MD&A: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"); (ii) unless otherwise indicated, references to "liquids" mean "light crude oil and medium crude oil" and "natural gas liquids" (including condensate) as such terms are defined in NI 51-101; and (iii) references to "natural gas" mean "shale gas", which also includes an immaterial amount of "conventional natural gas", as such terms are defined in NI 51-101. In addition, NI 51-101 includes condensate within the product type of natural gas liquids. Birchcliff has disclosed condensate separately from other natural gas liquids as the price of condensate as compared to other natural gas liquids is currently significantly higher and Birchcliff believes presenting the two commodities separately provides a more accurate description of its operations and results therefrom.

ABOUT BIRCHCLIFF

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff's common shares, cumulative redeemable preferred shares, Series A (the "**Series A Preferred Shares**") and cumulative redeemable preferred shares, Series C (the "**Series C Preferred Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively. Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2019 (the "**AIF**"), is available on the SEDAR website at www.sedar.com and on the Corporation's website at www.birchcliffenergy.com.

COVID-19 OPERATING ENVIRONMENT

On January 30, 2020, the World Health Organization declared the novel Coronavirus disease ("**COVID-19**") outbreak a public health emergency of international concern and, on March 10, 2020, declared it to be a pandemic. The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions. This has included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty. The COVID-19 pandemic remains an evolving situation that has had, and is expected to continue to have, a significant impact on Birchcliff's business, results of operations, financial condition and the environment in which it operates. See "*Risk Factors and Risk Management"* in this MD&A.

Birchcliff has taken a number of proactive measures to ensure liquidity and financial flexibility in the current environment as described in this MD&A under the heading *"Capital Resources and Liquidity"*. The Corporation has also increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. Birchcliff historically has not experienced any significant collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers.

In response to the COVID-19 pandemic, Birchcliff has implemented a number of initiatives to protect the well-being of its employees and contractors. The Corporation has established a response team to coordinate and implement such initiatives and continues to closely monitor the recommendations of applicable government and health authorities. In addition, the Corporation has established remote working capabilities and procedures to ensure business continuity and the reliability of its operations in the event of future COVID-19 related restrictions or lockdowns.

Birchcliff determined there were no impairment indicators present at September 30, 2020 due to the improvement in the current and forward commodity prices for oil and natural gas and the increase in its market capitalization since March 31, 2020 when impairment indicators were last identified.

See also *"Risk Factors and Risk Management"* in this MD&A.

2020 THIRD QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Delivered adjusted funds flow of $59.4 million ($0.22 per basic common share) in the three month Reporting Period, a 174% increase from the second quarter of 2020 and a 6% decrease from the three month Comparable Prior Period.
- Free funds flow of $28.5 million ($0.11 per basic common share) in the three month Reporting Period, a 146% increase from the second quarter of 2020 and a 25% increase from the three month Comparable Prior Period.
- Achieved quarterly average production of 78,376 boe/d in the three month Reporting Period, a 5% increase from the second quarter of 2020 and a 3% decrease from the three month Comparable Prior Period.
- Achieved record low operating expense of $2.73/boe in the three month Reporting Period, a 6% decrease from the second quarter of 2020 and a 1% decrease from the three month Comparable Prior Period.
- Realized an operating netback of $12.03/boe in the three month Reporting Period, a 76% increase from the second quarter of 2020 and a 23% increase from the three month Comparable Prior Period.
- Reduced total debt at September 30, 2020 by $23.2 million from June 30, 2020.
- Continued with the successful execution of its 2020 capital program (the "**2020 Capital Program**"), completing and bringing on production 14 (14.0 net) wells. F&D capital expenditures in the three month Reporting Period were $30.8 million.

See *"Cash Flow from Operating Activities and Adjusted Funds Flow", "Net Loss to Common Shareholders"*, "*Discussion of Operations", "Capital Expenditures*" and "*Capital Resources and Liquidity*" in this MD&A for further information regarding the financial and operational results for the Reporting Periods and Comparable Prior Periods.

OUTLOOK AND GUIDANCE

Preliminary Outlook for 2021

Based on current strip prices, Birchcliff expects to generate free funds flow of approximately $140 million in 2021(1), with priority being given to debt reduction. Although Birchcliff has not yet finalized its 2021 capital spending plans, it is currently targeting F&D capital spending of $200 million to $220 million and an annual average production rate of 78,000 to 80,000 boe/d. Birchcliff expects to be able to maintain its production at or near 2020 levels with less F&D capital due to the Corporation's high-quality, low-decline assets. Birchcliff expects facilities and infrastructure spending in 2021 to decrease by approximately 70%, from approximately $75 million in 2020 to approximately $20 million in 2021 as a result of one-time facilities and infrastructure projects completed in 2020.

The 2021 capital program will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices. As a result of Birchcliff's large inventory of potential future drilling locations, the Corporation has the ability to focus on natural gas, liquids-rich natural gas or light oil drilling, depending on its outlook for commodity prices.

Birchcliff believes that generating free funds flow and the repayment of debt in 2021 will provide it with the most optionality to take advantage of future opportunities in its industry and give Birchcliff the ability to maximize future shareholder returns. Birchcliff continues to work through its plans for 2021 and expects to announce details of its 2021 capital program and guidance in January 2021.

(1) Assuming the following commodity prices and exchange rate: an average WTI price of US$43.70/bbl; an average WTI-MSW differential of CDN$6.25/bbl; an average AECO 5A price of CDN$2.60/GJ; an average Dawn price of US$2.80/MMBtu; an average NYMEX HH price of US$2.95/MMBtu; and an exchange rate (CDN$ to US$1) of 1.31.

Revised 2020 Guidance

As noted above, Birchcliff is revising its adjusted funds flow guidance to $195 million from $185 million and its annual average production guidance to 76,000 to 77,000 boe/d from 78,000 to 80,000 boe/d. Average production in Q4 2020 is now expected to be 78,000 to 79,000 boe/d (previously 81,000 to 83,000 boe/d). Birchcliff expects to generate significant free funds flow in Q4 2020, which will be directed towards debt reduction. Birchcliff's F&D capital expenditures are expected to be approximately $285 million, which is the mid-point of Birchcliff's previous guidance range of $275 million to $295 million. Birchcliff now anticipates that total debt at year end will be $740 million to $760 million (previously $750 million to $770 million), a further reduction of $24 million to $44 million from total debt at September 30, 2020.

The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2020:

	Revised 2020 guidance and assumptions(1)	Previous 2020 guidance and assumptions(2)(3)
Production		
Annual average production *(boe/d)*	76,000 – 77,000	78,000 – 80,000
% Light oil	6%	7%
% Condensate	8%	8%
% NGLs	9%	9%
% Natural gas	77%	76%
Q4 average production *(boe/d)*	78,000 – 79,000	81,000 – 83,000
Average Expenses *($/boe)*		
Royalty	0.60 – 0.80	0.70 – 0.90
Operating	2.85 – 3.05	2.85 – 3.05
Transportation and other	4.90 – 5.10	5.00 – 5.20
Adjusted Funds Flow *(MM$)*	195(4)	185
F&D Capital Expenditures *(MM$)*	285(5)	275 – 295
Free Funds Flow *(MM$)*(6)	(90)	(90) – (110)
Total Debt at Year End *(MM$)*	740 – 760(7)	750 – 770
Natural Gas Market Exposure(8)		
AECO exposure as a % of total natural gas production	16%	19%

	Revised 2020 guidance and assumptions(1)	Previous 2020 guidance and assumptions(2)(3)
Dawn exposure as a % of total natural gas production	46%	44%
NYMEX HH exposure as a % of total natural gas production	34%	34%
Alliance exposure as a % of total natural gas production	4%	3%
Commodity Prices		
Average WTI price *(US$/bbl)*	37.50	39.00
Average WTI-MSW differential *(CDN$/bbl)*	8.10	8.75
Average AECO 5A price *(CDN$/GJ)*	2.20	2.10
Average Dawn price *(US$/MMBtu)*(9)	1.95	1.90
Average NYMEX HH price *(US$/MMBtu)*(9)	2.10	2.10
Exchange rate *(CDN$ to US$1)*	1.35	1.35

(1) Birchcliff's revised guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2020 is based on an annual average production rate of 76,500 boe/d during 2020, which is the mid-point of Birchcliff's revised annual average production guidance for 2020.

(2) Birchcliff's previous guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2020 was based on an annual average production rate of 79,000 boe/d during 2020, which was the mid-point of Birchcliff's previous annual average production guidance for 2020.

(3) As previously issued on August 12, 2020.

(4) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial commodity risk management contracts outstanding as at November 12, 2020. See *"Discussion of Operations – Risk Management"* in this MD&A.

(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions. See *"Advisories – Capital Expenditures"* in this MD&A.

(6) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions and dispositions, dividend payments, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *"Non-GAAP Measures"* in this MD&A.

(7) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates remaining flat; (ii) that a common share dividend of $0.005 per share is paid for the quarter ending December 31, 2020; (iii) that there are approximately 266 million common shares outstanding; (iv) that there will be 1.96 million Series C Preferred Shares outstanding at December 31, 2020; (v) that the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (vi) the targets for production, commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.

(8) Birchcliff's guidance regarding its natural gas market exposure in 2020 assumes: (i) 175,000 GJ/d being sold at the Dawn index price; (ii) 15,600 GJ/d being sold at Alliance's Trading Pool daily index price; and (iii) 132,500 MMBtu/d being hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(9) See *"Advisories – MMBtu Pricing Conversions"* in this MD&A.

Ongoing weakness in commodity prices resulting from the COVID-19 pandemic and market volatility may adversely and materially impact the Corporation's future financial and operational results. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact may be material. For further information, see *"Advisories – Forward-Looking Statements"* and *"Risk Factors and Risk Management"* in this MD&A.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

The following table sets forth the Corporation's cash flow from operating activities and adjusted funds flow for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Cash flow from operating activities *($000s)*	52,977	48,908	116,749	241,509
Adjusted funds flow *($000s)*	**59,377**	**62,958**	**118,017**	**253,563**
Per common share – basic *($)*	0.22	0.24	0.44	0.95
Per common share – diluted *($)*	0.22	0.24	0.44	0.95
Adjusted funds flow netback *($/boe)*	8.23	8.50	5.69	11.91

Adjusted funds flow in the three and nine month Reporting Periods decreased by 6% and 53%, respectively, from the Comparable Prior Periods. The decrease from the three month Comparable Prior Period was primarily due to a realized loss on financial instruments recorded in the three month Reporting Period as compared to a realized gain in the three month Comparable Prior Period, partially offset by higher reported revenue. Petroleum and natural gas revenue in the three month Reporting Period increased by 9% from the three month Comparable Prior Period largely due to a higher average realized natural gas sales price, partially offset by a decrease in the average light oil and condensate sales prices and a decrease in corporate production.

The decrease in adjusted funds flow from the nine month Comparable Prior Period was primarily due to lower reported revenue and a realized loss on financial instruments recorded in the nine month Reporting Period as compared to a realized gain in the nine month Comparable Prior Period. Petroleum and natural gas revenue in the nine month Reporting Period decreased by 18% from the nine month Comparable Prior Period largely due to lower average realized light oil and condensate sales prices and a decrease in corporate production. Birchcliff's light oil and condensate revenue in the Reporting Periods was impacted by the significant weakness and volatility in oil prices as a result of the COVID-19 pandemic and ensuing global demand destruction.

Adjusted funds flow in the Reporting Periods was also positively impacted by lower operating and royalty expenses, and negatively impacted by higher transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service as compared to the Comparable Prior Periods.

Cash flow from operating activities for the three and nine month Reporting Periods increased by 8% and decreased by 52%, respectively, from the Comparable Prior Periods. The reason for the change is consistent with the explanation for adjusted funds flow; however, cash flow from operating activities was also impacted by changes in non-cash operating working capital and decommissioning expenditures.

The following table sets forth a breakdown of the Corporation's total cash costs on a per unit basis for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
($/boe)	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Royalty expense	0.55	0.76	(28)%	0.56	0.90	(38)%
Operating expense	2.73	2.75	(1)%	2.91	3.10	(6)%
Transportation and other expense	4.49	4.34	3%	4.94	4.41	12%
G&A expense, net	0.67	0.74	(9)%	0.80	0.84	(5)%
Interest expense	0.93	0.77	21%	0.84	0.90	(7)%
Total cash costs	**9.37**	**9.36**	-	**10.05**	**10.15**	**(1)%**

See "*Discussion of Operations*" in this MD&A for further details.

NET LOSS TO COMMON SHAREHOLDERS

The following table sets forth the Corporation's net loss to common shareholders for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Net loss to common shareholders *($000s)*	**17,692**	**46,889**	**102,415**	**40,595**
Per common share – basic *($)*	0.07	0.18	0.39	0.15
Per common share – diluted *($)*	0.07	0.18	0.39	0.15
Net loss to common shareholders *($/boe)*	2.45	6.33	4.94	1.91

The decrease in the net loss to common shareholders from the three month Comparable Prior Period was primarily due to lower unrealized mark-to-market losses on financial instruments, partially offset by lower adjusted funds flow as described above and a decrease in income tax recovery in the three month Reporting Period.

The increase in the net loss to common shareholders from the nine month Comparable Prior Period was primarily due to lower adjusted funds flow and a decrease in income tax recovery, partially offset by lower unrealized mark-to-market losses on financial instruments in the nine month Reporting Period.

POUCE COUPE GAS PLANT NETBACKS

During the nine month Reporting Period, Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through its 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") as compared to 73% and 63%, respectively, during the nine month Comparable Prior Period. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
Average production:				
Condensate *(bbls/d)*		4,126		3,845
NGLs *(bbls/d)*		1,056		871
Natural gas *(Mcf/d)*		238,482		264,699
Total *(boe/d)*		**44,929**		**48,832**
Liquids-to-gas ratio(1) *(bbls/MMcf)*		**21.7**		**17.8**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue(2)	2.87	17.19	3.09	18.55
Royalty expense	(0.05)	(0.30)	(0.05)	(0.32)
Operating expense(3)	(0.37)	(2.17)	(0.35)	(2.10)
Transportation and other expense	(0.88)	(5.30)	(0.75)	(4.47)
Operating netback	**$1.57**	**$9.42**	**$1.94**	**$11.66**
Operating margin(4)	**55%**	**55%**	**63%**	**63%**

(1) Liquids consists of condensate and other NGLs.

(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(3) Represents plant and field operating expense.

(4) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

The Corporation's liquids-to-gas ratio increased by 22% to 21.7 bbls/MMcf in the nine month Reporting Period as compared to 17.8 bbls/MMcf in the nine month Comparable Prior Period primarily due to: (i) the completion of Birchcliff's inlet liquids-handling facility at the Pouce Coupe Gas Plant (the "**Inlet Liquids-Handling Facility**"); and (ii) the addition of the new condensate-rich 14-well pad brought on production in Pouce Coupe in the three month Reporting Period.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

The following table sets forth Birchcliff's P&NG revenue by product category for the Corporation's Pouce Coupe operating assets geologically situated in the dry gas and condensate-rich trends of the Montney/Doig Resource Play (the "**Pouce Coupe assets**"), the Corporation's Gordondale operating assets geologically situated in the oil-rich trend of the Montney/Doig Resource Play (the "**Gordondale assets**") and on a corporate basis for the periods indicated:

	Three months ended September 30, 2020			Three months ended September 30, 2019		
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
Light oil	111	19,544	19,655	-	30,082	30,157
Condensate	25,835	6,428	32,263	26,954	7,942	34,847
NGLs	1,829	7,087	8,917	1,361	5,421	6,782
Natural gas	57,841	24,100	81,940	44,824	13,976	58,800
P&NG sales(2)	85,616	57,159	142,775	73,139	57,421	130,586
Royalty income	1	1	4	4	(4)	2
P&NG revenue	**85,617**	**57,160**	**142,779**	**73,143**	**57,417**	**130,588**
% of corporate P&NG revenue	**60%**	**40%**		**56%**	**44%**	
	Nine months ended September 30, 2020			**Nine months ended September 30, 2019**		
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
Light oil	420	51,811	52,238	-	90,258	90,611
Condensate	53,241	16,751	69,992	72,979	24,085	96,766
NGLs	5,971	19,832	25,802	4,891	19,652	24,543
Natural gas	160,610	61,570	222,180	180,116	56,667	236,785
P&NG sales(2)	220,242	149,964	370,212	257,986	190,662	448,705
Royalty income	3	2	10	11	80	95
P&NG revenue	**220,245**	**149,966**	**370,222**	**257,997**	**190,742**	**448,800**
% of corporate P&NG revenue	**59%**	**41%**		**57%**	**43%**	

(1) Includes other minor oil and natural gas properties that were not individually significant during the respective periods.

