BIRCHCLIFF ENERGY

QUARTERLY REPORT | Q3 2023

BIRCHCLIFF ENERGY LTD. ANNOUNCES Q3 2023 RESULTS,
DECLARATION OF Q4 2023 DIVIDEND OF $0.20 PER COMMON SHARE AND PRELIMINARY 2024 GUIDANCE

Calgary, Alberta (November 14, 2023) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q3 2023 financial and operational results and its preliminary guidance for 2024. Birchcliff is also pleased to announce that its board of directors (the "**Board**") has declared a quarterly cash dividend of $0.20 per common share for the quarter ending December 31, 2023.

"In Q3 2023, we generated adjusted funds flow(1) of $72.2 million and free funds flow(1) of $5.5 million, with average production of 74,143 boe/d. In addition, we returned an aggregate of $53.3 million to shareholders in Q3 2023 through our base common share dividend. Since September 30, 2022, Birchcliff has returned an aggregate of $218.5 million to shareholders (or $0.82 per basic common share) through common share dividends," commented Jeff Tonken, Chief Executive Officer of Birchcliff. "Earlier in the year, we made the strategic decision to defer the drilling of nine wells from Q2 2023 to Q3 2023, which resulted in no new wells being brought on production in Q3 2023. These nine wells were recently brought on production, allowing us to capture the anticipated strength in natural gas pricing that is typically seen in winter months, as well as setting us up for stronger average production in Q4 2023 and Q1 2024."

"We anticipate that our adjusted funds flow will be sufficient to fully fund our F&D capital expenditures and common share dividend payments in 2024 based on our preliminary budgeting process and current commodity price outlook. We are targeting F&D capital expenditures of $260 million to $280 million in respect of 2024 and annual average production of 77,000 to 79,000 boe/d(2). We expect to generate adjusted funds flow of approximately $500 million and free funds flow of approximately $240 million to $260 million in 2024. As part of Birchcliff's $260 million to $280 million capital program for 2024, we expect to spend approximately $20 million in Q4 2023 to commence the drilling of five wells in Pouce Coupe, which will allow us to maximize production during the winter months, and $240 million to $260 million in 2024. We are continuing to evolve our plans for 2024 and expect to announce the details of our formal 2024 capital budget and updated five-year outlook for 2024 to 2028 on January 17, 2024."(3)

Q3 2023 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved quarterly average production of 74,143 boe/d.
- Generated quarterly adjusted funds flow of $72.2 million, or $0.27 per basic common share(4), and quarterly free funds flow of $5.5 million, or $0.02 per basic common share(4).
- Generated cash flow from operating activities of $67.8 million.
- Reported quarterly net income to common shareholders of $15.1 million, or $0.06 per basic common share.
- Realized an operating expense of $3.93/boe.
- F&D capital expenditures totalled $66.7 million.
- Total debt(5) at September 30, 2023 was $327.7 million.
- Returned $53.3 million to shareholders through the Corporation's base common share dividend.

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(1) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.

(2) As compared to $255 million of F&D capital expenditures and 78,000 boe/d of production, as set out in the Corporation's five-year outlook for 2023 to 2027. See the Corporation's press release dated May 10, 2023.

(3) See *"Outlook and Guidance – Preliminary 2024 Guidance"* for further information regarding Birchcliff's preliminary 2024 guidance and its commodity price and exchange rate assumptions for such guidance.

(4) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"*.

(5) Capital management measure. See *"Non-GAAP and Other Financial Measures"*.

Birchcliff's unaudited interim condensed financial statements for the three and nine months ended September 30, 2023 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR+ at www.sedarplus.ca.

DECLARATION OF Q4 2023 QUARTERLY DIVIDEND

The Board has declared a quarterly cash dividend of $0.20 per common share for the quarter ending December 31, 2023. The dividend will be payable on December 29, 2023 to shareholders of record at the close of business on December 15, 2023. The ex-dividend date is December 14, 2023. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada). This is the fifth consecutive quarter in which Birchcliff's Board has declared a cash dividend of $0.20 per common share.

*This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. For further information regarding the forward-looking statements and forward-looking information contained herein, see "Advisories – Forward-Looking Statements". With respect to the disclosure of Birchcliff's production contained in this press release, see "Advisories – Production". In addition, this press release uses various "non-GAAP financial measures", "non-GAAP ratios" and "capital management measures" as such terms are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers. For further information regarding the non-GAAP and other financial measures used in this press release, see "Non-GAAP and Other Financial Measures".*

Q3 2023 FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
OPERATING				
Average production				
Light oil *(bbls/d)*	1,728	2,254	1,916	2,159
Condensate *(bbls/d)*	4,850	4,601	5,221	4,631
NGLs *(bbls/d)*	7,412	7,593	5,852	7,305
Natural gas *(Mcf/d)*	360,924	381,788	374,544	371,174
Total *(boe/d)*	**74,143**	**78,079**	**75,413**	**75,957**
Average realized sales prices *(CDN$)*(1)				
Light oil *(per bbl)*	100.46	115.94	98.77	121.49
Condensate *(per bbl)*	107.67	115.84	103.75	125.06
NGLs *(per bbl)*	26.35	38.18	26.91	43.04
Natural gas *(per Mcf)*	2.86	6.83	3.07	6.95
Total *(per boe)*	**25.96**	**47.26**	**27.05**	**49.18**
NETBACK AND COST *($/boe)*				
Petroleum and natural gas revenue(1)	25.97	47.26	27.06	49.18
Royalty expense	(2.04)	(6.04)	(2.47)	(6.05)
Operating expense	(3.93)	(3.50)	(3.84)	(3.46)
Transportation and other expense(2)	(6.37)	(5.41)	(5.74)	(5.58)
Operating netback(2)	**13.63**	**32.31**	**15.01**	**34.09**
G&A expense, net	(1.36)	(0.98)	(1.43)	(1.08)
Interest expense	(0.86)	(0.44)	(0.66)	(0.48)
Realized gain (loss) on financial instruments	(0.83)	6.33	(1.69)	2.99
Other cash income (expense)	0.01	-	(0.03)	-
Adjusted funds flow(2)	**10.59**	**37.22**	**11.20**	**35.52**
Depletion and depreciation expense	(8.08)	(7.48)	(8.11)	(7.49)
Unrealized gain (loss) on financial instruments	1.20	15.30	(1.31)	9.26
Other expenses(3)	(0.69)	(0.39)	(0.64)	(0.28)
Dividends on preferred shares	-	(0.24)	-	(0.25)
Deferred income tax expense	(0.81)	(10.36)	(0.40)	(8.59)
Net income to common shareholders	**2.21**	**34.05**	**0.74**	**28.17**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*(1)	177,126	339,531	557,064	1,019,822
Cash flow from operating activities *($000s)*	67,840	272,965	241,523	700,828
Adjusted funds flow *($000s)*(4)	72,225	267,350	230,612	736,584
Per basic common share *($)*(2)	0.27	1.01	0.87	2.78
Free funds flow *($000s)*(4)	5,548	182,020	(15,859)	478,725
Per basic common share *($)*(2)	0.02	0.69	(0.06)	1.80
Net income to common shareholders *($000s)*	15,108	244,582	15,313	584,229
Per basic common share *($)*	0.06	0.92	0.06	2.20
End of period basic common shares *(000s)*	266,640	265,877	266,640	265,877
Weighted average basic common shares *(000s)*	266,390	265,298	266,397	265,422
Dividends on common shares *($000s)*	53,321	5,317	159,954	13,285
Dividends on preferred shares *($000s)*	-	1,730	-	5,126
F&D capital expenditures *($000s)*(5)	66,677	85,330	246,471	257,859
Total capital expenditures *($000s)*(4)	67,475	86,485	248,375	260,759
Revolving term credit facilities *($000s)*	318,711	196,989	318,711	196,989
Total debt *($000s)*(6)	327,655	186,064	327,655	186,064

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.
(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"*.
(3) Includes non-cash items such as compensation, accretion, amortization of deferred financing fees and other gains and losses.
(4) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.
(5) See *"Advisories – F&D Capital Expenditures"*.
(6) Capital management measure. See *"Non-GAAP and Other Financial Measures"*.

OUTLOOK AND GUIDANCE

Updated 2023 Guidance

The Corporation is re-affirming its annual average production guidance at approximately 77,000 boe/d for 2023. As previously disclosed, Birchcliff expected to be on the low end of its 2023 production guidance range of 77,000 to 80,000 boe/d, largely as a result of an unplanned system outage on Pembina Pipeline's Northern Pipeline system that negatively affected the Corporation's production in the first half of the year, as well as the deferral of the drilling of nine wells from Q2 2023 to Q3 2023.

Birchcliff is updating its 2023 F&D capital expenditures guidance from $270 million to $280 million to $300 million to reflect the acceleration of approximately $20 million of capital expenditures from 2024 into Q4 2023. Birchcliff will commence the drilling of 5 (5.0 net) wells in Pouce Coupe in Q4 2023, which wells are planned to be brought on production in late January 2024, as well as drill several surface holes and procure various long-lead items required for the execution of the Corporation's 2024 capital program.

By accelerating these capital projects, the Corporation will be able to maximize production during the winter months to capture the anticipated strength in natural gas pricing that is typically seen in the winter months. In addition, accelerating this capital into Q4 2023 will allow Birchcliff to continue its two-drilling rig program throughout the remainder of 2023, help to ensure the efficient execution of the Corporation's 2024 capital program and allow Birchcliff to significantly decrease the risks related to the price and availability of drilling and other oilfield services during a period of tight supply.

The Corporation is also updating certain other items of its 2023 guidance to reflect the acceleration of capital and an updated commodity price forecast for 2023.