(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

On a corporate basis, P&NG revenue increased by 9% and decreased by 18% from the three and nine month Comparable Prior Periods, respectively. Petroleum and natural gas revenue increased in the three month Reporting Period largely due to a higher average realized natural gas sales price received for Birchcliff's production, partially offset by lower average realized light oil and condensate sales prices received for Birchcliff's production and a decrease in corporate production as compared to the three month Comparable Prior Period. Petroleum and natural gas revenue decreased in the nine month Reporting Period largely due to lower average realized light oil and condensate sales prices received for Birchcliff's production and a decrease in corporate production, partially offset by a higher average realized natural gas sales price.

Actions taken around the world to mitigate the spread of COVID-19 resulted in significant weakness and volatility in oil prices which negatively impacted Birchcliff's light oil and condensate revenue in the Reporting Periods. Natural gas revenue was negatively impacted by lower natural gas production and lower benchmark prices in non-AECO markets, partially offset by higher benchmark prices in AECO markets during the Reporting Periods.

Production

The following table sets forth Birchcliff's production by product category for the Pouce Coupe assets, the Gordondale assets and on a corporate basis for the periods indicated:

			Three months ended September 30, 2020			**Three months ended September 30, 2019**
	Pouce Coupe assets	**Gordondale assets**	**Corporate[1]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[1]**
Light oil *(bbls/d)*	25	4,380	4,405	9	4,868	4,882
Condensate *(bbls/d)*	5,845	1,421	7,266	4,465	1,279	5,744
NGLs *(bbls/d)*	1,132	5,766	6,898	1,032	6,527	7,559
Natural gas *(Mcf/d)*	249,837	109,014	358,851	282,286	91,892	374,180
Production *(boe/d)*	**48,641**	**29,735**	**78,376**	**52,554**	**27,990**	**80,548**
Liquids-to-gas ratio *(bbls/MMcf)*	**28.0**	**106.1**	**51.7**	**19.5**	**137.9**	**48.6**
% of corporate production	**62%**	**38%**		**65%**	**35%**	
			Nine months ended September 30, 2020			**Nine months ended September 30, 2019**
	Pouce Coupe assets	**Gordondale assets**	**Corporate[1]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[1]**
Light oil *(bbls/d)*	38	4,661	4,700	16	4,826	4,845
Condensate *(bbls/d)*	4,241	1,304	5,545	3,995	1,231	5,226
NGLs *(bbls/d)*	1,134	6,303	7,436	924	6,154	7,078
Natural gas *(Mcf/d)*	248,094	99,693	347,787	275,591	89,401	364,996
Production *(boe/d)*	**46,761**	**28,883**	**75,645**	**50,867**	**27,112**	**77,982**
Liquids-to-gas ratio *(bbls/MMcf)*	**21.8**	**123.1**	**50.8**	**17.9**	**136.6**	**47.0**
% of corporate production	**62%**	**38%**		**65%**	**35%**	

(1) Includes other minor oil and natural gas properties that were not individually significant during the respective periods.

Birchcliff's corporate production decreased by 3% from the three and nine month Comparable Prior Periods. The decreases were primarily due to the on-stream timing of incremental production from new horizontal oil and condensate-rich natural gas wells in Gordondale and Pouce Coupe during the Reporting Periods, as well as natural production declines and ongoing impacts of frac-driven interaction. In order to manage the higher condensate and frac water flowback volumes associated with the new 14-well pad brought on production in July and August 2020, Birchcliff proactively and temporarily restricted production of existing wells in Pouce Coupe during the three month Reporting Period.

Corporate liquids production increased by 2% and 3% from the three and nine month Comparable Prior Periods, respectively. The corporate liquids-to-gas ratio (liquids yield) increased by 6% and 8% from the three and nine month Comparable Prior Periods, respectively. These increases were largely attributable to incremental production from new condensate-rich natural gas wells that were brought on production in Pouce Coupe.

The following table sets forth Birchcliff's production weighting by product category for its Pouce Coupe and Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Pouce Coupe assets	Gordondale assets	Corporate[1]	Pouce Coupe assets	Gordondale assets	Corporate[1]
% Light oil production	-	15%	6%	-	17%	6%
% Condensate production	12%	5%	9%	9%	5%	8%
% NGLs production	2%	19%	9%	2%	23%	9%
% Natural gas production	86%	61%	76%	89%	55%	77%
	Nine months ended September 30, 2020			**Nine months ended September 30, 2019**		
	Pouce Coupe assets	Gordondale assets	Corporate[1]	Pouce Coupe assets	Gordondale assets	Corporate[1]
% Light oil production	-	16%	6%	-	18%	6%
% Condensate production	10%	5%	7%	8%	5%	7%
% NGLs production	2%	22%	10%	2%	23%	9%
% Natural gas production	88%	57%	77%	90%	54%	78%

(1) Includes other minor oil and natural gas properties that were not individually significant during the respective periods.

Birchcliff's corporate liquids accounted for approximately 24% and 23% of total production in three and nine month Reporting Periods, respectively, as compared to approximately 23% and 22% in the Comparable Prior Periods.

Commodity Prices

The following table sets forth the average benchmark index prices and exchange rate for the periods indicated:

	Three months ended September 30,		
	2020	2019	Change
Light oil – WTI Cushing *(US$/bbl)*	40.27	56.45	(29)%
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	48.09	67.88	(29)%
Natural gas – NYMEX HH *(US$/MMBtu)*[1]	1.98	2.23	(11)%
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.13	0.86	148%
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*[1]	1.62	0.79	105%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*[1]	1.82	2.12	(14)%
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.12	0.93	128%
Exchange rate *(CDN$ to US$1)*	1.3316	1.3207	1%
Exchange rate *(US$ to CDN$1)*	0.7509	0.7572	(1)%
	Nine months ended September 30,		
	2020	**2019**	**Change**
Light oil – WTI Cushing *(US$/bbl)*	37.68	57.06	(34)%
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	41.50	69.07	(40)%
Natural gas – NYMEX HH *(US$/MMBtu)*[1]	1.86	2.67	(30)%
Natural gas – AECO 5A Daily *(CDN$/GJ)*	1.98	1.44	38%
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*[1]	1.52	1.04	46%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*[1]	1.74	2.46	(29)%
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	1.80	1.58	14%
Exchange rate *(CDN$ to US$1)*	1.3539	1.3292	2%
Exchange rate *(US$ to CDN$1)*	0.7386	0.7523	(2)%

(1) See "*Advisories – MMBtu Pricing Conversions*" in this MD&A.

Birchcliff sells substantially all of its light oil based on the MSW benchmark price and substantially all of its natural gas production based on the AECO and Dawn benchmark prices. Effective November 1, 2019, Birchcliff increased its firm service transportation to Dawn by 25,000 GJ/d, bringing its total natural gas production receiving the Dawn benchmark price to 175,000 GJ/d (see *"Discussion of Operations – Petroleum and Natural Gas Revenue – Natural Gas Sales, Production and Average Realized Sales Price"* in this MD&A). Birchcliff has also financially diversified a portion of its AECO production to NYMEX HH-based pricing beginning January 1, 2019 (see *"Discussion of Operations – Risk Management"* in this MD&A). The average realized sales prices the Corporation receives for its light oil and natural gas production depend on a number of factors, including the average benchmark trading hub prices for crude oil and natural gas, the US to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on its natural gas production.

The benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for crude oil. The principal benchmark trading exchanges that Birchcliff compares its oil price to are the WTI price and the MSW price. The differential between the WTI price and the MSW price can fluctuate due to a number of factors, including, but not limited to, domestic oil supply and demand balance, North American refinery utilization rates and inventory levels and pipeline infrastructure capacity connecting key consuming oil markets. In late February 2020, benchmark oil index prices started a significant drop predominately due to the COVID-19 pandemic, resulting in oil demand destruction and widening of the oil price differentials. Since the onset of the COVID-19 pandemic, significant effort has been made by global oil producers to rebalance the markets which has resulted in an improvement in oil benchmark index prices and a tightening of the WTI/MSW oil price differential throughout the Reporting Periods.

Canadian natural gas prices are mainly influenced by North American supply and demand fundamentals which can be impacted by a number of factors, including, but not limited to, production growth levels, weather-related conditions in key consuming natural gas markets, changing demographics, economic growth, inventory levels, access to underground storage, net import and export markets, pipeline supply takeaway capacity, maintenance on key natural gas infrastructure, cost of competing renewable and non-renewable energy alternatives, drilling and completion rates and efficiencies in extracting natural gas from North American natural gas basins. The decline in benchmark natural gas index prices in non-AECO markets since the Comparable Prior Periods were primarily due to an increased supply and demand imbalance in North America during the Reporting Periods. The AECO benchmark natural gas index prices have increased since the Comparable Prior Periods largely due to an improved supply and demand balance in Western Canada.

The following table sets forth Birchcliff's average realized light oil, condensate, NGLs and natural gas sales prices for the periods indicated:

		Three months ended September 30,	
	2020	**2019**	**Change**
Light oil *($/bbl)*	48.50	67.15	(28)%
Condensate *($/bbl)*	48.27	65.94	(27)%
NGLs *($/bbl)*	14.05	9.75	44%
Natural gas *($/Mcf)*	2.48	1.71	45%
Average realized sales price *($/boe)*[(1)]	**19.80**	**17.62**	**12%**
		Nine months ended September 30,	
	2020	**2019**	**Change**
Light oil *($/bbl)*	40.57	68.50	(41)%
Condensate *($/bbl)*	46.07	67.82	(32)%
NGLs *($/bbl)*	12.66	12.70	-
Natural gas *($/Mcf)*[(2)]	2.33	2.38	(2)%
Average realized sales price *($/boe)*[(1)]	**17.86**	**21.08**	**(15)%**

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(2) The average realized sales price for the nine month Comparable Prior Period also includes the effects of physical natural gas delivery contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu, which settled in the first quarter of 2019.

For further production and average realized pricing details for Birchcliff's Pouce Coupe assets and Gordondale assets, see "*Discussion of Operations – Operating Netbacks*" in this MD&A.

Natural Gas Sales, Production and Average Realized Sales Price

The following table sets forth Birchcliff's sales, average daily production and average realized sales price by natural gas market for the periods indicated:

	Three months ended September 30, 2020					Three months ended September 30, 2019				
	Natural gas sales *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	40,259	49	181,984	51	2.41	20,343	34	225,991	60	0.98
Dawn[(2)]	37,723	46	158,745	44	2.58	37,528	64	137,018	37	2.98
Alliance[(3)]	3,958	5	18,122	5	2.37	929	2	11,171	3	0.90
Total	**81,940**	**100**	**358,851**	**100**	**2.48**	**58,800**	**100**	**374,180**	**100**	**1.71**

	Nine months ended September 30, 2020					Nine months ended September 30, 2019				
	Natural gas sales *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	108,451	49	178,134	51	2.23	87,075	37	212,554	58	1.48
Dawn[(2)]	107,943	48	159,024	46	2.48	141,493	60	137,020	38	3.78
Alliance[(3)]	5,786	3	10,629	3	1.99	8,217	3	15,422	4	1.95
Total	**222,180**	**100**	**347,787**	**100**	**2.33**	**236,785**	**100**	**364,996**	**100**	**2.38**

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(2) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available on November 1, 2017, the second tranche (30,000 GJ/d) became available on November 1, 2018 and the third tranche (25,000 GJ/d) became available on November 1, 2019. Each tranche has a 10-year term. During the nine month Comparable Prior Period, Birchcliff had in place physical natural gas delivery contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu, which settled in the first quarter of 2019.

(3) Birchcliff has sales agreements with a third-party marketer to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

Risk Management

Birchcliff engages in risk management activities by utilizing various financial instruments and physical delivery contracts to diversify its sales points or fix commodity prices and market interest rates. Subject to compliance with the agreement governing the Corporation's extendible revolving credit facilities (the "**Credit Facilities**"), the Board of Directors has authorized the Corporation to execute a risk management strategy whereby Birchcliff is authorized to enter into agreements and financial or physical transactions with one or more counterparties from time to time that are intended to reduce the risk to the Corporation from volatility in future commodity prices, foreign exchange rates and/or interest rates.

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position on a mark-to-market fair value basis at September 30, 2020, with the changes in fair value being recognized as a non-cash unrealized gain or loss in profit or loss and realized upon settlement. These contracts are not entered into for trading or speculative purposes.

At September 30, 2020, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term(1)	Contract Price
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu
Natural gas	AECO 7A basis swap(2)	15,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu
Natural gas	AECO 7A basis swap(2)	12,500 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu
Natural gas	AECO 7A basis swap(2)	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu
Natural gas	AECO 7A basis swap(2)	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu

(1) Transactions with common terms and the same counterparty have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

There were no financial derivative contracts entered into subsequent to September 30, 2020.

Birchcliff also enters into physical delivery contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

At September 30, 2020, the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap(1)	5,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to September 30, 2020.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's Credit Facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not directly exposed to interest rate risk.

At September 30, 2020, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term(1)	Notional value	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR(2)	Oct. 1 2020 – Mar. 1, 2024	$350 million	2.215%

(1) Transactions with common terms and the same counterparty have been aggregated and presented at the weighted average price.

(2) Canadian Dollar Offered Rate ("**CDOR**").

Realized and Unrealized Gains and Losses on Financial Instruments

The following table provides a summary of the realized and unrealized gains and losses on financial instruments for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Realized gain (loss)	(16,440)	(2.28)	1,603	0.22	(47,846)	(2.31)	20,238	0.95
Unrealized loss	(25,632)	(3.55)	(60,915)	(8.22)	(77,683)	(3.75)	(146,163)	(6.87)

Birchcliff realized a cash loss of $16.4 million and $47.8 million during the three and nine month Reporting Periods, respectively, primarily due to the settlement of financial NYMEX HH/AECO basis swap contracts that were outstanding in those periods.

Birchcliff recorded an unrealized non-cash loss on financial instruments of $25.6 million and $77.7 million in the three and nine month Reporting Periods, respectively, primarily due to the increase in the fair value liability of the Corporation's financial instruments to $210.3 million at September 30, 2020 from a liability position of $184.7 million and $132.6 million at June 30, 2020 and December 31, 2019, respectively. The fair value of the liability is the estimated discounted value to settle outstanding financial contracts at a point in time. The change in the fair value of Birchcliff's financial instruments was primarily attributable to: (i) the decrease in the forward basis spread between NYMEX HH and AECO 7A for contracts outstanding at September 30, 2020 as compared to the fair value previously assessed at June 30, 2020 and December 31, 2019; and (ii) the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Periods.