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2023, as well as its free funds flow sensitivity:

	Updated 2023 guidance and assumptions – November 14, 2023(1)	**Previous 2023 guidance and assumptions – August 10, 2023**
Production		
Annual average production *(boe/d)*	77,000	77,000 – 80,000
% Light oil	3%	3%
% Condensate	7%	7%
% NGLs	8%	8%
% Natural gas	82%	82%
Average Expenses *($/boe)*		
Royalty	2.55 – 2.75	3.60 – 3.80
Operating	3.75 – 3.95	3.60 – 3.80
Transportation and other(2)	5.60 – 5.80	5.30 – 5.50
Adjusted Funds Flow *(millions)*(3)	$350	$360
F&D Capital Expenditures *(millions)*	$300	$270 – $280
Free Funds Flow *(millions)*(3)	$50	$80 – $90
Annual Base Dividend *(millions)*(4)	$213	$213
Excess Free Funds Flow *(millions)*(3)(4)	($163)	($123) – ($133)
Total Debt at Year End *(millions)*(5)	$330(6)	$280 – $290
Natural Gas Market Exposure(7)		
AECO exposure as a % of total natural gas production	15%	15%
Dawn exposure as a % of total natural gas production	42%	42%
NYMEX HH exposure as a % of total natural gas production	37%	37%
Alliance exposure as a % of total natural gas production	6%	6%

	Updated 2023 guidance and assumptions – November 14, 2023[1]	Previous 2023 guidance and assumptions – August 10, 2023
Commodity Prices		
Average WTI price *(US$/bbl)*	78.90[8]	78.00
Average WTI-MSW differential *(CDN$/bbl)*	4.10[8]	4.20
Average AECO price *(CDN$/GJ)*	2.60[8]	2.45
Average Dawn price *(US$/MMBtu)*	2.45[8]	2.50
Average NYMEX HH price *(US$/MMBtu)*	2.80[8]	2.85
Exchange rate *(CDN$ to US$1)*	1.35[8]	1.35

Forward two months' free funds flow sensitivity[8][9]	Estimated change to 2023 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$0.7
Change in NYMEX HH US$0.10/MMBtu	$0.7
Change in Dawn US$0.10/MMBtu	$1.3
Change in AECO CDN$0.10/GJ	$0.4
Change in CDN/US exchange rate CDN$0.01	$0.9

(1) For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"*.

(3) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.

(4) Assumes that an annual base dividend of $0.80 per common share is paid, there are 266 million common shares outstanding and no special dividends are paid.

(5) Capital management measure. See *"Non-GAAP and Other Financial Measures"*.

(6) Birchcliff's updated guidance for total debt at year end includes $10.8 million of executive retirement benefit payments, which were not previously included.

(7) Birchcliff's natural gas market exposure for 2023 takes into account its outstanding physical and financial basis swap contracts.

(8) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2023 are based on anticipated full-year commodity price and exchange rate averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2023 to October 31, 2023.

(9) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2023, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free 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 and/or when the magnitude of the change increases.

Preliminary 2024 Guidance

For 2024, Birchcliff remains focused on maintaining capital discipline, generating free funds flow and delivering significant returns to shareholders, while maintaining a strong balance sheet. Based on its preliminary budgeting process and current commodity price outlook for 2024, Birchcliff is targeting F&D capital expenditures of $240 million to $260 million in 2024. When combined with the accelerated capital of $20 million in Q4 2023 as discussed above, this would equate to approximately $260 million to $280 million of F&D capital expenditures in respect of 2024. This level of capital spending will allow the Corporation to bring approximately 28 to 30 wells on production in 2024 and increase its annual average production year-over-year. With the addition of the five wells that will be drilled in Q4 2023 and brought on production in late January 2024, the Corporation currently expects to deliver annual average production of 77,000 to 79,000 boe/d in 2024.

Birchcliff is currently forecasting that it will generate approximately $500 million of adjusted funds flow and $240 million to $260 million of free funds flow in 2024 based on its targeted levels of F&D capital expenditures and annual average production. Based on the Corporation's preliminary budgeting process and current commodity price outlook for 2024, Birchcliff anticipates that its adjusted funds flow will be sufficient to fully fund its F&D capital expenditures and common share dividend payments in 2024.

Excess free funds flow generated in 2024, above current dividend levels, is currently anticipated to be used to invest in the Corporation's business, including filling its existing infrastructure to grow adjusted funds flow and lower per unit costs. Depending on commodity prices and available cash flow, the Corporation may also use a portion of excess free funds flow to reduce indebtedness and/or increase its base dividend.

Birchcliff continues to evolve its plans for 2024 and expects to announce the details of its formal 2024 capital budget and updated five-year outlook for 2024 to 2028 on January 17, 2024.

The following tables set forth Birchcliff's preliminary guidance and commodity price assumptions for 2024, as well as its free funds flow sensitivity:

	Preliminary 2024 guidance and assumptions[1]
Annual Average Production *(boe/d)*	77,000 – 79,000
Adjusted Funds Flow *(millions)*[2]	$500
F&D Capital Expenditures *(millions)*	$240 – $260
Free Funds Flow *(millions)*[2]	$240 – $260
Annual Base Dividend *(millions)*[3]	$213
Commodity Prices	
Average WTI price *(US$/bbl)*	80.00
Average WTI-MSW differential *(CDN$/bbl)*	4.50
Average AECO price *(CDN$/GJ)*	3.15
Average Dawn price *(US$/MMBtu)*	3.40
Average NYMEX HH price *(US$/MMBtu)*	3.60
Exchange rate *(CDN$ to US$1)*	1.35

Forward twelve months' free funds flow sensitivity[4]	Estimated change to 2024 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$3.9
Change in NYMEX HH US$0.10/MMBtu	$7.7
Change in Dawn US$0.10/MMBtu	$7.9
Change in AECO CDN$0.10/GJ	$3.0
Change in CDN/US exchange rate CDN$0.01	$5.6

(1) Birchcliff's preliminary 2024 guidance for its adjusted funds flow and free funds flow is based on an annual average production rate of 78,000 boe/d, which is the mid-point of Birchcliff's preliminary annual average production guidance range for 2024. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

(2) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.

(3) Assumes that an annual base dividend of $0.80 per common share is paid, there are 266 million common shares outstanding, there are no changes to the base dividend rate and no special dividends are paid. The declaration of future dividends is subject to the approval of the Board and is subject to change.

(4) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's forecast of free funds flow for 2024, holding all other variables constant. The sensitivity is based on the commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free 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 and/or when the magnitude of the change increases.

Elmworth Outlook

As previously disclosed in the Corporation's press release dated May 10, 2023, Birchcliff has amassed a significant Montney land position in the Elmworth area of Alberta, which positions the Corporation to continue to drive long-term shareholder value and provides it with a large potential future development area that can supply clean natural gas for many years to come.

Birchcliff has initiated the formal planning for the construction of a proposed 100% owned and operated natural gas processing plant in the area, including determining processing capacity, takeaway capacity and specific timelines for consultation and construction. Birchcliff currently has a successful acid gas disposal well and an AER approved Acid Gas Disposal Scheme in the Elmworth area, which is a key component for a natural gas processing plant. Birchcliff may consider allocating some capital in 2024 to continue to build, protect and optimize its Elmworth Montney land position, including through drilling and completions activity, strategic A&D transactions and Crown land sales.

Q3 2023 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 74,143 boe/d in Q3 2023, a 5% decrease from Q3 2022. The decrease was primarily due to the timing of new wells brought on production in the period as compared to Q3 2022, which resulted from the strategic decision to defer the drilling of 9 wells from Q2 2023 to Q3 2023. Birchcliff did not bring any wells on production in Q3 2023 as compared to 19 wells brought on production in Q3 2022. Production in Q3 2023 was also negatively impacted by natural production declines and positively impacted by incremental production volumes from the new Montney/Doig wells brought on production since Q3 2022.

Liquids accounted for 19% of Birchcliff's total production in Q3 2023, which is consistent with Birchcliff's liquids production weighting in Q3 2022.

Adjusted Funds Flow and Cash Flow From Operating Activities

Birchcliff's adjusted funds flow was $72.2 million in Q3 2023, or $0.27 per basic common share, both of which decreased by 73% from Q3 2022. Birchcliff's cash flow from operating activities was $67.8 million in Q3 2023, a 75% decrease from Q3 2022. The decreases were primarily due to lower natural gas revenue, which was largely impacted by: (i) a 58% decrease in the average realized sales price Birchcliff received for its natural gas production in Q3 2023 as compared to Q3 2022; and (ii) lower natural gas production in Q3 2023 as compared to Q3 2022. Birchcliff's adjusted funds flow and cash flow from operating activities were also negatively impacted by a realized loss on financial instruments in Q3 2023 as compared to a realized gain on financial instruments in Q3 2022 and positively impacted by lower royalty expense in Q3 2023.

Free Funds Flow

Birchcliff generated free funds flow of $5.5 million, or $0.02 per basic common share, in Q3 2023 as compared to $182.0 million and $0.69 per basic common share in Q3 2022. The decreases were primarily due to lower adjusted funds flow, partially offset by lower F&D capital expenditures in Q3 2023 as compared to Q3 2022.

Net Income to Common Shareholders

Birchcliff reported net income to common shareholders of $15.1 million in Q3 2023, or $0.06 per basic common share, which decreased by 94% and 93%, respectively, from Q3 2022. The decreases were primarily due to lower adjusted funds flow, partially offset by lower income tax expense in Q3 2023 as compared to Q3 2022. Net income to common shareholders was also negatively impacted by a lower unrealized mark-to-market gain on financial instruments in Q3 2023 as compared to Q3 2022.

Debt and Credit Facilities

Total debt at September 30, 2023 was $327.7 million, a 76% increase from September 30, 2022. At September 30, 2023, Birchcliff had a balance outstanding under its extendible revolving credit facilities (the "**Credit Facilities**") of $318.7 million (September 30, 2022: $197.0 million) from available Credit Facilities of $850.0 million (September 30, 2022: $850.0 million), leaving the Corporation with $528.8 million (62%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and available capital resources. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

Commodity Prices

The Corporation's average realized sales price in Q3 2023 was $25.96/boe, a 45% decrease from Q3 2022. The decrease was primarily due to lower benchmark oil and natural gas prices, which negatively impacted the sales prices Birchcliff received for its production in Q3 2023. Birchcliff is fully exposed to increases and decreases in commodity prices as it has no fixed price commodity hedges in place.

The following table sets forth the average benchmark commodity prices for the periods indicated:

	Three months ended September 30,		
	2023	2022	% Change
Light oil – WTI Cushing *(US$/bbl)*	82.26	91.55	(10)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	107.71	116.82	(8)
Natural gas – NYMEX HH *(US$/MMBtu)*	2.55	8.20	(69)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.46	3.95	(38)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.78	4.46	(60)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.27	7.37	(69)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.32	3.96	(41)

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 2023, after taking into account the Corporation's financial instruments:

	Three months ended September 30, 2023					
	Effective sales[1] *(CDN$000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total natural gas production *(%)*	Percentage of total corporate production *(%)*	Effective average realized sales price[1] *(CDN$)*
Market						
AECO[2][3]	14,285	7	57,246 Mcf	16	13	2.71/Mcf
Dawn[4]	48,234	25	164,023 Mcf	45	37	3.20/Mcf
NYMEX HH[1][2][5]	47,243	25	139,655 Mcf	39	31	3.68/Mcf
Total natural gas[1]	**109,762**	**57**	**360,924 Mcf**	**100**	**81**	**3.31/Mcf**
Light oil	15,969	8	1,728 bbls		2	100.46/bbl
Condensate	48,037	25	4,850 bbls		7	107.67/bbl
NGLs	17,967	10	7,412 bbls		10	26.35/bbl
Total liquids	**81,973**	**43**	**13,990 bbls**		**19**	**63.69/bbl**
Total corporate[1]	**191,735**	**100**	**74,143 boe**		**100**	**28.11/boe**

(1) Effective sales and effective average realized sales price on a total natural gas and total corporate basis and for the AECO and NYMEX HH markets are non-GAAP financial measures and non-GAAP ratios, respectively. See *"Non-GAAP and Other Financial Measures"*.

(2) AECO sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical NYMEX HH/AECO 7A basis swap contracts have been included as effective sales and production in the NYMEX HH market. Birchcliff sold physical NYMEX HH/AECO 7A basis swap contracts for 5,000 MMBtu/d at an average contract price of NYMEX HH less US$1.205/MMBtu during Q3 2023.

(3) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q3 2023 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

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

(5) NYMEX HH sales and production include financial and physical NYMEX HH/AECO 7A basis swap contracts for an aggregate of 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.23/MMBtu during Q3 2023.

Birchcliff's effective average realized sales price for NYMEX HH of CDN$3.68/Mcf (US$2.52/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.79/Mcf (US$1.23/MMBtu) and includes any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q3 2023.

After giving effect to the NYMEX HH/AECO 7A fixed contract basis differential price and including any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q3 2023, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$1.89/Mcf (US$1.29/MMBtu) in Q3 2023.

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

Three months ended September 30, 2023							
Natural gas market	**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	42,271	44	179,845	50	2.60	0.47	2.13
Dawn	48,234	51	164,023	45	3.20	1.50	1.70
Alliance[4]	4,604	5	17,056	5	2.93	-	2.93
Total	**95,109**	**100**	**360,924**	**100**	**2.86**	**0.92**	**1.96**

Three months ended September 30, 2022							
Natural gas market	**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	83,550	35	203,296	53	4.50	0.39	4.11
Dawn	148,258	62	160,526	42	10.04	1.42	8.61
Alliance[4]	7,965	3	17,966	5	4.82	-	4.82
Total	**239,773**	**100**	**381,788**	**100**	**6.83**	**0.81**	**6.02**

(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) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

Capital Activities and Investment

In Q3 2023, Birchcliff drilled 10 (10.0 net) wells, as set forth in further detail in the table below, with F&D capital expenditures of $66.7 million.

	Number of wells drilled in Q3 2023
Pouce Coupe	
09-04	7
Gordondale	
02-27	2
Elmworth	
02-08	1
TOTAL	**10**

The Corporation did not bring any wells on production in Q3 2023.

OPERATIONAL UPDATE

In Pouce Coupe, Birchcliff has successfully completed its 7-well 09-04 pad, which was drilled in Q3 2023. Flowback operations are complete and Birchcliff recently brought the pad on production, with production flowing through Birchcliff's existing owned and operated infrastructure. The Corporation is encouraged by the initial flowback performance of this pad, which used Birchcliff's latest well spacing and stacking designs, as well as increased proppant loading. The pad was drilled and completed in 2 different Lower Montney intervals (4 in the Montney D1 and 3 in the Montney C).

In Gordondale, Birchcliff has successfully completed its 2-well 02-27 pad, which was drilled in Q3 2023. Flowback operations are complete and Birchcliff recently brought the pad on production, with production flowing through Birchcliff's existing owned and operated infrastructure. The pad was drilled in 2 different Lower Montney intervals (1 in the Montney D2 and 1 in the Montney D1) targeting condensate-rich natural gas. Similar to the 09-04 pad, the initial flowback performance on the 02-27 pad is encouraging.

The Corporation's updated 2023 capital program now includes the drilling of 30 (30.0 net) wells and the bringing on production of 32 (32.0 net) wells in 2023. The 30 wells to be drilled in 2023 include 5 (5.0 net) wells that are anticipated to be drilled in Q4 2023 and brought on production in late January 2024. See *"Outlook and Guidance – Updated 2023 Guidance"*.

The following table sets forth the number and types of wells that Birchcliff expects to drill and bring on production in 2023:

			Total number of wells to be brought on production in 2023[(1)]	Total number of wells to be drilled in 2023
Pouce Coupe				
03-06 pad[(2)]	Montney D1	**Total**	**1**	**0**
14-06 pad[(3)]	Montney D2		2	0
	Montney D1		3	0
	Montney C		1	0
		Total	**6**	**0**
15-27 pad[(4)]	Montney D2		1	1
	Montney D1		2	1
	Montney C		1	1
		Total	**4**	**3**
04-23 pad[(4)]	Montney D2		2	2
	Montney D1		2	1
		Total	**4**	**3**
04-16 pad	Basal Doig/Upper Montney		4	4
	Montney D1		4	4
		Total	**8**	**8**
09-04 pad	Montney D1		4	4
	Montney C		3	3
		Total	**7**	**7**
04-30 pad[(5)]	Montney D1	**Total**	**N/A**	**5**
Gordondale				
02-27 pad	Montney D2		1	1
	Montney D1		1	1
		Total	**2**	**2**
Elmworth				
01-28 pad	Montney	**Total**	**N/A**	**1**
02-08 pad	Montney	**Total**	**N/A**	**1**
		TOTAL	**32**	**30**

(1) Does not include 2 (0.375 net) Charlie Lake horizontal oil wells that the Corporation participated in during 2022, which were brought on production in Q1 2023.

(2) The 03-06 pad included 4 wells that were brought on production in December 2022.

(3) The 6 wells on the 14-06 pad were drilled in Q4 2022.

(4) The 15-27 pad and the 04-23 pad each included 1 well that was drilled in Q4 2022.

(5) It is expected that these wells will be brought on production in late January 2024.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
AER	Alberta Energy Regulator
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
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMBtu/d	million British thermal units 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
NYMEX	New York Mercantile Exchange
OPEC	Organization of the Petroleum Exporting Countries
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 AND OTHER FINANCIAL MEASURES

This press release uses various "non-GAAP financial measures", "non-GAAP ratios" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below.

Non-GAAP Financial Measures

NI 52-112 defines a non-GAAP financial measure as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation. The non-GAAP financial measures used in this press release are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP financial measures as indicators of Birchcliff's performance. Set forth below is a description of the non-GAAP financial measures used in this press release.

Adjusted Funds Flow, Free Funds Flow and Excess Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital. 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 assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, buy back common shares and pay dividends.