The unrealized gains and losses on financial instruments can fluctuate materially from period-to-period due to movement in the forward strip commodity prices and interest rates. Unrealized gains and losses on financial instruments do not impact adjusted funds flow and may differ materially from the actual gains or losses realized on the eventual cash settlement of financial contracts in the period.

Royalties

The following table sets forth Birchcliff's royalty expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Royalty expense *($000s)*[1]	3,935	5,633	11,682	19,189
Royalty expense *($/boe)*	0.55	0.76	0.56	0.90
Effective royalty rate *(%)*[2]	3%	5%	3%	4%

(1) Royalties are paid primarily to the Government of Alberta.

(2) The effective royalty rate is calculated by dividing the aggregate royalties into P&NG sales for the period.

Birchcliff's per unit royalties decreased by 28% and 38% from the three and nine month Comparable Prior Periods, respectively, primarily due to the decline in the average realized light oil and condensate sales prices in the Reporting Periods and the effect these prices had on the sliding scale royalty calculation.

Operating Expense

The following table sets forth a breakdown of Birchcliff's operating expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Field operating expense	21,380	21,766	64,130	68,776
Recoveries	(1,712)	(1,409)	(3,715)	(2,850)
Operating expense	**19,668**	**20,357**	**60,415**	**65,926**
Operating expense per boe	**$2.73**	**$2.75**	**$2.91**	**$3.10**

On a per unit basis, operating expense decreased by 1% and 6% from the three and nine month Comparable Prior Periods, respectively. The decreases were primarily due to various field optimization and cost-saving initiatives in Pouce Coupe and Gordondale, which included the Corporation's expanded liquids-handling capabilities in Pouce Coupe. Birchcliff's operating cost structure remained largely unaffected by the COVID-19 pandemic in the Reporting Periods.

Transportation and Other

The following table sets forth Birchcliff's transportation and other expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Natural gas transportation	25,982	23,333	79,505	70,611
Liquids transportation	7,373	7,362	21,301	20,023
Fractionation(1)	(36)	1,454	3,246	3,125
Other fees	30	32	95	98
Transportation expense	33,349	32,181	104,147	93,857
Transportation expense per boe	$4.62	$4.34	$5.02	$4.41
Marketing purchases(2)	3,532	-	9,975	-
Marketing revenue(2)	(4,422)	-	(11,798)	-
Marketing gain(2)	(890)	-	(1,823)	-
Marketing gain per boe	$(0.13)	-	$(0.08)	-
Transportation and other expense	**32,459**	**32,181**	**102,324**	**93,857**
Transportation and other expense per boe	**$4.49**	**$4.34**	**$4.94**	**$4.41**

(1) Includes a $1.4 million prior-period equalization credit from third-party fractionation operators recorded in the three month Reporting Period.

(2) Marketing purchases and marketing revenue mainly represent the volumes purchased and sold to third parties, which are recorded on a gross basis for financial statement presentation purposes. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. Any gains or losses from the purchase and sale of third-party products relate to the commodity price differential.

On a per unit basis, transportation expense increased by 6% and 14% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to: (i) an additional 25,000 GJ/d of firm service transportation to Dawn that became available on November 1, 2019; (ii) additional AECO firm service transportation associated with Birchcliff's commitments on the NGTL system; and (iii) increased total liquids production in the Reporting Periods.

Operating Netback

The following table sets forth Birchcliff's average production and operating netback for the Corporation's Pouce Coupe assets, Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Pouce Coupe assets:				
Average production:				
Light oil *(bbls/d)*	25	9	38	16
Condensate *(bbls/d)*	5,845	4,465	4,241	3,995
NGLs *(bbls/d)*	1,132	1,032	1,134	924
Natural gas *(Mcf/d)*	249,837	282,286	248,094	275,591
Total *(boe/d)*	**48,641**	**52,554**	**46,761**	50,867
% of corporate production	62%	65%	62%	65%
Liquids-to-gas ratio *(bbls/MMcf)*	28.0	19.5	21.8	17.9
Netback and cost ($/boe):				
Petroleum and natural gas revenue[1]	19.13	15.13	17.19	18.58
Royalty expense	(0.27)	(0.27)	(0.34)	(0.37)
Operating expense	(1.95)	(1.66)	(2.12)	(2.02)
Transportation and other expense	(4.90)	(4.38)	(5.26)	(4.52)
Operating netback	**12.01**	**8.82**	**9.47**	**11.67**
Gordondale assets:				
Average production:				
Light oil *(bbls/d)*	4,380	4,868	4,661	4,826
Condensate *(bbls/d)*	1,421	1,279	1,304	1,231
NGLs *(bbls/d)*	5,766	6,527	6,303	6,154
Natural gas *(Mcf/d)*	109,014	91,892	99,693	89,401
Total *(boe/d)*	**29,735**	**27,990**	**28,883**	**27,112**
% of corporate production	38%	35%	38%	35%
Liquids-to-gas ratio *(bbls/MMcf)*	106.1	137.9	123.1	136.6
Netback and cost ($/boe):				
Petroleum and natural gas revenue[1]	20.90	22.30	18.95	25.77
Royalty expense	(0.99)	(1.68)	(0.93)	(1.90)
Operating expense	(3.97)	(4.77)	(4.18)	(5.07)
Transportation and other expense	(3.87)	(4.27)	(4.40)	(4.20)
Operating netback	**12.07**	**11.58**	**9.44**	**14.60**
Total Corporate:				
Average production:				
Light oil *(bbls/d)*	4,405	4,882	4,700	4,845
Condensate *(bbls/d)*	7,266	5,744	5,545	5,226
NGLs *(bbls/d)*	6,898	7,559	7,436	7,078
Natural gas *(Mcf/d)*	358,851	374,180	347,787	364,996
Total *(boe/d)*[2]	**78,376**	**80,548**	**75,645**	**77,982**
Liquids-to-gas ratio *(bbls/MMcf)*	51.7	48.6	50.8	47.0
Netback and cost ($/boe):				
Petroleum and natural gas revenue[1]	19.80	17.62	17.86	21.08
Royalty expense	(0.55)	(0.76)	(0.56)	(0.90)
Operating expense	(2.73)	(2.75)	(2.91)	(3.10)
Transportation and other expense	(4.49)	(4.34)	(4.94)	(4.41)
Operating netback	**12.03**	**9.77**	**9.45**	**12.67**

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(2) Includes other minor oil and natural gas properties which were not individually significant.

Pouce Coupe Montney/Doig Resource Play

Birchcliff's average production from its Pouce Coupe assets was 48,641 boe/d in the three month Reporting Period and 46,761 boe/d in the nine month Reporting Period, a 7% and 8% decrease, respectively, from the Comparable Prior Periods. The decreases were primarily due to natural production declines, proactive temporary production shut-ins to minimize frac-driven interaction and scheduled facility maintenance, partially offset by the incremental production from new horizontal condensate-rich natural gas wells that were brought on production in Pouce Coupe in the Reporting Periods. Production from the Pouce Coupe assets was also impacted by the on-stream timing of incremental production from the new condensate-rich 14-well pad which was brought on production in July and August 2020.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets was 28.0 bbls/MMcf in the three month Reporting Period and 21.8 bbls/MMcf in the nine month Reporting Period, a 44% and 22% increase, respectively from the Comparable Prior Periods. The increases were primarily due to higher condensate recoveries and lower natural gas production rates from the new 14-well pad brought on production in Pouce Coupe in the three month Reporting Period.

Royalty expense for the Pouce Coupe assets was $0.27/boe in the three month Reporting Period and $0.34/boe in the nine month Reporting Period. Royalty expense in the three month Reporting Period was the same as the three month Comparable Prior Period. Royalty expense in the nine month Reporting Period decreased by 8% from the nine month Comparable Prior Period primarily due to the decline in the average realized condensate sales price and the effect this price had on the sliding scale royalty calculation.

Operating expense for the Pouce Coupe assets was $1.95/boe in the three month Reporting Period and $2.12/boe in the nine month Reporting Period, a 17% and 5% increase, respectively from the Comparable Prior Periods. The increases were primarily due to increased costs associated with higher total liquids production in Pouce Coupe as compared with the Comparable Prior Periods.

Transportation and other expense for the Pouce Coupe assets was $4.90/boe in the three month Reporting Period and $5.26/boe in the nine month Reporting Period, a 12% and 16% increase, respectively, from the Comparable Prior Periods. The increases were primarily due to additional firm service transportation to AECO and Dawn sales trading hubs and increased total liquids production in Pouce Coupe.

Gordondale Montney/Doig Resource Play

Birchcliff's average production from its Gordondale assets was 29,735 boe/d in the three month Reporting Period and 28,883 boe/d in the nine month Reporting Period, a 6% and 7% increase, respectively, from the Comparable Prior Periods. Production in the Reporting Periods increased primarily due to the incremental production from new horizontal oil wells that were brought on production in Gordondale since the Comparable Prior Periods, partially offset by natural production declines.

Birchcliff's liquids-to-gas ratio for the Gordondale assets was 106.1 bbls/MMcf in the three month Reporting Period and 123.1 bbls/MMcf in the nine month Reporting Period, a 23% and 10% decrease, respectively from the Comparable Prior Periods. The decreases were primarily due to higher natural gas production rates on the incremental production from the new horizontal oil wells that were brought on production in Gordondale.

Royalty expense for the Gordondale assets was $0.99/boe in the three month Reporting Period and $0.93/boe in the nine month Reporting Period, a 41% and 51% decrease, respectively, from the Comparable Prior Periods. The decreases were primarily due to the decline in the average realized light oil and condensate sales prices and the effect these prices had on the sliding scale royalty calculation.

Operating expense for the Gordondale assets was $3.97/boe in the three month Reporting Period and $4.18/boe in the nine month Reporting Period, a 17% and 18% decrease, respectively, from the Comparable Prior Periods. The decreases were primarily due to various field optimization initiatives which increased operating efficiencies in the Gordondale area.

Transportation and other expense for the Gordondale assets was $3.87/boe in the three month Reporting Period and $4.40/boe in the nine month Reporting Period, a 9% decrease and 5% increase, respectively, from the Comparable Prior Periods. The decrease in the three month Reporting Period was primarily due to an approximately $1.4 million prior-period equalization credit from third-party fractionation operators recorded in the three month Reporting Period. The increase in the nine month Reporting Period was primarily due to additional firm service transportation to AECO and Dawn sales trading hubs.

Administrative Expense

The following table sets forth the components of Birchcliff's net administrative expense for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	($000s)	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*
Cash:								
Salaries and benefits(1)	6,007	70	5,712	64	18,464	67	17,774	63
Other(2)	2,520	30	3,276	36	9,234	33	10,617	37
G&A expense, gross	8,527	100	8,988	100	27,698	100	28,391	100
Operating overhead recoveries	(32)	(1)	(36)	(1)	(100)	(1)	(115)	(1)
Capitalized overhead(3)	(3,691)	(42)	(3,480)	(38)	(11,011)	(39)	(10,496)	(36)
G&A expense, net	4,804	57	5,472	61	16,587	60	17,780	63
G&A expense, net per boe	$0.67		$0.74		$0.80		$0.84	
Non-cash:								
Other compensation	1,274	100	1,747	100	4,224	100	6,799	100
Capitalized compensation(3)	(702)	(55)	(988)	(57)	(2,357)	(56)	(3,319)	(49)
Other compensation, net	572	45	759	43	1,867	44	3,480	51
Other compensation, net per boe	$0.08		$0.10		$0.09		$0.16	
Administrative expense, net	**5,376**		**6,231**		**18,454**		**21,260**	
Administrative expense, net per boe	**$0.75**		**$0.84**		**$0.89**		**$1.00**	

(1) Includes salaries and benefits paid to officers and employees of the Corporation and retainer fees, meeting fees and benefits paid to directors of the Corporation.

(2) Includes costs such as rent, legal, tax, insurance, computer hardware and software and other business expenses incurred by the Corporation.

(3) Includes a portion of gross G&A expenses and other compensation directly attributable to the exploration and development activities of the Corporation, which have been capitalized.

G&A expense in the Reporting Periods remained largely consistent with the Comparable Prior Periods. Other compensation expense decreased by 27% and 38% from the three and nine month Comparable Prior Periods, respectively, primarily due to a decrease in stock-based compensation expense resulting from lower fair value stock option grants outstanding during the Reporting Periods.

There was no significant impact to net administrative expenses during the Reporting Periods as a result of the COVID-19 pandemic.

The following table sets forth the Corporation's outstanding stock options for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	Number	**Price *($)*(1)**	**Number**	**Price *($)*(1)**	**Number**	**Price *($)*(1)**	**Number**	**Price *($)*(1)**
Outstanding, beginning	21,139,001	4.00	18,506,468	4.88	23,483,368	4.28	15,847,570	5.74
Granted(2)	53,000	1.16	136,000	2.36	177,500	1.20	4,955,200	3.51
Exercised	-	-	-	-	-	-	(23,867)	(3.08)
Forfeited	(8,500)	(1.18)	(33,901)	(3.70)	(66,067)	(2.93)	(202,402)	(4.28)
Expired	(49,000)	(6.47)	(76,199)	(6.46)	(2,460,300)	(6.59)	(2,044,133)	(8.56)
Outstanding, ending	**21,134,501**	**3.99**	**18,532,368**	**4.85**	**21,134,501**	**3.99**	**18,532,368**	**4.85**

(1) Calculated on a weighted average basis.

(2) Each stock option granted entitles the holder to purchase one common share at the exercise price.

At September 30, 2020, there were also 2,939,732 performance warrants outstanding with an exercise price of $3.00 and an expiry date of January 31, 2025.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved plus probable reserve additions, the F&D costs attributable to those reserves, the associated future development costs required to recover those reserves and the actual production in the relevant period. The Corporation determines its D&D expense on a field area basis. The following table sets forth Birchcliff's D&D expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Depletion and depreciation expense	**54,374**	**56,108**	**158,205**	**159,808**
Depletion and depreciation expense per boe	**$7.54**	**$7.57**	**$7.63**	**$7.51**

D&D expense on an aggregate basis for the Reporting Periods was lower as compared to Comparable Prior Periods primarily due to a decrease in production.

Finance Expense

The following table sets forth the components of the Corporation's finance expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Cash:				
Interest expense(1)	6,736	5,689	17,415	19,221
Interest expense per boe(1)	$0.93	$0.77	$0.84	$0.90
Non-cash:				
Accretion(2)	627	995	2,186	2,554
Amortization of deferred financing fees	249	386	981	1,142
Other expenses	876	1,381	3,167	3,696
Other expenses per boe	$0.12	$0.18	$0.16	$0.17
Finance expense	**7,612**	**7,070**	**20,582**	**22,917**
Finance expense per boe	**$1.05**	**$0.95**	**$1.00**	**$1.07**

(1) The Credit Facilities are comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. Birchcliff can draw on its Syndicated Credit Facility using CDN dollar denominated bankers' acceptances and US dollar denominated LIBOR loans. The average effective interest rate under the Syndicated Credit Facility is determined based on: (i) the market interest rate of its drawn bankers' acceptances and/or LIBOR loans; and (ii) stamping fees. Birchcliff's stamping fees are calculated using a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to the trailing four quarter EBITDA as calculated in accordance with the Corporation's agreement governing the Credit Facilities. EBITDA is defined as earnings before interest and non-cash items, including (if any) income taxes, other compensation, gains and losses on sale of assets, unrealized gains and losses on financial instruments, gains and losses on securities, depletion, depreciation and amortization and impairment charges.

(2) Includes accretion on decommissioning obligations, lease obligations and post-employment benefit obligations.

Birchcliff's aggregate interest expense in the three and nine month Reporting Periods increased by 18% and decreased by 9%, respectively, from the Comparable Prior Periods.