Birchcliff defines "free funds flow" as adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to generate shareholder returns through a number of initiatives, including but not limited to, debt repayment, common share buybacks, the payment of common share dividends, acquisitions and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

Birchcliff defines "excess free funds flow" as free funds flow less common share dividends paid. Management believes that excess free funds flow assists management and investors in assessing Birchcliff's ability to further enhance shareholder returns after the payment of common share dividends, which may include debt repayment, special dividends, increases to the Corporation's base common share dividend, common share buybacks, acquisitions and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

The most directly comparable GAAP financial measure to adjusted funds flow, free funds flow and excess free funds flow is cash flow from operating activities. The following table provides a reconciliation of cash flow from operating activities to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,		Twelve months ended December 31,
($000s)	**2023**	**2022**	**2023**	**2022**	**2022**
Cash flow from operating activities	**67,840**	**272,965**	**241,523**	**700,828**	**925,275**
Change in non-cash operating working capital	3,601	(6,448)	(13,229)	33,581	25,662
Decommissioning expenditures	784	833	2,318	2,175	2,746
Adjusted funds flow	**72,225**	**267,350**	**230,612**	**736,584**	**953,683**
F&D capital expenditures	(66,677)	(85,330)	(246,471)	(257,859)	(364,621)
Free funds flow	**5,548**	**182,020**	**(15,859)**	**478,725**	**589,062**
Dividends on common shares	(53,321)	(5,317)	(159,954)	(13,285)	(71,788)
Excess free funds flow	**(47,773)**	**176,703**	**(175,813)**	**465,440**	**517,274**

Birchcliff has disclosed in this press release forecasts of adjusted funds flow, free funds flow and excess free funds flow for 2023 and adjusted funds flow and free funds flow for 2024, which are forward-looking non-GAAP financial measures. The equivalent historical non-GAAP financial measures are adjusted funds flow, free funds flow and excess free funds flow for the twelve months ended December 31, 2022. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein will be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales prices the Corporation receives for its production. The forward-looking non-GAAP financial measure for 2023 excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading *"Outlook and Guidance".*

Transportation and Other Expense

Birchcliff defines "transportation and other expense" as transportation expense plus marketing purchases less marketing revenue. Birchcliff may enter into certain marketing purchase and sales arrangements with the objective of reducing any unused transportation or fractionation fees associated with its take-or-pay commitments and/or increasing the value of its production through value-added downstream initiatives. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation and marketing activities. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to transportation and other expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Transportation expense	**40,455**	**39,379**	**114,319**	**117,071**
Marketing purchases	8,618	2,124	25,844	8,337
Marketing revenue	(5,637)	(2,613)	(21,989)	(9,890)
Transportation and other expense	**43,436**	**38,890**	**118,174**	**115,518**

Operating Netback

Birchcliff defines "operating netback" as petroleum and natural gas revenue less royalty expense, operating expense and transportation and other expense. Operating netback is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. Management believes that operating netback assists management and investors in assessing Birchcliff's operating profits after deducting the cash costs that are directly associated with the sale of its production, which can then be used to pay other corporate cash costs or satisfy other obligations. The following table provides a breakdown of Birchcliff's operating netback for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Petroleum and natural gas revenue	177,126	339,531	557,064	1,019,822
Royalty expense	(13,892)	(43,379)	(50,857)	(125,547)
Operating expense	(26,792)	(25,155)	(79,001)	(71,798)
Transportation and other expense	(43,436)	(38,890)	(118,174)	(115,518)
Operating netback – Corporate	**93,006**	**232,107**	**309,032**	**706,959**

Total Capital Expenditures

Birchcliff defines "total capital expenditures" as exploration and development expenditures less dispositions plus acquisitions (if any) and plus administrative assets. Management believes that total capital expenditures assists management and investors in assessing Birchcliff's overall capital cost structure associated with its petroleum and natural gas activities. The most directly comparable GAAP financial measure for total capital expenditures is exploration and development expenditures. The following table provides a reconciliation of exploration and development expenditures to total capital expenditures for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Exploration and development expenditures(1)	**66,677**	**85,330**	**246,471**	**257,859**
Acquisitions	188	848	188	2,348
Dispositions	-	-	(77)	(315)
Administrative assets	610	307	1,793	867
Total capital expenditures	**67,475**	**86,485**	**248,375**	**260,759**

(1) Disclosed as F&D capital expenditures elsewhere in this press release. See "*Advisories – F&D Capital Expenditures*".

Effective Sales – Total Corporate, Total Natural Gas, AECO Market and NYMEX HH Market

Birchcliff defines "effective sales" in the AECO market and NYMEX HH market as the sales amount received from the production of natural gas that is effectively attributed to the AECO and NYMEX HH market pricing, respectively, and does not consider the physical sales delivery point in each case. Effective sales in the NYMEX HH market includes realized gains and losses on financial instruments and excludes the notional fixed basis costs associated with the underlying financial contract in the period. Birchcliff defines "effective total natural gas sales" as the aggregate of the effective sales amount received in each natural gas market. Birchcliff defines "effective total corporate sales" as the aggregate of the effective total natural gas sales and the sales amount received from the production of light oil, condensate and NGLs. Management believes that disclosing effective sales for each natural gas market assists management and investors in assessing Birchcliff's natural gas diversification and commodity price exposure to each market. The most directly comparable GAAP financial measure for effective total natural gas sales and effective total corporate sales is natural gas sales. The following table provides a reconciliation of natural gas sales to effective total natural gas sales and effective total corporate sales for the periods indicated:

	Three months ended September 30,	
($000s)	**2023**	**2022**
Natural gas sales	**95,109**	**239,773**
Realized gain (loss) on financial instruments	(5,652)	45,490
Notional fixed basis costs(1)	20,305	21,864
Effective total natural gas sales	**109,762**	**307,127**
Light oil sales	15,969	24,037
Condensate sales	48,037	49,031
NGLs sales	17,967	26,673
Effective total corporate sales	**191,735**	**406,868**

(1) Reflects the aggregate notional fixed basis cost associated with Birchcliff's financial and physical NYMEX HH/AECO 7A basis swap contracts in the period.

Non-GAAP Ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. The non-GAAP ratios used in this press release are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies. Set forth below is a description of the non-GAAP ratios used in this press release.

Adjusted Funds Flow Per Boe and Adjusted Funds Flow Per Basic Common Share

Birchcliff calculates "adjusted funds flow per boe" as aggregate adjusted funds flow in the period divided by the production (boe) in the period. Management believes that adjusted funds flow per boe assists management and investors in assessing Birchcliff's financial profitability and sustainability on a cash basis by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Birchcliff calculates "adjusted funds flow per basic common share" as aggregate adjusted funds flow in the period divided by the weighted average basic common shares outstanding at the end of the period. Management believes that adjusted funds flow per basic common share assists management and investors in assessing Birchcliff's financial strength on a per common share basis.

Free Funds Flow Per Basic Common Share

Birchcliff calculates "free funds flow per basic common share" as aggregate free funds flow in the period divided by the weighted average basic common shares outstanding at the end of the period. Management believes that free funds flow per basic common share assists management and investors in assessing Birchcliff's financial strength and its ability to deliver shareholder returns on a per common share basis.

Transportation and Other Expense Per Boe

Birchcliff calculates "transportation and other expense per boe" as aggregate transportation and other expense in the period divided by the production (boe) in the period. Management believes that transportation and other expense per boe assists management and investors in assessing Birchcliff's cost structure as it relates to its transportation and marketing activities by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Operating Netback Per Boe

Birchcliff calculates "operating netback per boe" as aggregate operating netback in the period divided by the production (boe) in the period. Operating netback per boe is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. Management believes that operating netback per boe assists management and investors in assessing Birchcliff's operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Effective Average Realized Sales Price – Total Corporate, Total Natural Gas, AECO Market and NYMEX HH Market

Birchcliff calculates "effective average realized sales price" as effective sales, in each of total corporate, total natural gas, AECO market and NYMEX HH market, as the case may be, divided by the effective production in each of the markets during the period. Management believes that disclosing the effective average realized sales price for each natural gas market assists management and investors in comparing Birchcliff's commodity price realizations in each natural gas market on a per unit basis.

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Set forth below is a description of the capital management measure used in this press release.

Total Debt

Birchcliff calculates "total debt" as the amount outstanding under the Corporation's revolving term credit facilities (if any) plus working capital deficit (less working capital surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less the current portion of other liabilities at the end of the period. Management believes that total debt assists management and investors in assessing Birchcliff's overall liquidity and financial position at the end of the period. The following table provides a reconciliation of the amount outstanding under the revolving term credit facilities, as determined in accordance with GAAP, to total debt for the periods indicated:

As at, *($000s)*	**September 30, 2023**	**December 31, 2022**	**September 30, 2022**
Revolving term credit facilities	**318,711**	**131,981**	**196,989**
Working capital deficit (surplus)[1]	8,257	(7,902)	(80,650)
Fair value of financial instruments – asset[2]	7,971	17,729	69,725
Fair value of financial instruments – liability[2]	(4,777)	(1,345)	-
Other liabilities[2]	(2,507)	(1,914)	-
Total debt	**327,655**	**138,549**	**186,064**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three and nine months ended September 30, 2023 and 2022 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.

Boe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl 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.

MMBtu Pricing Conversions

$1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value Mcf.

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including operating netback. 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. 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 operating netback and how such metric is calculated, see *"Non-GAAP and Other Financial Measures".*

Production

With respect to the disclosure of Birchcliff's production contained in this press release: (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) 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.

F&D Capital Expenditures

Unless otherwise stated, references in this press release to "F&D capital expenditures" denotes exploration and development expenditures as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any acquisitions, dispositions, administrative assets and the capitalized portion of cash incentive payments that have not been approved by the Board. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff's capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

Forward-Looking Statements

Certain statements contained in this press release 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 press release relate to future events or Birchcliff's future plans, strategy, operations, performance or financial position 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", "maintain", "deliver" 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 press release contains forward-looking statements relating to:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including that the unutilized credit capacity under the Credit Facilities provides Birchcliff with significant financial flexibility and available capital resources;
- the information set forth under the heading *"Outlook and Guidance – Updated 2023 Guidance"* and elsewhere in this press release as it relates to Birchcliff's outlook and guidance for 2023, including: forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, excess free funds flow, total debt at year end and natural gas market exposure; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2023;

- the information set forth under the heading *"Outlook and Guidance – Preliminary 2024 Guidance"* and elsewhere in this press release as it relates to Birchcliff's preliminary outlook and guidance for 2024, including: that Birchcliff anticipates that its adjusted funds flow will be sufficient to fully fund its F&D capital expenditures and common share dividend payments in 2024 based on its preliminary budgeting process and current commodity price outlook; that it is targeting F&D capital expenditures of $260 million to $280 million in respect of 2024 and annual average production of 77,000 to 79,000 boe/d; that as part of Birchcliff's $260 million to $280 million capital program for 2024, it expects to spend approximately $20 million in Q4 2023 to commence the drilling of five wells in Pouce Coupe, which will allow it to maximize production during the winter months, and $240 million to $260 million in 2024; that Birchcliff is continuing to evolve its plans for 2024 and expects to announce the details of its formal 2024 capital budget and updated five-year outlook for 2024 to 2028 on January 17, 2024; that Birchcliff remains focused on maintaining capital discipline, generating free funds flow and delivering significant returns to shareholders in 2024, while maintaining a strong balance sheet; that based on its preliminary budgeting process and current commodity price outlook for 2024, Birchcliff is targeting F&D capital expenditures of $240 million to $260 million in 2024; that when combined with the accelerated capital of $20 million in Q4 2023, this would equate to approximately $260 million to $280 million of F&D capital expenditures in respect of 2024; that this level of capital spending in 2024 will allow the Corporation to bring approximately 28 to 30 wells on production in 2024 and increase its annual average production year-over-year; that with the addition of the five wells that will be drilled in Q4 2023 and brought on production in late January 2024, the Corporation currently expects to deliver annual average production of 77,000 to 79,000 boe/d in 2024; that excess free funds flow generated in 2024, above current dividend levels, is currently anticipated to be used to invest in the Corporation's business, including filling its existing infrastructure to grow adjusted funds flow and lower per unit costs; that depending on commodity prices and available cash flow, the Corporation may also use a portion of excess free funds flow to reduce indebtedness and/or increase its base dividend; forecasts of annual average production, adjusted funds flow, F&D capital expenditures, free funds flow and annual base dividend; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2024;
- the information set forth under the heading *"Outlook and Guidance – Elmworth Outlook"* as it relates to Birchcliff's outlook and plans for Elmworth, including: that Birchcliff's significant Montney land position in the Elmworth area of Alberta positions the Corporation to continue to drive long-term shareholder value and provides it with a large potential future development area that can supply clean natural gas for many years to come; that Birchcliff has initiated the formal planning for the construction of a proposed 100% owned and operated natural gas processing plant in the area; and that Birchcliff may consider allocating some capital in 2024 to continue to build, protect and optimize its Elmworth Montney land position, including through drilling and completions activity, strategic A&D transactions and Crown land sales;
- the information set forth under the headings *"Outlook and Guidance"* and "*Operational Update*" and elsewhere in this press release as it relates to Birchcliff's 2023 and 2024 exploration, production and development activities and the timing thereof, including: that the nine wells that were recently brought on production allows Birchcliff to capture the anticipated strength in natural gas pricing that is typically seen in winter months, as well as setting it up for stronger average production in Q4 2023 and Q1 2024; that it is accelerating approximately $20 million of capital expenditures from 2024 into Q4 2023 to commence the drilling of 5 (5.0 net) wells in Pouce Coupe in Q4 2023, which wells are planned to be brought on production in late January 2024, as well as drill several surface holes and procure various long-lead items required for the execution of the Corporation's 2024 capital program; that by accelerating these capital projects into Q4 2023, the Corporation will be able to maximize production during the winter months to capture the anticipated strength in natural gas pricing that is typically seen in the winter months, allow Birchcliff to continue its two-drilling rig program throughout the remainder of 2023, help to ensure the efficient execution of the Corporation's 2024 capital program and allow Birchcliff to significantly decrease the risks related to the price and availability of drilling and other oilfield services during a period of tight supply; and the anticipated number and timing of wells to be drilled and brought on production and targeted product types;
- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets (including statements regarding the potential or prospectivity of Birchcliff's properties); and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein will be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales

prices the Corporation receives for its production; and that the forward-looking non-GAAP financial measure for 2023 excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023.

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: prevailing and future commodity prices and differentials, 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 laws; future cash flow, debt and dividend levels; future operating, transportation, 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; reserves 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 approval of the Board of future dividends; 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 results of the Corporation's risk management and market diversification activities; 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 press release:

- With respect to Birchcliff's 2023 guidance, such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance – Updated 2023 Guidance"*. In addition:
    - Birchcliff's production guidance assumes that: the 2023 capital program 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 forecast of F&D capital expenditures assumes that the 2023 capital program will be carried out as currently contemplated and excludes any potential acquisitions, dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. 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.
    - Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its outstanding physical and financial basis swap contracts and excludes cash incentive payments that have not been approved by the Board.
    - Birchcliff's forecast of excess free funds flow assumes that: the forecasts of adjusted funds flow and free funds flow are achieved; and an annual base dividend of $0.80 per common share is paid during 2023, there are 266 million common shares outstanding, there are no changes to the base dividend rate and no special dividends are paid.
    - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved, with the level of capital spending for 2023 met and the payment of an

annual base dividend of $213 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no further buybacks of common shares during 2023; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023; (v) there are no equity issuances during 2023; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.

  - Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu; and (iii) 22,000 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its outstanding physical and financial basis swap contracts.

- With respect to Birchcliff's preliminary 2024 guidance, such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance – Preliminary 2024 Guidance"*. In addition:

  - Birchcliff's preliminary production guidance is subject to similar assumptions set forth herein for Birchcliff's 2023 production guidance.

  - Birchcliff's preliminary forecast of F&D capital expenditures is subject to similar assumptions set forth herein for Birchcliff's 2023 guidance for F&D capital expenditures.

  - Birchcliff's preliminary forecasts of adjusted funds flow and free funds flow are subject to similar assumptions set forth herein for Birchcliff's 2023 guidance for adjusted funds flow and free funds flow.

  - Birchcliff's anticipation that its adjusted funds flow will be sufficient to fully fund its F&D capital expenditures and common share dividend payments in 2024 assumes that: (i) the forecasts of adjusted funds flow and F&D capital expenditures are achieved; and (ii) an annual base dividend of $0.80 per common share is paid during 2024, there are 266 million common shares outstanding, there are no changes to the base dividend rate and no special dividends are paid.

- With respect to statements of future wells to be drilled and brought on production, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

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), epidemics and global conflict (including the Russian invasion of Ukraine and the Israel-Hamas conflict) 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; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2023 and 2024); 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; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in 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; 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 operate its assets and achieve expected future results; 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; 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; political uncertainty and uncertainty associated with government policy changes; actions by government authorities; an inability of the Corporation to comply with existing and future laws and the cost of compliance with such laws; dependence on facilities, gathering lines and pipelines; 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 and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of the Board to declare dividends and change the Corporation's dividend policy and the risk that the amount of dividends may be less than currently forecast; 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; 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; and the accuracy of the Corporation's accounting estimates and judgments.

The declaration and payment of any future dividends are subject to the discretion of the Board and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution.

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 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

This press release contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective financial performance, financial position or cash flows, 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.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this press release 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 and FOFI contained in this press release are expressly qualified by the foregoing cautionary statements. The forward-looking statements and FOFI contained herein are made as of the date of this press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any forward-looking statements or FOFI, whether as a result of new information, future events or otherwise.

ABOUT BIRCHCLIFF:

Birchcliff is a dividend-paying, intermediate oil and natural gas company based in Calgary, Alberta with operations focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares are listed for trading on the Toronto Stock Exchange under the symbol "BIR".

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Jeff Tonken – Chief Executive Officer

Chris Carlsen – President and Chief Operating Officer

Bruno Geremia – Executive Vice President and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated November 14, 2023 is with respect to the three and nine months ended September 30, 2023 (the "**Reporting Periods**") as compared to the three and nine months ended September 30, 2022 (the "**Comparable Prior Periods**"). This MD&A has been prepared by management and approved by the Corporation's audit committee and board of directors (the "**Board**") and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the Reporting Periods (the "**financial statements**") and the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2022, which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios" and "capital management measures" as such terms are defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers. For further information, including reconciliations to the most directly comparable GAAP financial measures where applicable, see *"Non-GAAP and Other Financial Measures"* in this MD&A.

This MD&A contains forward-looking statements and forward-looking 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"* 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. For further information, see *"Advisories"* 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) 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 dividend-paying, intermediate oil and natural gas company based in Calgary, Alberta with operations focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "BIR". Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2022 (the "**AIF**"), is available on the SEDAR+ website at www.sedarplus.ca and on the Corporation's website at www.birchcliffenergy.com.

Q3 2023 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved quarterly average production of 74,143 boe/d, a 5% decrease from the three month Comparable Prior Period.
- Generated quarterly adjusted funds flow(1) of $72.2 million, or $0.27 per basic common share(2), both of which decreased by 73% from the three month Comparable Prior Period, and quarterly free funds flow(1) of $5.5 million, or $0.02 per basic common share(2), both of which decreased by 97% from the three month Comparable Prior Period.
- Generated cash flow from operating activities of $67.8 million, a 75% decrease from the three month Comparable Prior Period.
- Reported quarterly net income to common shareholders of $15.1 million, or $0.06 per basic common share, a 94% and 93% decrease, respectively, from the three month Comparable Prior Period.
- Realized an operating expense of $3.93/boe, a 12% increase from the three month Comparable Prior Period.
- F&D capital expenditures totalled $66.7 million, a 22% decrease from the three month Comparable Prior Period.
- Total debt(3) at September 30, 2023 was $327.7 million, a 137% increase from December 31, 2022.
- Returned $53.3 million to shareholders through the Corporation's base common share dividend as compared to $5.3 million in common share dividends in the three month Comparable Prior Period.