The increase in the three month Reporting Period was primarily due to a higher average outstanding Syndicated Credit Facility balance as compared to the three month Comparable Prior Period and higher stamping fees applicable to the Syndicated Credit Facility, partially offset by lower average market interest rates on drawn loans.

The decrease in the nine month Reporting Period was primarily due to lower average market interest rates on drawn loans and lower stamping fees applicable to the Syndicated Credit Facility, partially offset by a higher average outstanding Syndicated Credit Facility balance as compared to the nine month Comparable Prior Period.

The following table sets forth the Corporation's average effective interest rates under its Credit Facilities for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Working Capital Facility	4.0%	4.7%	4.0%	4.7%
Syndicated Credit Facility(1)	3.4%	3.7%	3.2%	4.3%

(1) Average effective interest rate is mainly comprised of stamping fees and market interest rate component on drawn loans.

Birchcliff's average outstanding total Credit Facilities balance was approximately $773 million and $688 million in the three and nine month Reporting Periods, respectively, as compared to $614 million and $603 million in the Comparable Prior Periods, calculated as the simple average of the month-end amounts.

Other Income

The following table sets forth the components of the Corporation's other cash income for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Other income	**640**	**0.08**	**99**	**0.02**	**4,064**	**0.19**	**498**	**0.03**

Birchcliff's other cash income includes wage subsidy assistance under the Federal Government's Canada Emergency Wage Subsidy Program of $0.6 million and $3.4 million in the three and nine month Reporting Periods, respectively.

Other Gains and Losses

The following table sets forth the components of the Corporation's other non-cash gains and losses for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Other (gains) and losses(1)	**(1,100)**	**(0.15)**	**-**	**-**	**1,563**	**0.08**	**5,593**	**0.26**

(1) Primarily comprised of non-cash long-term investments gains and losses.

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 common A units in a limited partnership and 10,000,000 preferred units in a trust (collectively, the "**Securities**") at a combined investment value of $10 million. The Securities are not publicly listed and do not constitute significant investments. Birchcliff recorded a gain on investment of $1.1 million during the three month Reporting Period and a loss on investment of $2.0 million during the nine month Reporting Period.

Income Taxes

The following table sets forth the components of the Corporation's income taxes for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2020	2019	2020	2019
Deferred tax recovery	5,953	12,005	30,102	32,653
Dividend tax expense on preferred shares	(763)	(768)	(2,300)	(2,306)
Income tax recovery	**5,190**	**11,237**	**27,802**	**30,347**
Income tax recovery per boe	**$0.73**	**$1.50**	**$1.36**	**$1.42**

Birchcliff's income taxes are primarily impacted by the before-tax net losses recorded in the respective periods. During the nine month Comparable Prior Period, Birchcliff recorded a deferred tax recovery of $18.9 million related to the reduction in the general corporate income tax rate from 12% to 8% as set forth by the Government of Alberta.

The Corporation's estimated income tax pools were $2.2 billion at September 30, 2020. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

($000s)	**Tax pools as at September 30, 2020**
Canadian oil and gas property expense	401,744
Canadian development expense	478,995
Canadian exploration expense	314,680
Undepreciated capital costs	336,253
Non-capital losses	641,415
SR&ED[(1)] & Investment tax credits	23,940
Financing costs and other	7,793
Estimated income tax pools	**2,204,820**

(1) Scientific research and experimental development ("**SR&ED**") tax pools.

CAPITAL EXPENDITURES

The following table sets forth a summary of the Corporation's capital expenditures for the periods indicated:

	Three months ended September 30,		**Nine months ended September 30,**	
($000s)	**2020**	**2019**	**2020**	**2019**
Land	290	733	1,319	1,985
Seismic	163	304	681	4,087
Workovers	2,609	1,563	9,218	6,039
Drilling and completions	15,201	27,814	145,262	137,705
Well equipment and facilities	12,579	9,778	90,196	49,779
Finding and development capital	30,842	40,192	246,676	199,595
Acquisitions	-	1,209	14	40,608
Finding, development and acquisition capital	30,842	41,401	246,690	240,203
Administrative assets	351	220	1,316	1,908
Total capital expenditures	**31,193**	**41,621**	**248,006**	**242,111**

During the three month Reporting Period, Birchcliff had total capital expenditures of $31.2 million, which included approximately $13.8 million (44%) on the completion of Montney horizontal wells in Pouce Coupe, $1.4 million (4%) on the completion of Montney horizontal wells in Gordondale, and $3.6 million (12%) on the Inlet Liquids-Handling Facility.

During the nine month Reporting Period, Birchcliff had total capital expenditures of $248.0 million, which included approximately $98.4 million (40%) on the drilling and completion of Montney horizontal wells in Pouce Coupe, $46.8 million (19%) on the drilling and completion of Montney horizontal wells in Gordondale, $23.9 million (10%) on pipeline twinning and battery compression projects in Gordondale, and $34.7 million (14%) on the Inlet Liquids-Handling Facility.

During the nine month Reporting Period, Birchcliff drilled 20 (20.0 net) wells and completed 24 (24.0 net) wells in Pouce Coupe and drilled 8 (8.0 net) wells and completed 10 (10.0 net) wells in Gordondale.

The remaining capital during the Reporting Periods was primarily spent on land, seismic, infrastructure expansion, gas gathering and optimization projects in the Montney/Doig Resource Play and other oil and gas development projects in the Peace River Arch.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Capital Resources

The following table sets forth a summary of the Corporation's capital resources for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Adjusted funds flow	59,377	62,958	118,017	253,563
Changes in non-cash working capital from operations	(6,220)	(13,531)	(292)	(10,211)
Decommissioning expenditures	(180)	(519)	(976)	(1,843)
Exercise of stock options	-	-	-	73
Repurchase of equity securities	(25)	-	(635)	-
Financing fees paid on credit facilities	-	-	-	(990)
Lease payments	(573)	(537)	(1,719)	(1,611)
Dividends paid	(3,235)	(8,902)	(15,387)	(26,707)
Net change in revolving term credit facilities	18,365	16,041	161,703	33,445
Deposit on acquisition	-	-	-	3,900
Changes in non-cash working capital from investing	(36,343)	(13,840)	(12,742)	(7,491)
Capital resources	**31,166**	**41,670**	**247,969**	**242,128**

The capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations. Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities. The COVID-19 pandemic has had a significant negative impact on oil prices and global capital markets. The disruption and volatility that has resulted from the COVID-19 pandemic may continue and could impact future oil price recovery and increase future costs of capital. Notwithstanding this, the Corporation believes that its internally generated adjusted funds flow and its existing undrawn Credit Facilities will provide sufficient liquidity to fund the remainder of its 2020 Capital Program and future capital expenditures, dividend distributions and working capital requirements for the foreseeable future. Birchcliff's adjusted funds flow depends on a number of factors, including, but not limited to, commodity prices and market diversification initiatives, production and sales volumes, royalties, operating and transportation expenses and foreign exchange rates.

The Corporation closely monitors commodity prices and its capital spending and has taken proactive measures to ensure liquidity and financial flexibility in the current environment, including the following:

- On March 11, 2020, the Corporation announced the deferral of $65 million of capital spending in 2020, which represented approximately 19% of its original 2020 capital budget.
- In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion. The Credit Facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants. At September 30, 2020, the Corporation has $222.6 million in unused credit capacity available under its Credit Facilities, after adjusting for outstanding letters of credit and unamortized fees.
- Birchcliff continues to engage in strategic risk management activities. Birchcliff's market diversification initiatives have increased its exposure to various natural gas sales trading hubs in North America. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline whereby natural gas is transported to the Dawn sales trading hub in Southern Ontario. Birchcliff also has various financial and physical risk management contracts in place to 2025 with exposure to NYMEX HH pricing. See *"Discussion of Operations – Petroleum and Natural Gas Revenue"* and *"Discussion of Operations – Risk Management"* in this MD&A.
- Birchcliff reduced the amount of its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually) commencing with the quarter ending June 30, 2020, which is expected to result in the preservation of cash in 2020.
- Birchcliff received $3.4 million in subsidies under the Federal Government's Canada Emergency Wage Subsidy Program during the nine month Reporting Period. Birchcliff continues to actively monitor all government announcements to determine its eligibility for any relief that is being provided through this highly volatile and challenging period.

Working Capital

The Corporation's adjusted working capital deficit decreased to $12.7 million at September 30, 2020 from $23.4 million at December 31, 2019. The deficit at September 30, 2020 was largely comprised of costs incurred on the completion of new wells in Pouce Coupe and infrastructure capital.

At September 30, 2020, the major component of Birchcliff's current assets was revenue to be received from its marketers in respect of September 2020 production (88%), which was subsequently received in October 2020. Birchcliff continues to monitor the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations. Current liabilities at September 30, 2020 largely consisted of trade payables and accrued capital and operating expenses.

Adjusted working capital includes items expected from normal operations, including trade receivables and payables, accruals, deposits and prepaid expenses and excludes the current portion of the fair value of financial instruments and capital securities. The Corporation's adjusted working capital varies from quarter to quarter primarily due to the timing of such items, as well as the size and timing of the Corporation's capital expenditures, volatility in commodity prices and changes in revenue, among other things. Birchcliff manages its adjusted working capital deficit using adjusted funds flow and advances under its Credit Facilities. The adjusted working capital deficit position does not reduce the amount available under the Credit Facilities.

Bank Debt

Management of debt levels continues to be a priority for Birchcliff given the current volatility in the commodity price environment. Total debt, including the adjusted working capital deficit, was $784.4 million at September 30, 2020 compared to $632.6 million at December 31, 2019. Total debt increased from December 31, 2019 primarily due to adjusted funds flow being less than the aggregate of total capital expenditures and dividends paid in the Reporting Periods. Birchcliff spent $248.0 million in capital expenditures in the nine month Reporting Period primarily on the drilling and completions of new horizontal oil and condensate-rich natural gas wells and infrastructure costs related to the Inlet Liquids-Handling Facility.

The following table sets forth the Corporation's unused Credit Facilities for the periods indicated:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**
Maximum borrowing base limit(1)*:*		
Revolving term credit facilities	1,000,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(773,186)	(611,483)
Outstanding letters of credit(2)	(4,185)	(4,185)
	(777,371)	(615,668)
Unused credit	**222,629**	**384,332**
% unused credit	**22%**	**38%**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's P&NG reserves. In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion. Birchcliff's Credit Facilities include a provision giving the lenders the right to redetermine the borrowing base if the Corporation's liability management rating ("**LMR**") is less than 2.0. Birchcliff's LMR at September 30, 2020 was 18.07. The Credit Facilities do not contain any financial maintenance covenants.

(2) Letters of credit are issued to various service providers. The letters of credit reduce the amount available under the Working Capital Facility.

Contractual Obligations and Commitments

The Corporation enters into various contractual obligations and commitments in the normal course of operations. The following table lists Birchcliff's estimated material contractual obligations and commitments at September 30, 2020:

($000s)	**2020**	**2021**	**2022-2024**	**Thereafter**
Accounts payable and accrued liabilities	71,096	-	-	-
Drawn revolving term credit facilities	-	-	773,186	-
Firm transportation and fractionation(1)	33,688	137,787	366,387	304,130
Natural gas processing(2)	4,324	17,155	51,512	137,334
Operating commitments(3)	492	2,260	6,780	6,968
Lease payments	752	3,008	8,029	8,821
Capital securities(4)	49,046	-	-	-
Estimated contractual obligations(5)	**159,398**	**160,210**	**1,205,894**	**457,253**

(1) Includes firm transportation service arrangements and fractionation commitments with third parties.

(2) Includes natural gas processing commitments at third-party facilities.

(3) Includes variable operating components associated with Birchcliff's head office premises.

(4) Birchcliff has 1,961,835 Series C Preferred Shares outstanding at September 30, 2020, which are redeemable by their holders at $25.00 per share. For further details, see "*Outstanding Share Information – Capital Securities*" in this MD&A and the interim condensed financial statements of the Corporation and related notes for the Reporting Periods.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at September 30, 2020 to be approximately $207.8 million and are estimated to be incurred as follows: 2020 - $2.0 million, 2021 – $2.2 million and $203.6 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

The Corporation has certain arrangements, all of which are reflected in the contractual obligations and commitments table above, which were entered into in the normal course of operations.

OUTSTANDING SHARE INFORMATION

At November 12, 2020, Birchcliff had common shares, Series A Preferred Shares and Series C Preferred Shares that were outstanding. Birchcliff's common shares are listed on the TSX under the symbol "BIR". Birchcliff's Series A Preferred Shares and Series C Preferred Shares are individually listed on the TSX under the symbols "BIR.PR.A" and "BIR.PR.C", respectively.

The following table sets forth the common shares issued by the Corporation:

	Common Shares
Balance at December 31, 2019	265,935,229
Conversion of Series C Preferred Shares(1)	464,562
Normal course issuer bid(2)	(464,562)
Balance at September 30, 2020	265,935,229
Exercise of options	3,500
Balance at November 12, 2020	**265,938,729**

(1) See capital securities note below

(2) Birchcliff purchased 464,562 common shares pursuant to its normal course issuer bid.

At November 12, 2020, the Corporation had the following securities outstanding: 265,938,729 common shares; 2,000,000 Series A Preferred Shares; 1,961,835 Series C Preferred Shares; 21,074,001 stock options to purchase an equivalent number of common shares; and 2,939,732 performance warrants to purchase an equivalent number of common shares.

Capital Securities

Subject to the provisions of the *Business Corporations Act* (Alberta) and the provisions governing the Series C Preferred Shares (the "**Provisions**"), a holder of Series C Preferred Shares may, at its option, upon giving notice in accordance with the Provisions (the "**Notice of Redemption**"), redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a financial quarter at $25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption.

Upon receipt of the Notice of Redemption, the Corporation may, at its option (subject, if required, to stock exchange approval), upon not less than 20 days' prior written notice, elect to convert all such Series C Preferred Shares into common shares. The number of common shares into which each Series C Preferred Share may be so converted will be determined by dividing the amount of $25.00, together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of $2.00 and 95% of the "Current Market Price" (as determined in accordance with the Provisions) of the common shares.

The Corporation received Notices of Redemptions for 38,165 Series C Preferred Shares in the nine month Reporting Period. The Corporation elected to settle in cash the redemption of 1,000 Series C Preferred Shares at $25.00 per share for a total of $25,000. The Corporation elected to convert the remaining 37,165 Series C Preferred Shares into common shares and accordingly issued a total of 464,562 common shares.

Dividends

The following table sets forth the dividend distributions by the Corporation for each class of shares for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Common shares:				
Dividend distribution *($000s)*	1,330	6,981	9,638	20,942
Per common share *($)*	0.0050	0.0263	0.0121	0.0263
Preferred shares – Series A:				
Series A dividend distribution *($000s)*	1,046	1,046	3,140	3,140
Per Series A Preferred Share *($)*	0.5234	0.5234	0.5234	0.5234
Preferred shares – Series C:				
Series C dividend distribution *($000s)*	859	875	2,609	2,625
Per Series C Preferred Share *($)*	0.4375	0.4375	0.4375	0.4375

All dividends have been designated as "eligible dividends" for the purposes of the *Income Tax Act* (Canada).

In the second quarter of 2020, the Corporation reduced the amount of its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually).

On September 1, 2020, the Corporation's Board of Directors declared a quarterly cash dividend on its common shares, Series A Preferred Shares and Series C Preferred Shares which was paid on September 30, 2020.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Corporation's quarterly results for the eight most recently completed quarters:

Quarter ending,	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Average production *(boe/d)*	78,376	74,950	73,580	77,962	80,548	78,453	74,884	76,408
Average realized light oil sales price *($/bbl)*[(1)]	48.50	25.72	53.18	67.58	67.15	72.25	66.08	41.39
Average realized condensate sales price *($/bbl)*[(1)]	48.27	31.09	58.48	68.80	65.94	71.69	65.45	55.99
Average realized NGLs sales price *($/bbl)*[(1)]	14.05	12.05	12.02	16.62	9.75	11.13	17.71	21.60
Average realized natural gas sales price *($/Mcf)*[(1)]	2.48	2.22	2.29	2.81	1.71	1.95	3.55	3.03
Average realized sales price *($/boe)*	19.80	15.27	18.41	22.97	17.62	19.59	26.45	22.01
P&NG revenue *($000s)*[(1)]	142,779	104,180	123,263	164,759	130,588	139,857	178,355	154,720
Operating expense *($/boe)*	2.73	2.89	3.14	3.06	2.75	3.17	3.40	3.51
F&D capital expenditures *($000s)*	30,842	83,473	132,361	56,800	40,192	67,937	91,466	52,321
Total capital expenditures *($000s)*	31,193	83,974	132,840	58,136	41,621	68,532	131,958	52,886
Cash flow from operating activities *($000s)*	52,977	13,221	50,551	85,557	48,908	97,857	94,744	92,200
Adjusted funds flow *($000s)*	59,377	21,746	36,894	80,941	62,958	73,957	116,648	81,517
Per common share – basic *($)*	0.22	0.08	0.14	0.30	0.24	0.28	0.44	0.31
Per common share – diluted *($)*	0.22	0.08	0.14	0.30	0.24	0.28	0.44	0.30
Free funds flow *($000s)*	28,535	(61,727)	(95,467)	24,141	22,766	6,020	25,182	29,196
Net income (loss) *($000s)*	(16,646)	(38,475)	(44,154)	(17,937)	(45,843)	(8,458)	16,846	71,947
Net income (loss) to common shareholders *($000s)*[(2)]	(17,692)	(39,522)	(45,201)	(18,984)	(46,889)	(9,505)	15,799	70,900
Per common share – basic *($)*	(0.07)	(0.15)	(0.17)	(0.07)	(0.18)	(0.04)	0.06	0.27
Per common share – diluted *($)*	(0.07)	(0.15)	(0.17)	(0.07)	(0.18)	(0.04)	0.06	0.27
Total assets *($ million)*	2,912	2,929	2,871	2,817	2,822	2,840	2,860	2,763
Long-term bank debt *($000s)*	771,706	753,092	619,055	609,177	638,631	622,282	611,911	605,267
Total debt *($000s)*	784,414	807,573	739,631	632,582	644,407	654,709	626,454	641,484
Dividends on common shares *($000s)*	1,330	1,327	6,981	6,981	6,981	6,981	6,980	6,648
Dividends on pref. shares – Series A *($000s)*	1,046	1,047	1,047	1,047	1,046	1,047	1,047	1,047
Dividends on pref. shares – Series C *($000s)*	859	875	875	875	875	875	875	875
Pref. shares outstanding – Series A *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Pref. shares outstanding – Series C *(000s)*	1,962	1,963	2,000	2,000	2,000	2,000	2,000	2,000
Common shares outstanding *(000s)*								
Basic	265,935	265,935	265,935	265,935	265,935	265,935	265,924	265,911
Diluted	290,009	290,014	290,037	292,358	287,407	287,381	287,480	284,699
Wtd. avg. common shares outstanding *(000s)*								
Basic	265,935	265,935	265,935	265,935	265,935	265,933	265,914	265,910
Diluted	265,935	265,935	265,935	265,935	265,935	265,933	266,382	267,288

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(2) Reduced for the Series A Preferred Share dividends paid in the period.

Quarterly average daily production volumes were impacted primarily by Birchcliff's successful drilling of new horizontal wells brought on production in Pouce Coupe and Gordondale and natural production declines during those periods.

P&NG revenue and adjusted funds flow in the last eight quarters were largely impacted by quarterly production and the average realized sales price received for Birchcliff's production. Over the last eight quarters, Birchcliff's adjusted funds flow was also impacted by realized gains and losses on the settlement of financial instruments and lower trending operating expenses primarily due to reduced third-party processing fees and higher trending transportation and other expense primarily due to added market diversification initiatives and additional AECO firm service.

Birchcliff's net income (loss) in each of the last eight quarters was largely impacted by adjusted funds flow and certain non-cash adjustments, including depletion expense and unrealized mark-to-market gains and losses on financial instruments after giving effect to income taxes.

The Corporation's F&D and total capital expenditures fluctuate quarter-to-quarter based on the outlook in commodity prices and market conditions, the timing of drilling and completions operations and the timing of acquisitions and dispositions.

Long-term debt and total debt fluctuate quarter-to-quarter primarily based on changes in adjusted funds flow, capital expenditures and dividends paid. Long-term debt in the last three quarters has increased due to adjusted funds flow being less than total capital expenditures and dividends paid in the respective periods.

The Corporation distributes dividends on its common shares, Series A Preferred Shares and Series C Preferred Shares when declared and approved by the Board of Directors. On June 2, 2020, the Corporation reduced the amount of its quarterly common share dividend from $0.02625 per share to $0.005 per share with the first reduced payment taking effect for the quarter ended June 30, 2020.

Quarterly variances in free funds flow are primarily due to fluctuations in adjusted funds flow and F&D capital expenditures.

POTENTIAL TRANSACTIONS

Within its focus area, the Corporation is continually reviewing potential asset acquisitions and dispositions and corporate mergers and acquisitions for the purpose of determining whether any such potential transaction is of interest to the Corporation, as well as the terms on which such a potential transaction would be available. As a result, the Corporation may from time to time be involved in discussions or negotiations with other parties or their agents in respect of potential asset acquisitions and dispositions and corporate merger and acquisition opportunities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting ("**ICFR**") that occurred during the period beginning on July 1, 2020 and ended on September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. Birchcliff's ICFR was not impacted by the COVID-19 pandemic during the Reporting Periods.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies, reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of estimates, judgments and assumptions in preparing the interim condensed financial statements for the Reporting Periods and the Comparable Prior Periods is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2019.

Management cannot reasonably estimate the length or severity of the COVID-19 pandemic, or the extent to which the disruption will impact the Corporation's statements of net loss and comprehensive loss, statements of financial position or statements of cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at September 30, 2020 and have been reflected in the Corporation's unaudited interim financial statements for the Reporting Periods.

CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

On January 1, 2020, Birchcliff adopted the amendment as issued on October 22, 2018 to IFRS 3: *Business Combinations* ("**IFRS 3**"). IFRS 3 sets out the principles in accounting for the acquisition of a business.

The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business for any acquisition occurring on or after January 1, 2020. The amended definition of a business under IFRS 3 is that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. The amendment to IFRS 3 had no effect to the Corporation for the Reporting Periods.

Accounting Policies Adopted

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. If a grant is received but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense item, it is recognized as other income in profit or loss on a systematic basis in the period in which the costs are incurred.

RISK FACTORS AND RISK MANAGEMENT

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. A detailed discussion of the risk factors affecting the Corporation is presented under the headings *"Risk Factors and Risk Management"* in the MD&A for the year ended December 31, 2019 and *"Risk Factors"* in the AIF. The following risk factor supplements those disclosed in Birchcliff's AIF and MD&A for the year ended December 31, 2019.

COVID-19 Pandemic

The COVID-19 pandemic has adversely affected and could continue to adversely affect the Corporation's business

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic prompting many countries around the world to close international borders and order the closure of institutions and businesses. The COVID-19 pandemic has had a significant negative impact on global economic conditions. This has included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience. While the duration and full impact of the COVID-19 pandemic is not yet known, the effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and may continue to have a negative impact on the Corporation's business, results of operations, financial condition and the environment in which it operates. Low prices for crude oil and natural gas will reduce Birchcliff's cash flow, impact its level of capital investment and may result in the reduction of production at certain producing properties. Although Birchcliff determined there were no impairment indicators present at September 30, 2020, further declines in commodity prices could lead to future impairments on the Corporation's P&NG properties and assets. Furthermore, the Corporation may from time to time have restricted access to capital and increased borrowing costs. In addition to the economic impacts associated with falling commodity prices, the effects of COVID-19 may also include disruptions to production operations, access to materials and services, increased employee absenteeism from illness and temporary closures of the Corporation's facilities. COVID-19 may also increase the Corporation's third-party credit risk and the risk that counterparties default on their contractual obligations to the Corporation or declare force majeure. All of the foregoing may adversely and materially affect Birchcliff's business, results of operations, financial condition, prospects and its ability to pay dividends.

The extent to which the Corporation's business, results of operations, financial condition and prospects are affected by COVID-19 will depend on various factors and consequences beyond its control, such as the duration and scope of the pandemic, additional actions taken by business and government in response to the pandemic and the speed and effectiveness of responses to combat the virus.

Additionally, the COVID-19 pandemic and its effect on local and global economic conditions could also aggravate the other risk factors identified in Birchcliff's AIF and MD&A for the year ended December 31, 2019, the extent of which is not yet known.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
ATP	Alliance Trading Pool
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
condensate	pentanes plus (C5+)
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently IFRS
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
m^3	cubic metres
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
OPEC+	Organization of the Petroleum Exporting Countries ("**OPEC**"), with certain non-OPEC oil exporting countries
P&NG	petroleum and natural gas
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This MD&A uses the terms "adjusted funds flow", "adjusted funds flow per common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs", "adjusted working capital deficit" and "total debt". These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff's profitability, efficiency, liquidity and overall performance. Each of these measures is discussed in further detail below.

"Adjusted funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and "adjusted funds flow per common share" denotes adjusted funds flow divided by the basic or diluted weighted average number of common shares outstanding for the period. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period-to-period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow and adjusted funds flow per common share assist management and investors in assessing Birchcliff's operating performance, as well as its ability to generate cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations and pay common share and preferred share dividends. Investors are cautioned that adjusted funds flow should not be construed as an alternative to or more meaningful than cash flow from operating activities or net income or loss as determined in accordance with GAAP as an indicator of Birchcliff's performance. "Free funds flow" denotes adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to further generate shareholder returns through a number of initiatives, including but not limited to, potential debt repayment, common share repurchases, future dividend increases and acquisitions. The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow and free funds flow for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Cash flow from operating activities	52,977	48,908	116,749	241,509
Change in non-cash operating working capital	6,220	13,531	292	10,211
Decommissioning expenditures	180	519	976	1,843
Adjusted funds flow	**59,377**	**62,958**	**118,017**	**253,563**
F&D capital expenditures	(30,842)	(40,192)	(246,676)	(199,595)
Free funds flow	**28,535**	**22,766**	**(128,659)**	**53,968**

"Transportation and other expense" denotes transportation expense plus marketing purchases minus marketing revenue. Birchcliff may enter into certain marketing purchase and sales arrangements with the objective of reducing any available transportation and/or fractionation fees associated with its take-or-pay commitments. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation activities.

"Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. All netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback and adjusted funds flow netback assist management and investors in assessing Birchcliff's operating results by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis. The following table provides a breakdown of Birchcliff's operating netback and adjusted funds flow netback for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	($000s)	($/boe)	($000s)	($/boe)	($000s)	($/boe)	($000s)	($/boe)
Petroleum and natural gas revenue	142,779	19.80	130,588	17.62	370,222	17.86	448,800	21.08
Royalty expense	(3,935)	(0.55)	(5,633)	(0.76)	(11,682)	(0.56)	(19,189)	(0.90)
Operating expense	(19,668)	(2.73)	(20,357)	(2.75)	(60,415)	(2.91)	(65,926)	(3.10)
Transportation and other expense	(32,459)	(4.49)	(32,181)	(4.34)	(102,324)	(4.94)	(93,857)	(4.41)
Operating netback	**86,717**	**12.03**	**72,417**	**9.77**	**195,801**	**9.45**	**269,828**	**12.67**
G&A, net	(4,804)	(0.67)	(5,472)	(0.74)	(16,587)	(0.80)	(17,780)	(0.84)
Interest expense	(6,736)	(0.93)	(5,689)	(0.77)	(17,415)	(0.84)	(19,221)	(0.90)
Realized gain (loss) on financial instruments	(16,440)	(2.28)	1,603	0.22	(47,846)	(2.31)	20,238	0.95
Other income	640	0.08	99	0.02	4,064	0.19	498	0.03
Adjusted funds flow netback	**59,377**	**8.23**	**62,958**	**8.50**	**118,017**	**5.69**	**253,563**	**11.91**

(1) All per boe amounts are calculated by dividing each aggregate financial amount by the production (boe) in the respective period.

The breakdown for the operating netback from the Pouce Coupe Gas Plant is provided under the heading *"Pouce Coupe Gas Plant Netbacks"* in this MD&A.

"Total cash costs" are comprised of royalty, operating, transportation and other, G&A and interest expenses. Total cash costs are calculated on a per unit basis. Management believes that total cash costs assists management and investors in assessing Birchcliff's efficiency and overall cash cost structure.

"Adjusted working capital deficit" is calculated as current assets minus current liabilities excluding the effects of any current portion of financial instruments and capital securities. In the Comparable Prior Periods, Birchcliff's capital securities were long-term in nature and therefore no adjustment for capital securities was made to adjusted working capital deficit for that period. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff's short-term liquidity. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**
Working capital deficit	92,843	100,199	70,742
Financial instrument – current liability	(31,089)	(26,949)	(15,198)
Capital securities – current liability	(49,046)	(49,845)	(49,768)
Adjusted working capital deficit	**12,708**	**23,405**	**5,776**

"Total debt" is calculated as the revolving term credit facilities plus adjusted working capital deficit. Management believes that total debt assists management and investors in assessing Birchcliff's liquidity. The following table provides a reconciliation of the revolving term credit facilities, as determined in accordance with GAAP, to total debt:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**	**September 30, 2019**
Revolving term credit facilities	771,706	609,177	638,631
Adjusted working capital deficit	12,708	23,405	5,776
Total debt	**784,414**	**632,582**	**644,407**

ADVISORIES

Unaudited Information

All financial and operational information contained in this MD&A for the Reporting Periods and the Comparable Prior Periods is unaudited.

Currency

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to "$" and "CDN$" are to Canadian dollars and all references to "US$" are to United States dollars.

MMBtu Pricing Conversions

$1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value of 37.4 MJ/m^3 or a heat uplift of 1.055 when converting from $/GJ.

Boe and Mcfe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. Boe and Mcfe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl and an Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Oil and Gas Metrics

This MD&A contains metrics commonly used in the oil and natural gas industry, including netbacks. These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide investors with measures to compare Birchcliff's performance over time; however, such measures are not reliable indicators of Birchcliff's future performance, which may not compare to Birchcliff's performance in previous periods, and therefore should not be unduly relied upon. For additional information regarding netbacks, see *"Non-GAAP Measures"* in this MD&A.