OUTLOOK AND GUIDANCE

The Corporation is re-affirming its annual average production guidance at approximately 77,000 boe/d for 2023. As previously disclosed, Birchcliff expected to be on the low end of its 2023 production guidance range of 77,000 to 80,000 boe/d, largely as a result of an unplanned system outage on Pembina Pipeline's Northern Pipeline system (the "**Pembina Outage**") that negatively affected the Corporation's production in the first half of the year, as well as the deferral of the drilling of nine wells from Q2 2023 to the three month Reporting Period.

Birchcliff is updating its 2023 F&D capital expenditures guidance from $270 million to $280 million to $300 million to reflect the acceleration of approximately $20 million of capital expenditures from 2024 into Q4 2023. Birchcliff will commence the drilling of 5 (5.0 net) wells in Pouce Coupe in Q4 2023, which wells are planned to be brought on production in late January 2024, as well as drill several surface holes and procure various long-lead items required for the execution of the Corporation's 2024 capital program.

By accelerating these capital projects, the Corporation will be able to maximize production during the winter months to capture the anticipated strength in natural gas pricing that is typically seen in the winter months. In addition, accelerating this capital into Q4 2023 will allow Birchcliff to continue its two-drilling rig program throughout the remainder of 2023, help to ensure the efficient execution of the Corporation's 2024 capital program and allow Birchcliff to significantly decrease the risks related to the price and availability of drilling and other oilfield services during a period of tight supply.

The Corporation is also updating certain other items of its 2023 guidance to reflect the acceleration of capital and an updated commodity price forecast for 2023.

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2023, as well as its free funds flow sensitivity:

(1) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

	Updated 2023 guidance and assumptions – November 14, 2023[1]	Previous 2023 guidance and assumptions – August 10, 2023
Production		
Annual average production *(boe/d)*	77,000	77,000 – 80,000
% Light oil	3%	3%
% Condensate	7%	7%
% NGLs	8%	8%
% Natural gas	82%	82%
Average Expenses *($/boe)*		
Royalty	2.55 – 2.75	3.60 – 3.80
Operating	3.75 – 3.95	3.60 – 3.80
Transportation and other[2]	5.60 – 5.80	5.30 – 5.50
Adjusted Funds Flow *(millions)*[3]	$350	$360
F&D Capital Expenditures *(millions)*	$300	$270 – $280
Free Funds Flow *(millions)*[3]	$50	$80 – $90
Annual Base Dividend *(millions)*[4]	$213	$213
Excess Free Funds Flow *(millions)*[3][4]	($163)	($123) – ($133)
Total Debt at Year End *(millions)*[5]	$330[6]	$280 – $290
Natural Gas Market Exposure[7]		
AECO exposure as a % of total natural gas production	15%	15%
Dawn exposure as a % of total natural gas production	42%	42%
NYMEX HH exposure as a % of total natural gas production	37%	37%
Alliance exposure as a % of total natural gas production	6%	6%
Commodity Prices		
Average WTI price *(US$/bbl)*	78.90[8]	78.00
Average WTI-MSW differential *(CDN$/bbl)*	4.10[8]	4.20
Average AECO price *(CDN$/GJ)*	2.60[8]	2.45
Average Dawn price *(US$/MMBtu)*	2.45[8]	2.50
Average NYMEX HH price *(US$/MMBtu)*	2.80[8]	2.85
Exchange rate *(CDN$ to US$1)*	1.35[8]	1.35

Forward two months' free funds flow sensitivity[8][9]	Estimated change to 2023 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$0.7
Change in NYMEX HH US$0.10/MMBtu	$0.7
Change in Dawn US$0.10/MMBtu	$1.3
Change in AECO CDN$0.10/GJ	$0.4
Change in CDN/US exchange rate CDN$0.01	$0.9

(1) For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories"* in this MD&A.

(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(4) Assumes that an annual base dividend of $0.80 per common share is paid, there are 266 million common shares outstanding and no special dividends are paid.

(5) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(6) Birchcliff's updated guidance for total debt at year end includes $10.8 million of executive retirement benefit payments, which were not previously included.

(7) Birchcliff's natural gas market exposure for 2023 takes into account its outstanding physical and financial basis swap contracts.

(8) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2023 are based on anticipated full-year commodity price and exchange rate averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2023 to October 31, 2023.

(9) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2023, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free 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 and/or when the magnitude of the change increases.

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,		
	2023	2022	% Change	2023	2022	% Change
Cash flow from operating activities *($000s)*	**67,840**	**272,965**	**(75)**	**241,523**	**700,828**	**(66)**
Adjusted funds flow *($000s)*[1]	**72,225**	**267,350**	**(73)**	**230,612**	**736,584**	**(69)**
Per basic common share *($)*[2]	0.27	1.01	(73)	0.87	2.78	(69)
Per diluted common share *($)*[2]	0.27	0.97	(72)	0.85	2.67	(68)
Adjusted funds flow per boe *($)*[2]	10.59	37.22	(72)	11.20	35.52	(68)

(1) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Cash flow from operating activities decreased by 75% and 66% from the three and nine month Comparable Prior Periods, respectively. Adjusted funds flow decreased by 73% and 69% from the three and nine month Comparable Prior Periods, respectively. The decreases were primarily due to lower natural gas revenue, which was largely impacted by: (i) a 58% and 56% decrease in the average realized sales price Birchcliff received for its natural gas production in the three and nine month Reporting Periods, respectively; and (ii) lower natural gas production in the three month Reporting Period as compared to the Comparable Prior Period.

Birchcliff's cash flow from operating activities and adjusted funds flow were also negatively impacted by realized losses on financial instruments in the Reporting Periods as compared to realized gains on financial instruments in the Comparable Prior Periods and positively impacted by lower royalty expense in the Reporting Periods.

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

NET INCOME TO COMMON SHAREHOLDERS

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

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Net income to common shareholders *($000s)*	**15,108**	**244,582**	**(94)**	**15,313**	**584,229**	**(97)**
Per basic common share *($)*	0.06	0.92	(93)	0.06	2.20	(97)
Per diluted common share *($)*	0.06	0.89	(93)	0.06	2.12	(97)
Net income to common shareholders per boe *($)*	2.21	34.05	(94)	0.74	28.17	(97)

Net income to common shareholders decreased by 94% and 97% from the three and nine month Comparable Prior Periods, respectively. The decreases were primarily due to lower adjusted funds flow, partially offset by lower income tax expense in the Reporting Periods.

Net income to common shareholders in the three month Reporting Period was also negatively impacted by a lower unrealized mark-to-market gain on financial instruments as compared to the Comparable Prior Period. Net income to common shareholders in the nine month Reporting Period was also negatively impacted by an unrealized mark-to-market loss on financial instruments as compared to an unrealized mark-to-market gain on financial instruments in the Comparable Prior Period.

The changes in unrealized mark-to-market gains and losses primarily resulted from changes in the net fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts.

See "*Cash Flow From Operating Activities and Adjusted Funds Flow*" and "*Discussion of Operations*" in this MD&A for further information.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

The following table sets forth Birchcliff's P&NG revenue by product category for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil	15,969	24,037	(34)	51,668	71,597	(28)
Condensate	48,037	49,031	(2)	147,898	158,116	(6)
NGLs	17,967	26,673	(33)	42,992	85,825	(50)
Natural gas	95,109	239,773	(60)	314,378	704,238	(55)
P&NG sales[(1)]	177,082	339,514	(48)	556,936	1,019,776	(45)
Royalty income	44	17	159	128	46	178
P&NG revenue	**177,126**	**339,531**	**(48)**	**557,064**	**1,019,822**	**(45)**

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

P&NG revenue decreased by 48% and 45% from the three and nine month Comparable Prior Periods, respectively. The decreases were primarily due to a 60% and 55% decrease in natural gas revenue in the three and nine month Reporting Periods, respectively, that largely resulted from a lower average realized sales price received for Birchcliff's natural gas production in the Reporting Periods. P&NG revenue was also negatively impacted by lower liquids revenue in the Reporting Periods, which largely resulted from a lower average realized sales price received for Birchcliff's liquids production. P&NG revenue in the Reporting Periods was also negatively impacted by lower production.

Production

The following table sets forth Birchcliff's production by product category for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil *(bbls/d)*	1,728	2,254	(23)	1,916	2,159	(11)
Condensate *(bbls/d)*	4,850	4,601	5	5,221	4,631	13
NGLs *(bbls/d)*	7,412	7,593	(2)	5,852	7,305	(20)
Natural gas *(Mcf/d)*	360,924	381,788	(5)	374,544	371,174	1
Production *(boe/d)*	**74,143**	**78,079**	**(5)**	**75,413**	**75,957**	**(1)**
Liquids-to-gas ratio *(bbls/MMcf)*	**38.8**	**37.8**	**3**	**34.7**	**38.0**	**(9)**

Birchcliff's production decreased by 5% and 1% from the three and nine month Comparable Prior Periods, respectively. The decrease in the three month Reporting Period was primarily due to the timing of new wells brought on production in the period as compared to the Comparable Prior Period, which resulted from the strategic decision to defer the drilling of 9 wells from the second quarter of 2023 to the three month Reporting Period. Birchcliff did not bring any wells on production in the three month Reporting Period as compared to 19 wells brought on production in the Comparable Prior Period. Production in the three month Reporting Period was also negatively impacted by natural production declines and positively impacted by incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period.

The decrease in production in the nine month Reporting Period was primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes, and natural production declines, partially offset by incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period.