Capital Expenditures

Unless otherwise indicated, references in this MD&A to: (i) "F&D capital" denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) "total capital expenditures" denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this MD&A relate to future events or Birchcliff's future plans, operations or performance and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "focus", "future", "outlook", "position", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "guidance", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should", "would", "on track" and other similar words and expressions.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements. Although Birchcliff believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and Birchcliff makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

In particular, this MD&A contains forward-looking statements relating to the following:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- the information set forth under the heading *"COVID-19 Operating Environment", "Risk Factors and Risk Management"* and elsewhere in this MD&A as it relates to the expected impacts of the COVID-19 pandemic,

including that the COVID-19 pandemic is expected to continue to have a significant impact on Birchcliff's business, results of operations, financial condition and the environment in which it operates;

- Birchcliff's belief that generating free funds flow and the repayment of debt in 2021 will provide it with the most optionality to take advantage of future opportunities in its industry and give it the ability to maximize future shareholder returns;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's outlook and guidance, including: statements regarding the Corporation's 2021 outlook (including: that, based on current strip prices, Birchcliff expects to generate free funds flow of approximately $140 million in 2021, with priority being given to debt reduction; that it is currently targeting F&D capital spending of $200 million to $220 million and an annual average production rate of 78,000 to 80,000 boe/d in 2021; that it expects to be able to maintain its production at or near 2020 levels with less F&D capital; that it expects facilities and infrastructure spending in 2021 to decrease by approximately 70%, from approximately $75 million in 2020 to approximately $20 million in 2021; that the 2021 capital program will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices; that as a result of Birchcliff's large inventory of potential future drilling locations, the Corporation has the ability to focus on natural gas, liquids-rich natural gas or light oil drilling; and statements that Birchcliff expects to announce details of its 2021 capital program and guidance in January 2021); statements with respect to the Corporation's 2020 guidance (including: that the Corporation's annual average production is now anticipated to be 76,000 to 77,000 boe/d and its average production in Q4 2020 is now expected to be 78,000 to 79,000 boe/d; that its adjusted funds flow is now anticipated to be $195 million; that its F&D capital expenditures are expected to be approximately $285 million; statements that total debt is expected to decrease throughout the remainder of 2020, with total debt at year end anticipated to be $740 million to $760 million, a further reduction of $24 million to $44 million from September 30, 2020; that Birchcliff expects to generate significant free funds flow in Q4 2020, which will be directed towards debt reduction; and estimates of annual and Q4 average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt and natural gas market exposure);
- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: statements that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; statements that Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities; statements that the disruption and volatility that has resulted from the COVID-19 pandemic may continue and could impact future oil price recovery and increase future costs of capital; the Corporation's belief that its internally generated adjusted funds flow and its existing undrawn Credit Facilities will provide sufficient liquidity to fund the remainder of its 2020 Capital Program and future capital expenditures, dividend distributions and working capital requirements for the foreseeable future; statements regarding the Corporation's financial flexibility; statements that the Corporation's reduced common share dividend is expected to result in the preservation of cash in 2020; the Corporation's expectation that counterparties will be able to meet their financial obligations; and statements that management of debt levels continues to be a priority for Birchcliff;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations; and
- statements regarding potential transactions.

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: the degree to which the Corporation's results of operations and financial condition will be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic; prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; the success of new wells drilled; reserves and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this MD&A:

- Birchcliff's 2020 guidance (as updated November 12, 2020) assumes the following commodity prices and exchange rate: an average WTI price of US$37.50/bbl; an average WTI-MSW differential of CDN$8.10/bbl; an average AECO 5A price of CDN$2.20/GJ; an average Dawn price of US$1.95/MMBtu; an average NYMEX HH price of US$2.10/MMBtu; and an exchange rate (CDN$ to US$1) of 1.35.
- Birchcliff's preliminary 2021 outlook assumes the following commodity prices and exchange rate: an average WTI price of US$43.70/bbl; an average WTI-MSW differential of CDN$6.25/bbl; an average AECO 5A price of CDN$2.60/GJ; an average Dawn price of US$2.80/MMBtu; an average NYMEX HH price of US$2.95/MMBtu; and an exchange rate (CDN$ to US$1) of 1.31.
- With respect to estimates of 2020 and 2021 capital expenditures and Birchcliff's spending plans for 2020 and 2021, such estimates and plans assume that the 2020 and 2021 capital programs will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2020 and 2021, such estimates assume that: the 2020 and 2021 capital programs will be carried out as currently contemplated and the level of capital spending for 2020 and 2021 set forth herein will be achieved; and the targets for production, commodity mix and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance, such guidance assumes that: the Corporation's 2020 and 2021 capital programs will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity.
- With respect to statements regarding the future potential and prospectivity of properties and assets, such statements assume: the continuing validity of the geological and other technical interpretations determined by Birchcliff's technical staff with respect to such properties; and that, over the long-term, commodity prices and general economic conditions will warrant proceeding with the exploration and development of such properties.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC+ and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with Birchcliff's credit facilities, including a failure to comply with covenants under the agreement governing the credit facilities and the risk that the borrowing base limit may be redetermined; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's Board of Directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time. Without limitation of the foregoing, the declaration and payment of future dividends (and the amount thereof) may vary depending on a variety of factors and conditions existing from time to time and is subject to the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta). For further information relating to risks relating to dividends, see *"Risk Factors – Dividends"* in the AIF.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience. While the duration and full impact of the COVID-19 pandemic is not yet known, the effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on the Corporation's business, results of operations, financial condition and the environment in which it operates. The Corporation's current expectations, estimates, projections, beliefs and assumptions underlying the Corporation's forward-looking statements are subject to change in light of the COVID-19 pandemic, including potential future waves and actions taken by governments and businesses in response thereto.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in Birchcliff's AIF and in other reports filed with Canadian securities regulatory authorities.

This MD&A contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective results of operations including, without limitation, adjusted funds flow, free funds flow and total debt, all of which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Birchcliff's actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that such information may not be appropriate for other purposes. FOFI contained herein was made as of the date of this MD&A. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this MD&A. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at,	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash	33	70
Accounts receivable	54,296	64,747
Prepaid expenses and deposits	4,059	4,385
	58,388	69,202
Non-current assets:		
Investment in securities *(Note 14)*	2,404	4,405
Petroleum and natural gas properties and equipment *(Note 4)*	2,850,920	2,743,078
	2,853,324	2,747,483
Total assets	**2,911,712**	**2,816,685**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	71,096	92,607
Financial instruments *(Note 13)*	31,089	26,949
Capital securities *(Note 7)*	49,046	49,845
	151,231	169,401
Non-current liabilities:		
Revolving term credit facilities *(Note 5)*	771,706	609,177
Decommissioning obligations *(Note 6)*	144,293	128,128
Deferred income taxes	51,569	81,672
Other liabilities *(Note 10)*	26,420	27,046
Financial instruments *(Note 13)*	179,184	105,640
	1,173,172	951,663
Total liabilities	**1,324,403**	**1,121,064**
SHAREHOLDERS' EQUITY		
Share capital *(Note 7)*		
Common shares	1,478,276	1,478,356
Preferred shares *(perpetual)*	41,434	41,434
Contributed surplus	88,705	84,884
Retained earnings (deficit)	(21,106)	90,947
	1,587,309	1,695,621
Total shareholders' equity and liabilities	**2,911,712**	**2,816,685**

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

Unaudited (Expressed in thousands of Canadian dollars, except per share information)

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
REVENUE				
Petroleum and natural gas revenue *(Note 9)*	142,779	130,588	370,222	448,800
Marketing revenue *(Note 9)*	4,422	-	11,798	-
Royalties	(3,935)	(5,633)	(11,682)	(19,189)
Realized gain (loss) on financial instruments *(Note 13)*	(16,440)	1,603	(47,846)	20,238
Unrealized loss on financial instruments *(Note 13)*	(25,632)	(60,915)	(77,683)	(146,163)
Other income	640	99	4,064	498
	101,834	65,742	248,873	304,184
EXPENSES				
Operating	19,668	20,357	60,415	65,926
Transportation	33,349	32,181	104,147	93,857
Marketing purchases *(Note 9)*	3,532	-	9,975	-
Administrative, net	5,376	6,231	18,454	21,260
Depletion and depreciation *(Note 4)*	54,374	56,108	158,205	159,808
Finance	7,612	7,070	20,582	22,917
Dividends on capital securities *(Note 7)*	859	875	2,609	2,625
Other (gains) and losses *(Note 14)*	(1,100)	-	1,563	5,593
	123,670	122,822	375,950	371,986
Net loss before taxes	21,836	57,080	127,077	67,802
Income tax recovery	(5,190)	(11,237)	(27,802)	(30,347)
NET LOSS AND COMPREHENSIVE LOSS	**16,646**	**45,843**	**99,275**	**37,455**
Net loss per common share *(Note 8)*				
Basic	$0.07	$0.18	$0.39	$0.15
Diluted	$0.07	$0.18	$0.39	$0.15

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited (Expressed in thousands of Canadian dollars)

	Share Capital				
	Common Shares	**Preferred Shares**	**Contributed Surplus**	**Retained Earnings (Deficit)**	**Total**
As at December 31, 2018	1,478,260	41,434	76,747	178,449	1,774,890
Dividends on common shares *(Note 7)*	-	-	-	(20,942)	(20,942)
Dividends on perpetual preferred shares *(Note 7)*	-	-	-	(3,140)	(3,140)
Exercise of stock options	96	-	(23)	-	73
Stock-based compensation *(Note 11)*	-	-	6,407	-	6,407
Net loss and comprehensive loss	-	-	-	(37,455)	(37,455)
As at September 30, 2019	**1,478,356**	**41,434**	**83,131**	**116,912**	**1,719,833**
As at December 31, 2019	1,478,356	41,434	84,884	90,947	1,695,621
Dividends on common shares *(Note 7)*	-	-	-	(9,638)	(9,638)
Dividends on perpetual preferred shares *(Note 7)*	-	-	-	(3,140)	(3,140)
Conversion of Series C Preferred Shares *(Note 7)*	530	-	-	-	530
Repurchase of common shares *(Note 7)*	(610)	-	-	-	(610)
Stock-based compensation *(Note 11)*	-	-	3,821	-	3,821
Net loss and comprehensive loss	-	-	-	(99,275)	(99,275)
As at September 30, 2020	**1,478,276**	**41,434**	**88,705**	**(21,106)**	**1,587,309**

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

Cash provided by (used in):	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
OPERATING				
Net loss	(16,646)	(45,843)	(99,275)	(37,455)
Adjustments for items not affecting operating cash:				
Unrealized loss on financial instruments *(Note 13)*	25,632	60,915	77,683	146,163
Depletion and depreciation *(Note 4)*	54,374	56,108	158,205	159,808
Other compensation	572	759	1,867	3,480
Finance	7,612	7,070	20,582	22,917
Other (gains) and losses	(1,100)	-	1,563	5,593
Income tax recovery	(5,190)	(11,237)	(27,802)	(30,347)
Interest paid	(6,736)	(5,689)	(17,415)	(19,221)
Dividends on capital securities *(Note 7)*	859	875	2,609	2,625
Decommissioning expenditures *(Note 6)*	(180)	(519)	(976)	(1,843)
Changes in non-cash working capital	(6,220)	(13,531)	(292)	(10,211)
	52,977	48,908	116,749	241,509
FINANCING				
Repurchase of common shares *(Note 7)*	-	-	(610)	-
Repurchase of capital securities (Note 7)	(25)	-	(25)	-
Exercise of stock options *(Note 11)*	-	-	-	73
Lease payments *(Note 10)*	(573)	(537)	(1,719)	(1,611)
Financing fees on paid credit facilities	-	-	-	(990)
Dividends on common shares *(Note 7)*	(1,330)	(6,981)	(9,638)	(20,942)
Dividends on perpetual preferred shares *(Note 7)*	(1,046)	(1,046)	(3,140)	(3,140)
Dividends on capital securities *(Note 7)*	(859)	(875)	(2,609)	(2,625)
Net change in revolving term credit facilities *(Note 5)*	18,365	16,041	161,703	33,445
	14,532	6,602	143,962	4,210
INVESTING				
Exploration and development of petroleum and natural gas assets *(Note 4)*	(31,193)	(40,412)	(248,006)	(201,503)
Acquisition of petroleum and natural gas assets *(Note 4)*	-	(1,209)	-	(36,708)
Changes in non-cash working capital	(36,343)	(13,840)	(12,742)	(7,491)
	(67,536)	(55,461)	(260,748)	(245,702)
Net change in cash	(27)	49	(37)	17
Cash, beginning of period	60	21	70	53
CASH, END OF PERIOD	**33**	**70**	**33**	**70**

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Unaudited (Expressed In thousands Of Canadian Dollars, Unless Otherwise Stated)

1. NATURE OF OPERATIONS

Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") is domiciled and incorporated in Alberta, Canada. Birchcliff is engaged in the exploration for and the development, production and acquisition of petroleum and natural gas reserves in Western Canada. The Corporation's financial year end is December 31. The address of the Corporation's registered office is Suite 1000, 600 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 0G5. Birchcliff's common shares, Series A Preferred Shares and Series C Preferred Shares are listed for trading on the Toronto Stock Exchange under the symbols "**BIR**", "**BIR.PR.A**" and "**BIR.PR.C**", respectively.

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors on November 12, 2020.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three and nine months ended September 30, 2020, including the 2019 comparative period. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2019, except as described in Note 3. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2019.

Birchcliff's unaudited interim condensed financial statements are prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities which have been measured at fair value. The Corporation's unaudited interim condensed financial statements include the accounts of Birchcliff only and are expressed in Canadian dollars, unless otherwise stated. Birchcliff does not have any subsidiaries.

COVID-19 Estimation Uncertainty

On January 30, 2020, the World Health Organization declared the novel Coronavirus disease ("**COVID-19**") outbreak a public health emergency of international concern and, on March 10, 2020, declared it to be a pandemic. The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions. This has included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience on demand for the commodities that Birchcliff produces, on the Corporation's cash flow and access to capital, on the Corporation's suppliers and on the Corporation's employees.

Birchcliff has taken a number of proactive measures to ensure liquidity and financial flexibility in the current environment. The Corporation has also increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. Birchcliff historically has not experienced any significant collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers.

In response to the COVID-19 pandemic, Birchcliff has implemented a number of initiatives to protect the well-being of its employees and contractors. The Corporation has established a response team to coordinate and implement such initiatives and continues to closely monitor the recommendations of applicable government and health authorities. In addition, the Corporation has established remote working capabilities and procedures to ensure business continuity and the reliability of its operations in the event of future COVID-19 related restrictions or lockdowns.

The COVID-19 pandemic remains an evolving situation that has had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial condition and the environment in which it operates. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the Corporation's statements of net loss and comprehensive loss, statements of financial position or statements of cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at September 30, 2020 and have been reflected in the Corporation's results.

Birchcliff determined there were no impairment indicators present at September 30, 2020. Current and forward commodity prices for oil and natural gas have improved and market capitalization have increased since March 31, 2020, when impairment indicators were last identified.

Capital Management

During this period of uncertainty, Birchcliff remains committed to preserving its strong balance sheet and financial liquidity. At September 30, 2020, the Corporation has $222.6 million in unused credit capacity available under its extendible revolving credit facilities (the "**Credit Facilities**"). In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was last completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion. The Credit Facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants. Birchcliff was eligible under the Federal Government's Canada Emergency Wage Subsidy Program and has received $0.6 million and $3.4 million in assistance in the three and nine months ended September 30, 2020, which has been recorded to "other income" in profit or loss. Birchcliff continues to actively monitor all Government announcements to determine its eligibility for any relief that is being provided.

3. CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

Business Combinations

On January 1, 2020, Birchcliff adopted the amendment as issued on October 22, 2018 to IFRS 3: *Business Combinations* ("**IFRS 3**"). IFRS 3 sets out the principles in accounting for the acquisition of a business.

The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business for any acquisition occurring on or after January 1, 2020. The amended definition of a business under IFRS 3 is that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Accounting Policies Adopted

Governments Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. If a grant is received but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense item in nature, it is recognized as "other income" in profit or loss on a systematic basis in the period in which the costs are incurred.

4. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

The continuity for petroleum and natural gas ("**P&NG**") properties and equipment are as follows:

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2018	112	3,549,526	-	17,737	3,567,375
Additions	209	253,060	19,931	2,480	275,680
Acquisitions(1)	-	47,503	-	-	47,503
As at December 31, 2019	321	3,850,089	19,931	20,217	3,890,558
Additions	-	264,712	-	1,335	266,047
As at September 30, 2020(2)	321	4,114,801	19,931	21,552	4,156,605
Accumulated depletion and depreciation:					
As at December 31, 2018	-	(920,923)	-	(12,992)	(933,915)
Depletion and depreciation expense(3)	-	(209,315)	(1,925)	(2,325)	(213,565)
As at December 31, 2019	-	(1,130,238)	(1,925)	(15,317)	(1,147,480)
Depletion and depreciation expense(3)	-	(154,935)	(1,515)	(1,755)	(158,205)
As at September 30, 2020	-	(1,285,173)	(3,440)	(17,072)	(1,305,685)
Net book value:					
As at December 31, 2019	**321**	**2,719,851**	**18,006**	**4,900**	**2,743,078**
As at September 30, 2020	**321**	**2,829,628**	**16,491**	**4,480**	**2,850,920**

(1) Birchcliff completed the acquisition of various Montney lands and assets on January 3, 2019 for total cash consideration of $39.4 million and assumed decommissioning obligations totalling $6.1 million (see Note 6).

(2) The Corporation's P&NG properties and equipment were pledged as security for its Credit Facilities. Although the Corporation believes that it has title to its P&NG properties, it cannot control or completely protect itself against the risk of title disputes and challenges. There were no borrowing costs capitalized to P&NG properties and equipment.

(3) Future development costs required to develop and produce proved plus probable reserves totalled $4.4 billion at September 30, 2020 (December 31, 2019 – $4.4 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies an indicator of impairment at the end of the reporting period. At September 30, 2020, Birchcliff determined there were no impairment indicators present and therefore an impairment test was not required.

At March 31, 2020 and December 31, 2019, Birchcliff identified indicators of impairment resulting from the decline in the current and forward commodity price for oil and natural gas and reduction in the market capitalization since its last impairment test. Birchcliff determined that its P&NG properties and equipment were not impaired at March 31, 2020 and December 31, 2019.

5. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's Credit Facilities include:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**
Syndicated credit facility	768,847	593,557
Working capital facility	4,339	17,926
Drawn revolving term credit facilities	773,186	611,483
Unamortized deferred financing fees	(1,480)	(2,306)
Revolving term credit facilities	**771,706**	**609,177**

At September 30, 2020, the Corporation's Credit Facilities in the aggregate principal amount of $1.0 billion were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million.

The Credit Facilities allow for prime rate loans, LIBOR loans, U.S. base rate loans, bankers' acceptances and, in the case of the Working Capital Facility only, letters of credit. The interest rates applicable to the drawn loans are based on a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to EBITDA as calculated in accordance with the agreement governing the Credit Facilities. EBITDA is defined as earnings before interest and non-cash items including (if any) income taxes, other compensation, gains and losses on sale of assets, unrealized gains and losses on financial instruments, gains and losses on securities, depletion, depreciation and amortization and impairment charges.

The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil and natural gas reserves. In addition, pursuant to the terms of the credit agreement governing the Credit Facilities, the borrowing base of the Credit Facilities may be adjusted in certain other circumstances. Birchcliff's Credit Facilities include a provision giving the lenders the right to redetermine the borrowing base if the Corporation's liability management rating ("**LMR**") is less than 2.0. Birchcliff's LMR at September 30, 2020 was 18.07. Upon any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall, Birchcliff must eliminate the borrowing base shortfall amount. In May 2020, Birchcliff's syndicate of lenders completed its review and the borrowing base limit was confirmed at $1.0 billion.

The maturity dates of the Credit Facilities are May 11, 2022. Birchcliff may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In connection with the most recently completed borrowing base review, Birchcliff elected to not extend the Credit Facilities by another year.

The Credit Facilities do not contain any financial maintenance covenants.

6. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $207.8 million at September 30, 2020. A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	September 30, 2020	December 31, 2019
Balance, beginning	128,128	129,264
Obligations incurred	2,197	5,236
Obligations acquired(1)	-	6,096
Obligations divested	(37)	(51)
Changes in estimated future cash flows(2)	13,486	(12,724)
Accretion	1,495	2,592
Decommissioning expenditures	(976)	(2,285)
Balance, ending(3)	**144,293**	**128,128**

(1) Includes decommissioning obligations acquired from the acquisition of various Montney lands and assets in January 2019.

(2) Primarily relates to changes in the nominal risk-free rate, inflation rate, abandonment cost and abandonment date estimates of future obligations used to calculate the present value of the decommissioning obligation.

(3) Birchcliff applied a nominal risk-free rate of 1.02% and an inflation rate of 0.96% to calculate the present value of the decommissioning obligation at September 30, 2020 and a nominal risk-free rate of 1.74% and an inflation rate of 1.33% at December 31, 2019.

7. CAPITAL STOCK

Share Capital

(a) Authorized:

Unlimited number of voting common shares, with no par value.

Unlimited number of preferred shares, with no par value.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

(b) Number of common shares and perpetual preferred shares issued:

The following table sets forth the number of common shares and perpetual preferred shares issued:

As at, *(000s)*	September 30, 2020	December 31, 2019
Common shares:		
Outstanding at beginning of period	265,935	265,911
Conversion of Series C Preferred Shares(1)	465	-
Repurchase of common shares(2)	(465)	-
Exercise of stock options	-	24
Outstanding at end of period(1)	**265,935**	**265,935**
Series A Preferred Shares (perpetual):		
Outstanding at beginning of period	2,000	2,000
Outstanding at end of period	**2,000**	**2,000**

(1) See capital securities note below.

(2) On November 19, 2019, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,296,761 of its outstanding common shares. The total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 309,858 common shares; provided, however, that the Corporation may make one block purchase per calendar week which exceeds the daily purchase restriction. The NCIB commenced on November 25, 2019 and will terminate on November 24, 2020, or such earlier time as the NCIB is completed or is terminated at the option of Birchcliff. Purchases under the NCIB will be effected through the facilities of the TSX and/or Canadian alternative trading systems at the prevailing market price at the time of such transaction. All common shares purchased under the NCIB will be cancelled. During the nine months ended September 30, 2020, Birchcliff purchased 464,562 common shares pursuant to the NCIB for an aggregate value of approximately $610,000 before fees.

Capital Securities

The following table sets forth the number of capital securities outstanding:

As at, *(000s)*	**September 30, 2020**	**December 31, 2019**
Outstanding at beginning of period	2,000	2,000
Redemption of Series C Preferred Shares	(38)	-
Outstanding at end of period[(1)(2)]	**1,962**	**2,000**

(1) Each Series C Preferred Share recorded at its redemption value of $25.00 per share on the statements of financial position less any amortized fees.

(2) Subject to the provisions of the *Business Corporations Act* (Alberta) and the provisions governing the Series C Preferred Shares (the "**Provisions**"), a holder of Series C Preferred Shares may, at its option, upon giving notice in accordance with the Provisions (the "**Notice of Redemption**"), redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a financial quarter at $25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption.

Upon receipt of the Notice of Redemption, the Corporation may, at its option (subject, if required, to stock exchange approval), upon not less than 20 days' prior written notice, elect to convert all such Series C Preferred Shares into common shares. The number of common shares into which each Series C Preferred Share may be so converted will be determined by dividing the amount of $25.00, together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of $2.00 and 95% of the "Current Market Price" (as determined in accordance with the Provisions) of the common shares.

The Corporation received Notices of Redemptions for 38,165 Series C Preferred Shares in the nine months ended September 30, 2020. The Corporation elected to settle in cash the redemption of 1,000 Series C Preferred Shares at $25.00 per share for a total of $25,000. The Corporation elected to convert the remaining 37,165 Series C Preferred Shares into common shares and accordingly issued a total of 464,562 common shares. This increased share capital by approximately $530,000 using an implied value of $1.14 per common share based on the share trading price on the Toronto Stock Exchange at the date conversion.

Dividends

The following table sets forth the dividend distributions by the Corporation for each class of shares:

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
Common shares:				
Dividend distribution *($000s)*	1,330	6,981	9,638	20,942
Per common share *($)*	0.0050	0.0263	0.0121	0.0263
Preferred shares – Series A:				
Series A dividend distribution *($000s)*	1,046	1,046	3,140	3,140
Per Series A Preferred Share *($)*	0.5234	0.5234	0.5234	0.5234
Preferred shares – Series C:				
Series C dividend distribution *($000s)*	859	875	2,609	2,625
Per Series C Preferred Share *($)*	0.4375	0.4375	0.4375	0.4375

All dividends have been designated as "eligible dividends" for the purposes of the *Income Tax Act* (Canada).

In the second quarter of 2020, the Corporation reduced the amount of its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually).

On September 1, 2020, the Corporation's Board of Directors declared a quarterly cash dividend on its common shares, Series A Preferred Shares and Series C Preferred Shares which was paid on September 30, 2020.

8. LOSS PER SHARE

The following table sets forth the computation of net loss per common share:

($000s, except for per share information)	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Net loss	16,646	45,843	99,275	37,455
Dividends on Series A Preferred Shares	1,046	1,046	3,140	3,140
Net loss to common shareholders	17,692	46,889	102,415	40,595
Weighted average common shares:				
Weighted average basic common shares outstanding	265,935	265,935	265,935	265,928
Weighted average diluted common shares outstanding(1)	265,935	265,935	265,935	265,928
Net loss per common share:				
Basic	**$0.07**	**$0.18**	**$0.39**	**$0.15**
Diluted	**$0.07**	**$0.18**	**$0.39**	**$0.15**

(1) The weighted average diluted common shares outstanding excludes 21,063,501 and 18,532,368 common shares that were anti-dilutive for the three and nine months ended September 30, 2020 and September 30, 2019, respectively. As the Corporation reported a loss for the three and nine months ended September 30, 2020 and September 30, 2019, the basic and diluted weighted average common shares outstanding are the same for the periods and all dilutive securities were considered anti-dilutive.

9. REVENUE

The following table sets forth Birchcliff's revenue by source:

($000s)	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Light oil sales	19,655	30,157	52,238	90,611
Condensate(1)	32,263	34,847	69,992	96,766
NGLs sales(2)	8,917	6,782	25,802	24,543
Natural gas sales	81,940	58,800	222,180	236,785
P&NG sales(3)(4)	142,775	130,586	370,212	448,705
Royalty income	4	2	10	95
P&NG revenue	**142,779**	**130,588**	**370,222**	**448,800**
Marketing revenue(5)	4,422	-	11,798	-
Revenue from contracts with customers	**147,201**	**130,588**	**382,020**	**448,800**

(1) Includes pentanes plus.

(2) Includes ethane, propane and butane.

(3) Excludes the effects of financial instruments but includes the effects of any physical delivery contracts outstanding during the period.

(4) Included in accounts receivable at September 30, 2020 was $51.2 million (September 30, 2019 - $45.9 million) in P&NG sales to be received from its marketers in respect of September 2020 production, which was subsequently received in October 2020.

(5) Marketing revenue represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. For the three and nine months ended September 30, 2020, the Corporation had marketing purchases from third parties of $3.5 million and $10.0 million, respectively.

10. OTHER LIABILITIES

Post-Employment Benefit Obligation

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan is approximately $14.8 million at September 30, 2020 (December 31, 2019 – $14.8 million).

A reconciliation of the discounted post-employment benefit obligation is set forth below:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**
Balance, beginning	8,494	7,844
Obligations incurred[1]	403	524
Accretion	106	126
Balance, ending[2]	**9,003**	**8,494**
Current portion	-	-
Long-term portion	9,003	8,494

(1) Represents the service costs associated with post-employment benefits.

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligation at September 30, 2020 and December 31, 2019.

Lease Obligation

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $20.6 million at September 30, 2020 (December 31, 2019 – $22.3 million). A reconciliation of the discounted lease obligation is set forth below:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**
Balance, beginning	18,552	17,311
Obligations incurred	-	2,620
Lease payments	(1,719)	(2,172)
Accretion	584	793
Balance, ending[1]	**17,417**	**18,552**
Current portion	1,577	1,522
Long-term portion	15,840	17,030

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligation at September 30, 2020 and December 31, 2019.

11. SHARE-BASED PAYMENT

Stock Option

At September 30, 2020, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,593,523 (September 30, 2019 – 26,593,523) common shares. At September 30, 2020, there remained available for issuance options in respect of 5,459,022 (September 30, 2019 – of 8,061,155) common shares. For the three months ended September 30, 2020, the weighted average common share trading price on the Toronto Stock Exchange was $1.47 (September 30, 2019 – $2.27) per common share.

A summary of the outstanding stock options is set forth below:

	Three months ended September 30,				**Nine months ended September 30,**			
	2020		**2019**		**2020**		**2019**	
	Number	**Price** *($)*[1]	**Number**	**Price** *($)*[1]	**Number**	**Price** *($)*[1]	**Number**	**Price** *($)*[1]
Outstanding, beginning	21,139,001	4.00	18,506,468	4.88	23,483,368	4.28	15,847,570	5.74
Granted[2]	53,000	1.16	136,000	2.36	177,500	1.20	4,955,200	3.51
Exercised	-	-	-	-	-	-	(23,867)	(3.08)
Forfeited	(8,500)	(1.18)	(33,901)	(3.70)	(66,067)	(2.93)	(202,402)	(4.28)
Expired	(49,000)	(6.47)	(76,199)	(6.46)	(2,460,300)	(6.59)	(2,044,133)	(8.56)
Outstanding, ending	**21,134,501**	**3.99**	**18,532,368**	**4.85**	**21,134,501**	**3.99**	**18,532,368**	**4.85**

(1) Calculated on a weighted average basis.

(2) Each stock option granted entitles the holder to purchase one common share at the exercise price.

The weighted average fair value per option granted during the three months ended September 30, 2020 was $0.48 (September 30, 2019 – $0.70). In determining the stock-based compensation expense for options issued during the three months ended September 30, 2020, the Corporation applied a weighted average estimated forfeiture rate of 9% (September 30, 2019 – 10%).

The weighted average assumptions used in calculating the Black-Scholes fair values are set forth below:

Three months ended,	September 30, 2020	September 30, 2019
Risk-free interest rate	0.3%	1.5%
Expected life *(years)*	4.1	4.1
Expected volatility	61.2%	50.3%
Dividend yield	1.7%	4.4%

A summary of the stock options outstanding and exercisable under the Option Plan at September 30, 2020 is set forth below:

Grant Price *($)*		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*
0.78	3.00	5,432,000	4.20	2.28	46,666	3.91	2.37
3.01	6.00	11,554,001	2.39	3.42	6,864,557	1.92	3.39
6.01	9.43	4,148,500	1.36	7.81	4,148,500	1.36	7.81
		21,134,501	**2.65**	**3.99**	**11,059,723**	**1.72**	**5.04**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. There are 2,939,732 performance warrants outstanding and exercisable at September 30, 2020 (December 31, 2019 – 2,939,732) with an expiry date of January 31, 2025. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff.

12. CAPITAL MANAGEMENT

The Corporation’s general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation’s objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available debt capacity and to optimize the use of its capital to provide an appropriate investment return to its shareholders. Except for the common share dividend reduction, there were no further changes in the Corporation’s approach to capital management during the nine months ended September 30, 2020.

The following table sets forth the Corporation’s total available credit:

As at, *($000s)*	September 30, 2020	December 31, 2019
Maximum borrowing base limit(1):		
Revolving term credit facilities	1,000,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(773,186)	(611,483)
Outstanding letters of credit(2)	(4,185)	(4,185)
	(777,371)	(615,668)
Unused credit	**222,629**	**384,332**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff’s petroleum and natural gas reserves. In connection with the semi-annual review of the borrowing base limit under the Credit Facilities, which was completed by the Corporation's syndicate of lenders on May 11, 2020, the borrowing base limit was confirmed at $1.0 billion.