The following table sets forth Birchcliff's production weighting by product category for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
% Light oil production	2	3	2	3
% Condensate production	7	6	7	6
% NGLs production	10	10	8	10
% Natural gas production	81	81	83	81

Liquids accounted for 19% and 17% of Birchcliff's total production in the three and nine month Reporting Periods, respectively, as compared to 19% in each of the Comparable Prior Periods. Liquids production weighting decreased in the nine month Reporting Period primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes.

Benchmark Commodity Prices

Benchmark commodity prices directly impact the average realized sales prices that the Corporation receives for its liquids and natural gas production.

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

			Three months ended September 30,			Nine months ended September 30,
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	82.26	91.55	(10)	77.58	98.20	(21)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	107.71	116.82	(8)	100.97	123.20	(18)
Natural gas – NYMEX HH *(US$/MMBtu)*	2.55	8.20	(69)	2.69	6.77	(60)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.46	3.95	(38)	2.61	5.10	(49)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.78	4.46	(60)	2.24	4.34	(48)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.27	7.37	(69)	2.35	6.33	(63)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.32	3.96	(41)	2.30	5.34	(57)
Exchange rate *(CDN$ to US$1)*	1.3383	1.3054	3	1.3463	1.2814	5
Exchange rate *(US$ to CDN$1)*	0.7472	0.7660	(3)	0.7428	0.7804	(5)

Birchcliff physically sells substantially all of its natural gas production based on the AECO and Dawn benchmark prices. 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, with the first tranche of this service (120,000 GJ/d) expiring on October 31, 2027, the second tranche of this service (30,000 GJ/d) expiring on October 31, 2028 and the third tranche of this service (25,000 GJ/d) expiring on October 31, 2029. In addition, the Corporation has diversified a portion of its AECO production to NYMEX HH-based pricing, predominantly on a financial basis, with various terms ending no later than December 31, 2027. Birchcliff had financial NYMEX HH/AECO 7A basis swap contracts for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Periods and Comparable Prior Periods. Natural gas benchmark prices deteriorated significantly from the Comparable Prior Periods as a result of warm winter conditions that reduced weather-related domestic and global demand for natural gas, which resulted in higher levels of global inventory.

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark price, which generally trades at a discount to the WTI benchmark price. Benchmark pricing for crude oil was lower in the Reporting Periods as compared to the Comparable Prior Periods as a result of: (i) ongoing global recession concerns resulting from central banks raising interest rates to combat rising inflation; (ii) instability in the banking sector; and (iii) lower than expected demand from China. Benchmark pricing for crude oil was also negatively impacted by lower than anticipated supply shortfall resulting from the European Union embargo on seaborn oil imports from Russia and the Group of Seven (G7) countries' price cap on Russian oil in response to Russia's invasion of Ukraine and positively impacted by continued OPEC+ supply cuts.

Average Realized Sales Prices

The average realized sales prices that the Corporation receives for its liquids and natural gas production directly impacts the Corporation's net income to common shareholders, adjusted funds flow and financial position. Such prices depend on a number of factors, including, but not limited to, the benchmark prices for crude oil and natural gas, the U.S. to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on the Corporation's natural gas production.

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,			Nine months ended September 30,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil *($/bbl)*	100.46	115.94	(13)	98.77	121.49	(19)
Condensate *($/bbl)*	107.67	115.84	(7)	103.75	125.06	(17)
NGLs *($/bbl)*	26.35	38.18	(31)	26.91	43.04	(37)
Natural gas *($/Mcf)*	2.86	6.83	(58)	3.07	6.95	(56)
Average realized sales price *($/boe)*[(1)]	**25.96**	**47.26**	**(45)**	**27.05**	**49.18**	**(45)**

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

The Corporation's average realized sales price decreased by 45% from both the three and nine month Comparable Prior Periods primarily due to lower benchmark oil and natural gas prices, which negatively impacted the sales prices Birchcliff received for its liquids and natural gas production in the Reporting Periods. Birchcliff is fully exposed to increases and decreases in commodity prices as it has no fixed price commodity hedges in place.

Natural Gas Sales, Production and Average Realized Sales Price by Market

The average realized sales price that the Corporation receives from each natural gas market depends on regional supply and demand fundamentals, which can be impacted by a number of factors, including, but not limited to, production levels, weather-related demand in each natural gas consuming market, economic activity, local inventory levels and access to storage and pipeline supply takeaway capacity.

The following table sets forth Birchcliff's physical sales, production and average realized sales price by natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

	Three months ended September 30, 2023					Three months ended September 30, 2022				
Natural gas market	**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	42,271	44	179,845	50	2.60	83,550	35	203,296	53	4.50
Dawn	48,234	51	164,023	45	3.20	148,258	62	160,526	42	10.04
Alliance[(2)]	4,604	5	17,056	5	2.93	7,965	3	17,966	5	4.82
Total	**95,109**	**100**	**360,924**	**100**	**2.86**	**239,773**	**100**	**381,788**	**100**	**6.83**
	Nine months ended September 30, 2023					**Nine months ended September 30, 2022**				
Natural gas market	**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	154,957	49	199,532	53	2.87	286,973	41	183,021	49	5.79
Dawn	146,015	47	161,266	43	3.32	373,232	53	160,550	43	8.52
Alliance[(2)]	13,406	4	13,746	4	3.57	44,033	6	27,603	8	5.84
Total	**314,378**	**100**	**374,544**	**100**	**3.07**	**704,238**	**100**	**371,174**	**100**	**6.95**

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

(2) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

The average realized sales price for each natural gas market deteriorated significantly from the Comparable Prior Periods as a result of warm winter conditions that reduced weather-related regional demand for natural gas, which increased storage levels throughout the Reporting Periods.

Market Diversification and Risk Management

Birchcliff engages in market diversification and risk management activities by utilizing various financial derivative and physical delivery contracts to diversify its sales points or fix commodity prices and market interest rates. The Board has approved the Corporation to execute a risk management strategy whereby Birchcliff is authorized, subject to compliance with the agreement governing the Corporation's extendible revolving term credit facilities (the "**Credit Facilities**"), 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, interest rates and/or foreign exchange rates.

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all financial instruments 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 the end of the reporting period, with the changes in the net 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.

Birchcliff's physical delivery contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

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 the Corporation's financial performance, operating results and financial position.

At September 30, 2023, the Corporation had the following financial derivative contracts in place to manage commodity price risk:

Product	Type of Contract	Average Notional Quantity	Period(1)	Average Contract Price
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.120/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.088/MMBtu
Natural gas	AECO 7A basis swap(2)	70,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.961/MMBtu
Natural gas	AECO 7A basis swap(2)	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu

(1) Transactions with a common term 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, 2023 to manage commodity price risk.

At September 30, 2023, the Corporation had the following physical delivery contract in place to manage commodity price risk:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap(1)	5,000 MMBtu/d	Oct. 1, 2023 – 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, 2023 to manage commodity price risk.

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, 2023, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term(1)	Notional Amount	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR(2)	Oct. 1, 2023 – Mar. 1, 2024	$350 million	2.215%

(1) All transactions have been aggregated and presented at the weighted average fixed rate.

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

There were no financial derivative contracts entered into subsequent to September 30, 2023 to manage interest rate risk.

Realized Gains and Losses on Financial Instruments

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

		Three months ended September 30,			Nine months ended September 30,	
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Realized gain (loss) *($000s)*	(5,652)	45,490	(112)	(34,702)	61,978	(156)
Realized gain (loss) *($/boe)*	(0.83)	6.33	(113)	(1.69)	2.99	(157)

Birchcliff recorded a realized loss on financial instruments of $5.7 million and $34.7 million in three and nine month Reporting Periods, respectively, as compared to a realized gain on financial instruments of $45.5 million and $62.0 million in the Comparable Prior Periods.

Birchcliff's realized gains and losses on financial instruments were primarily impacted by the settlement of its NYMEX HH/AECO 7A basis swap contracts during the Reporting Periods and Comparable Prior Periods. The Corporation records a realized gain on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price (the average spread between NYMEX HH and AECO 7A) of the contracted volumes is higher than the average contract price in the period. Conversely, the Corporation records a realized loss on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price of the contracted volumes is lower than the average contract price in the period. The average contract volume and price for Birchcliff's NYMEX HH/AECO 7A basis swap contracts were 147,500 MMBtu/d and US$1.227/MMBtu, respectively, during the Reporting Periods and Comparable Prior Periods. The average realized settlement price of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the three and nine month Reporting Periods was US$0.77/MMBtu and US$0.45/MMBtu, respectively, as compared to US$3.74/MMBtu and US$2.44/MMBtu during the Comparable Prior Periods.

Unrealized Gains and Losses on Financial Instruments

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

		Three months ended September 30,			Nine months ended September 30,	
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Unrealized gain (loss) *($000s)*	8,156	109,927	(93)	(27,036)	192,055	(114)
Unrealized gain (loss) *($/boe)*	1.20	15.30	(92)	(1.31)	9.26	(114)

Birchcliff recorded an unrealized gain on financial instruments of $8.2 million in the three month Reporting Period and an unrealized loss on financial instruments of $27.0 million in the nine month Reporting Period as compared to unrealized gains on financial instruments of $109.9 million and $192.1 million in the three and nine month Comparable Prior Periods, respectively.