(2) Letters of credit are issued to various service providers. The letters of credit reduced the amount available under the Working Capital Facility.

The capital structure of the Corporation is as follows:

As at, *($000s)*	**September 30, 2020**	**December 31, 2019**	**% Change**
Shareholders' equity[(1)]	1,587,309	1,695,621	
Capital securities	49,046	49,845	
Shareholders' equity & capital securities	1,636,355	1,745,466	(6%)
Shareholders' equity & capital securities as a % of total capital[(2)]	68%	73%	
Working capital deficit[(3)]	12,708	23,405	
Drawn revolving term credit facilities	773,186	611,483	
Drawn debt	785,894	634,888	24%
Drawn debt as a % of total capital	32%	27%	
Total capital	**2,422,249**	**2,380,354**	**2%**

(1) Shareholders' equity is defined as share capital plus contributed surplus plus retained earnings, less any deficit.

(2) Of the 68%, approximately 94% relates to common capital stock and 6% relates to preferred capital stock.

(3) Working capital is defined as current assets less current liabilities (excluding fair value of financial instruments and capital securities).

13. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions. The following table provides a summary of the realized and unrealized gains and losses on financial derivatives:

	Three months ended September 30,		**Nine months ended September 30,**	
($000s)	**2020**	**2019**	**2020**	**2019**
Realized gain (loss) on derivatives	(16,440)	1,603	(47,846)	20,238
Unrealized loss on derivatives	(25,632)	(60,915)	(77,683)	(146,163)

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can materially impact cash flows and the Corporation's borrowing base limit. Lower commodity prices can also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by Canadian ("**CDN**") and United States ("**US**") demand, but also by world events that dictate the levels of supply and demand.

Financial Derivative Contracts

At September 30, 2020, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial instruments as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss and realized upon settlement.

At September 30, 2020, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[(1)]	Contract Price	Fair Value Liability *($000s)*
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	28,997
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	10,082
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	30,666
Natural gas	AECO 7A basis swap[(2)]	15,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	16,258
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	5,424
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	5,437
Natural gas	AECO 7A basis swap[(2)]	12,500 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	13,996
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	11,395
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	9,833
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	6,153
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	12,136
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	6,258
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	13,655
Natural gas	AECO 7A basis swap[(2)]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	14,928
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	1,817
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	3,487
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	838
					191,360

(1) Transactions with common terms and the same counterparty have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

At September 30, 2020 if the future AECO/NYMEX basis was US$0.10/MMBtu higher, with all other variables held constant, after-tax net loss in the nine months ended September 30, 2020 would have decreased by approximately $26 million.

There were no financial derivative contracts entered into subsequent to September 30, 2020.

Physical Delivery Contracts

Birchcliff also enters into physical delivery contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

At September 30, 2020 the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap[(1)]	5,000 MMBtu/d	Oct. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to September 30, 2020.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's Credit Facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not directly exposed to interest rate risk.

At September 30, 2020, Birchcliff had the following financial derivative contracts in place in order to manage interest rate risk:

Type of Contract	Index	Remaining Term[(1)]	Notional Amount *($million)*	Fixed Rate *(%)*	Fair Value Liability *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR[(2)]	Oct. 1, 2020 – Mar. 1, 2024	350	2.215	**18,913**

(1) Transactions with common terms and the same counterparty have been aggregated and presented at the weighted average price.

(2) Canadian Dollar Offered Rate ("**CDOR**").

At September 30, 2020 if the one-month banker's acceptance CDOR index was 0.10% higher, with all other variables held constant, after-tax net loss in the nine months ended September 30, 2020 would have decreased by approximately $0.6 million.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its petroleum and natural gas sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended September 30, 2020.

14. INVESTMENT IN SECURITIES

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 common A units in a limited partnership and 10,000,000 preferred units in a trust (collectively, the "**Securities**") at a combined value of $10 million. The Securities are not publicly listed and do not constitute a significant investment.

As at September 30, 2020, the Corporation determined the Securities had a fair value of $2.4 million (December 31, 2019 - $4.4 million). Birchcliff recorded a gain on investment of $1.1 million during the three months ended September 30, 2020 (September 30, 2019 - $Nil) and an investment loss of $2.0 million during the nine months ended September 30, 2020 (September 30, 2019 - $5.6 million).

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
ATP	Alliance Trading Pool
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
condensate	pentanes plus (C5+)
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently International Financial Reporting Standards as issued by the International Accounting Standards Board
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
m^3	cubic metres
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MPa	megapascal
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NYMEX	New York Mercantile Exchange
OPEC	Organization of the Petroleum Exporting Countries
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This report uses the terms "adjusted funds flow", "adjusted funds flow per basic common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs" and "total debt". These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff's profitability, efficiency, liquidity and overall performance.

"Adjusted funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and "adjusted funds flow per basic common share" denotes adjusted funds flow divided by the basic weighted average number of common shares outstanding for the period. "Free funds flow" denotes adjusted funds flow less F&D capital expenditures. "Transportation and other expense" denotes transportation expense plus marketing purchases minus marketing revenue. "Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. "Total cash costs" are comprised of royalty, operating, transportation and other, G&A and interest expenses. "Total debt" is calculated as the revolving term credit facilities plus adjusted working capital deficit.

For additional information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measures where applicable, see *"Non-GAAP Measures"* in management's discussion and analysis for the three and nine months ended September 30, 2020 (the "**MD&A**").

ADVISORIES

Unaudited Information

All financial and operational information contained in this report for the three and nine months ended September 30, 2020 and 2019 is unaudited.

Currency

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to "$" and "CDN$" are to Canadian dollars and all references to "US$" are to United States dollars.

MMBtu Pricing Conversions

$1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value of 37.4 MJ/m3 or a heat uplift of 1.055 when converting from $/GJ.

Boe and Mcfe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. Boe and Mcfe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl and an Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Production

With respect to the disclosure of Birchcliff's production contained in this report: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"); (ii) unless otherwise indicated, references to "liquids" mean "light crude oil and medium crude oil" and "natural gas liquids" (including condensate) as such terms are defined in NI 51-101; and (iii) references to "natural gas" mean "shale gas", which also includes an immaterial amount of "conventional natural gas", as such terms are defined in NI 51-101. In addition, NI 51-101 includes condensate within the product type of natural gas liquids. Birchcliff has disclosed condensate separately from other natural gas liquids as the price of condensate as compared to other natural gas liquids is currently significantly higher and Birchcliff believes presenting the two commodities separately provides a more accurate description of its operations and results therefrom.

Oil and Gas Metrics

This report contains metrics commonly used in the oil and natural gas industry, including netbacks. These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide investors with measures to compare Birchcliff's performance over time; however, such measures are not reliable indicators of Birchcliff's future performance, which may not compare to Birchcliff's performance in previous periods, and therefore should not be unduly relied upon. For additional information regarding netbacks, see *"Non-GAAP Measures"*.

Initial Production Rates

Any references in this report to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or the ultimate recovery of such wells. In addition, such rates may also include recovered "load oil" or "load water" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place undue reliance on such rates in calculating the aggregate production for Birchcliff. Such rates are based on field estimates and may be based on limited data available at this time. With respect to the production rates for the Corporation's 14-well pad in Pouce Coupe disclosed in this report, such rates represent the cumulative volumes for each well measured at the wellhead separator for the 30 and 60 days, respectively, of production immediately after each well was considered stabilized after producing back to surface fracture treatment fluid in an amount such that flow rates of hydrocarbons became reliable (between 2 and 19 days), divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 14-well pad and then divided by 14 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. Approximate tubing pressures for the 14 wells were stabilized between 3.9 and 5.4 MPa for IP 30 production rates and between 4.0 to 5.5 MPa for IP 60 production rates. Approximate casing pressures for the 14 wells were stabilized between 8.3 and 11.6 MPa for IP 30 production rates and between 7.5 to 9.7 MPa for IP 60 production rates. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

Capital Expenditures

Unless otherwise indicated, references in this report to: (i) "F&D capital" denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) "total capital expenditures" denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets.

Forward-Looking Statements

Certain statements contained in this report constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this report relate to future events or Birchcliff's future plans, operations or performance and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "focus", "future", "outlook", "position", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "guidance", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should", "would", "on track" and other similar words and expressions.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements. Although Birchcliff believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and Birchcliff makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

In particular, this report contains forward-looking statements relating to the following:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including statements that for 2021, the Corporation is committed to free funds flow generation and debt reduction;
- statements that none of Birchcliff's production is currently subject to fixed price commodity hedges, which will allow Birchcliff to take advantage of strengthening natural gas prices;
- Birchcliff's belief that generating free funds flow and the repayment of debt in 2021 will provide it with the most optionality to take advantage of future opportunities in its industry and give it the ability to maximize future shareholder returns;

- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this report as it relates to Birchcliff's outlook and guidance, including: statements regarding the Corporation's 2021 outlook (including: that, based on current strip prices, Birchcliff expects to generate free funds flow of approximately $140 million in 2021, with priority being given to debt reduction; that it is currently targeting F&D capital spending of $200 million to $220 million and an annual average production rate of 78,000 to 80,000 boe/d in 2021; that it expects to be able to maintain its production at or near 2020 levels with less F&D capital; that it expects facilities and infrastructure spending in 2021 to decrease by approximately 70%, from approximately $75 million in 2020 to approximately $20 million in 2021; that the 2021 capital program will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices; that as a result of Birchcliff's large inventory of potential future drilling locations, the Corporation has the ability to focus on natural gas, liquids-rich natural gas or light oil drilling; and statements that Birchcliff expects to announce details of its 2021 capital program and guidance in January 2021); statements with respect to the Corporation's 2020 guidance (including: that the Corporation's annual average production is now anticipated to be 76,000 to 77,000 boe/d and its average production in Q4 2020 is now expected to be 78,000 to 79,000 boe/d; that its adjusted funds flow is now anticipated to be $195 million; that its F&D capital expenditures are expected to be approximately $285 million; statements that total debt is expected to decrease throughout the remainder of 2020, with total debt at year end anticipated to be $740 million to $760 million, a further reduction of $24 million to $44 million from September 30, 2020; that Birchcliff expects to generate significant free funds flow in Q4 2020, which will be directed towards debt reduction; and estimates of annual and Q4 average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt and natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of adjusted funds flow);
- statements regarding the Corporation's liquidity and financial flexibility, including that the Corporation's credit facilities provide it with significant liquidity;
- the information set forth under the heading *"Operational Update"* and elsewhere in this report as it relates to the 2020 Capital Program and Birchcliff's proposed exploration and development activities and the timing thereof, including that the Corporation intends to utilize the capital savings realized on the 2020 Capital Program to prepare for the efficient execution of its 2021 capital program;
- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets; and
- the forward-looking statements identified in the MD&A under the heading *"Advisories – Forward-Looking Statements".*

With respect to the forward-looking statements contained in this report, assumptions have been made regarding, among other things: the degree to which the Corporation's results of operations and financial condition will be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic; prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; the success of new wells drilled; reserves and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this report:

- Birchcliff's 2020 guidance (as updated November 12, 2020) assumes the following commodity prices and exchange rate: an average WTI price of US$37.50/bbl; an average WTI-MSW differential of CDN$8.10/bbl; an average AECO 5A price of CDN$2.20/GJ; an average Dawn price of US$1.95/MMBtu; an average NYMEX HH price of US$2.10/MMBtu; and an exchange rate (CDN$ to US$1) of 1.35.
- Birchcliff's preliminary 2021 outlook assumes the following commodity prices and exchange rate: an average WTI price of US$43.70/bbl; an average WTI-MSW differential of CDN$6.25/bbl; an average AECO 5A price of CDN$2.60/GJ; an average Dawn price of US$2.80/MMBtu; an average NYMEX HH price of US$2.95/MMBtu; and an exchange rate (CDN$ to US$1) of 1.31.
- With respect to estimates of 2020 and 2021 capital expenditures and Birchcliff's spending plans for 2020 and 2021, such estimates and plans assume that the 2020 and 2021 capital programs will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2020 and 2021, such estimates assume that: the 2020 and 2021 capital programs will be carried out as currently contemplated and the level of capital spending for 2020 and 2021 set forth herein will be achieved; and the targets for production, commodity mix and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance, such guidance assumes that: the Corporation's 2020 and 2021 capital programs will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity.
- With respect to statements regarding the future potential and prospectivity of properties and assets, such statements assume: the continuing validity of the geological and other technical interpretations determined by Birchcliff's technical staff with respect to such properties; and that, over the long-term, commodity prices and general economic conditions will warrant proceeding with the exploration and development of such properties.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with Birchcliff's credit facilities, including a failure to comply with covenants under the agreement governing the credit facilities and the risk that the borrowing base limit may be redetermined; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's Board of Directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time. Without limitation of the foregoing, the declaration and payment of future dividends (and the amount thereof) may vary depending on a variety of factors and conditions existing from time to time and is subject to the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta). For further information relating to risks relating to dividends, see *"Risk Factors – Dividends"* in the Corporation's Annual Information Form for the year ended December 31, 2019.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience. While the duration and full impact of the COVID-19 pandemic is not yet known, the effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on the Corporation's business, results of operations, financial condition and the environment in which it operates. The Corporation's current expectations, estimates, projections, beliefs and assumptions underlying the Corporation's forward-looking statements are subject to change in light of the COVID-19 pandemic, including potential future waves and actions taken by governments and businesses in response thereto.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in Birchcliff's most recent Annual Information Form, the MD&A and in other reports filed with Canadian securities regulatory authorities.

This report contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective results of operations including, without limitation, adjusted funds flow, free funds flow and total debt, all of which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Birchcliff's actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that such information may not be appropriate for other purposes. FOFI contained herein was made as of the date of this report. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this report in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this report are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this report. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

A. Jeffery Tonken
President & Chief Executive Officer

Myles R. Bosman
Vice-President, Exploration & Chief Operating Officer

Chris A. Carlsen
Vice-President, Engineering

Bruno P. Geremia
Vice-President & Chief Financial Officer

David M. Humphreys
Vice-President, Operations

DIRECTORS

A. Jeffery Tonken (Chairman)
President & Chief Executive Officer
Calgary, Alberta

Dennis A. Dawson
Lead Independent Director
Calgary, Alberta

Debra A. Gerlach
Independent Director
Calgary, Alberta

Stacey E. McDonald
Independent Director
Calgary, Alberta

James W. Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Robyn Bourgeois
General Counsel & Corporate Secretary

Jesse Doenz
Controller & Investor Relations Manager

George Fukushima
Manager of Engineering

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of IT

Tyler Murray
Mineral Land Manager

Bruce Palmer
Manager of Geology

Brian Ritchie
Asset Manager – Gordondale

Michelle Rodgerson
Manager of Human Resources & Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling & Completions Manager

Vic Sandhawalia
Manager of Finance

Ryan Sloan
Health, Safety & Environment Manager

Duane Thompson
Production Manager

Hue Tran
Business Development Manager

Theo van der Werken
Asset Manager – Pouce Coupe

BANKERS

The Bank of Nova Scotia
HSBC Bank Canada
National Bank of Canada
Canadian Imperial Bank of Commerce
Bank of Montreal
The Toronto-Dominion Bank
ATB Financial
Business Development Bank of Canada
Wells Fargo Bank, N.A., Canadian Branch
United Overseas Bank Limited
ICICI Bank Canada

AUDITORS

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