Birchcliff's mark-to-market unrealized gains and losses on financial instruments are impacted by changes in the net fair value of its financial contracts at the end of the current reporting period as compared to the previous reporting period. The Corporation records an unrealized gain on its financial instruments when the net fair value of its financial contracts has increased at the end of the current reporting period when compared to the previous reporting period. Conversely, the Corporation records an unrealized loss on its financial instruments when the net fair value of its financial contracts has decreased at the end of the current reporting period when compared to the previous reporting period. The Corporation's unrealized gains and losses on financial instruments can fluctuate materially from period to period due to movement in the underlying forward strip commodity prices and interest rates and may have a significant impact on its net income or loss in a period. Unrealized gains and losses on financial instruments do not impact the Corporation's adjusted funds flow and may differ materially from the actual gains or losses realized on the eventual cash settlement of financial contracts in a period.

The unrealized gain on financial instruments of $8.2 million in the three month Reporting Period resulted from an increase in the fair value net asset position to $20.2 million at September 30, 2023 from $12.0 million at June 30, 2023. The change in the net fair value of the Corporation's financial instruments was primarily due to the: (i) increase (or widening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at September 30, 2023 as compared to the net fair value previously assessed at June 30, 2023; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the three month Reporting Period.

The unrealized loss on financial instruments of $27.0 million in the nine month Reporting Period resulted from a decrease in the fair value net asset position to $20.2 million at September 30, 2023 from $47.2 million at December 31, 2022. The change in the net fair value of the Corporation's financial instruments was primarily due to the: (i) decrease (or tightening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at September 30, 2023 as compared to the net fair value previously assessed at December 31, 2022; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the nine month Reporting 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,		
	2023	2022	% Change	2023	2022	% Change
Royalty expense *($000s)*[1]	**13,892**	**43,379**	**(68)**	**50,857**	**125,547**	**(59)**
Royalty expense per boe *($)*	**2.04**	**6.04**	**(66)**	**2.47**	**6.05**	**(59)**
Effective royalty rate *(%)*[2]	8	13	(38)	9	12	(25)

(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.

Royalty expense per boe decreased by 66% and 59% from the three and nine month Comparable Prior Periods, respectively, primarily due to a lower average realized sales price received for Birchcliff's production and a prior period gas cost allowance adjustment recorded in the Reporting Periods.

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)	2023	2022	% Change	2023	2022	% Change
Field operating expense	27,604	26,514	4	82,184	75,251	9
Recoveries	(812)	(1,359)	(40)	(3,183)	(3,453)	(8)
Operating expense	**26,792**	**25,155**	**7**	**79,001**	**71,798**	**10**
Operating expense per boe	**$3.93**	**$3.50**	**12**	**$3.84**	**$3.46**	**11**

Operating expense per boe increased by 12% and 11% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to inflationary increases in service labour and other supply costs used in Birchcliff's field operations, which together increased by 28% and 27% on a per boe basis, in the three and nine month Reporting Periods, respectively, partially offset by lower power and fuel costs.

Operating expense per boe in the nine month Comparable Prior Period was positively impacted by lower third-party natural gas processing fees due to a major turnaround at AltaGas' deep-cut sour gas processing facility in Gordondale (the "**AltaGas Facility**") during that period. There were no major turnarounds that affected the Corporation's production in the nine month Reporting Period, resulting in higher third-party natural gas processing fees as compared to the Comparable Prior Period.

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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Natural gas transportation	30,197	28,158	7	90,529	87,555	3
Liquids transportation	8,073	8,414	(4)	18,846	21,521	(12)
Fractionation	2,185	2,797	(22)	4,941	7,924	(38)
Other fees	-	10	(100)	3	71	(96)
Transportation expense	40,455	39,379	3	114,319	117,071	(2)
Transportation expense per boe	$5.93	$5.48	8	$5.55	$5.65	(2)
Marketing purchases(1)	8,618	2,124	306	25,844	8,337	210
Marketing revenue(1)	(5,637)	(2,613)	116	(21,989)	(9,890)	122
Marketing loss (gain)(2)	2,981	(489)	(710)	3,855	(1,553)	(348)
Marketing loss (gain) per boe(3)	$0.44	($0.07)	(729)	$0.19	($0.07)	(371)
Transportation and other expense(2)	**43,436**	**38,890**	**12**	**118,174**	**115,518**	**2**
Transportation and other expense per boe(3)	**$6.37**	**$5.41**	**18**	**$5.74**	**$5.58**	**3**

(1) Marketing purchases and marketing revenue primarily represent the purchase and sale of commodities with third parties. Birchcliff enters into certain commodity purchase and sale arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. The value of commodities purchased or sold during the period is primarily driven by prevailing commodity prices, the availability of sellers and buyers for fractionated products and the fractionation capacity available in the market. The value of commodities purchased and sold to third parties are recorded on a gross basis for financial statement presentation purposes. Marketing revenue also includes a propane supply arrangement with a third-party polypropylene producer, which is recorded net of processing costs and other charges.

(2) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Transportation and other expense per boe increased by 18% and 3% from the three and nine month Comparable Prior Periods, respectively. The increases from the Comparable Prior Periods were primarily due to higher TCPL tolling charges on the Corporation's natural gas firm service and a marketing loss on a propane supply arrangement with a third-party producer of polypropylene.

Operating Netback

The following table sets forth Birchcliff's average production and operating netback for the Pouce Coupe operating assets geologically situated in the dry natural gas and liquids-rich natural gas trends of the Montney/Doig Resource Play (the "**Pouce Coupe assets**") and the Gordondale operating assets geologically situated in the light oil and liquids-rich trends of the Montney/Doig Resource Play (the "**Gordondale assets**") and operating netback on a corporate basis for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Pouce Coupe assets						
Average production						
Light oil *(bbls/d)*	55	17	224	50	19	163
Condensate *(bbls/d)*	3,505	2,997	17	3,902	3,094	26
NGLs *(bbls/d)*	2,162	1,860	16	1,574	1,809	(13)
Natural gas *(Mcf/d)*	277,730	287,947	(4)	282,743	276,391	2
Production *(boe/d)*	**52,011**	**52,865**	**(2)**	**52,650**	**50,987**	**3**
Liquids-to-gas ratio *(bbls/MMcf)*	20.6	16.9	22	19.6	17.8	10
% of corporate production	70%	68%	3	70%	67%	4
Netback and cost ($/boe)						
P&NG revenue(1)	24.08	45.57	(47)	25.34	47.81	(47)
Royalty expense	(1.51)	(4.55)	(67)	(1.93)	(4.73)	(59)
Operating expense	(3.21)	(2.81)	14	(3.04)	(2.72)	12
Transportation and other expense(2)	(6.66)	(5.43)	23	(5.84)	(5.54)	5
Operating netback(2)	**12.70**	**32.78**	**(61)**	**14.52**	**34.82**	**(58)**
Gordondale assets						
Average production						
Light oil *(bbls/d)*	1,672	2,234	(25)	1,863	2,137	(13)
Condensate *(bbls/d)*	1,337	1,602	(17)	1,314	1,533	(14)
NGLs *(bbls/d)*	5,244	5,732	(9)	4,274	5,494	(22)
Natural gas *(Mcf/d)*	82,738	93,353	(11)	91,363	94,365	(3)
Production *(boe/d)*	**22,042**	**25,127**	**(12)**	**22,679**	**24,893**	**(9)**
Liquids-to-gas ratio *(bbls/MMcf)*	99.8	102.5	(3)	81.6	97.1	(16)
% of corporate production	30%	32%	(6)	30%	33%	(9)
Netback and cost ($/boe)						
P&NG revenue(1)	30.42	50.84	(40)	31.04	52.00	(40)
Royalty expense	(3.27)	(9.17)	(64)	(3.72)	(8.77)	(58)
Operating expense	(5.59)	(4.90)	14	(5.62)	(4.91)	14
Transportation and other expense(2)	(5.68)	(5.38)	6	(5.51)	(5.67)	(3)
Operating netback(2)	**15.88**	**31.39**	**(49)**	**16.20**	**32.65**	**(50)**
Corporate(3)						
Netback and cost ($/boe)						
P&NG revenue(1)	25.97	47.26	(45)	27.06	49.18	(45)
Royalty expense	(2.04)	(6.04)	(66)	(2.47)	(6.05)	(59)
Operating expense	(3.93)	(3.50)	12	(3.84)	(3.46)	11
Transportation and other expense(2)	(6.37)	(5.41)	18	(5.74)	(5.58)	3
Operating netback(2)	**13.63**	**32.31**	**(58)**	**15.01**	**34.09**	**(56)**

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

(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) Includes other minor oil and natural gas properties, which were not individually significant during the respective periods.

Pouce Coupe Assets

Birchcliff's production from the Pouce Coupe assets decreased by 2% from the three month Comparable Prior Period and increased by 3% from the nine month Comparable Prior Period.

The decrease in the three month Reporting Period was primarily due to scheduling differences in Birchcliff's drilling and completions program year-over-year. Birchcliff did not bring any wells on production in the three month Reporting Period as compared to 10 wells brought on production in Pouce Coupe in the Comparable Prior Period. Production in the three month Reporting Period was also negatively impacted by natural production declines and positively impacted by incremental production volumes from the new Montney/Doig wells brought on production in the Pouce Coupe area since the Comparable Prior Period.

Production in the nine month Reporting Period was positively impacted by incremental production volumes from the new Montney/Doig wells brought on production in Pouce Coupe since the Comparable Prior Period and negatively impacted by natural production declines.

The liquids-to-gas ratio for the Pouce Coupe assets increased by 22% and 10% from the three and nine month Comparable Prior Periods, respectively, primarily due to incremental liquids volumes from the new Montney/Doig wells brought on production since the Comparable Prior Periods.

Birchcliff's operating netback for the Pouce Coupe assets decreased by 61% and 58% from the three and nine month Comparable Prior Periods, respectively, primarily due to lower per boe P&NG revenue, partially offset by lower per boe royalty expense in the Reporting Periods, both of which were largely impacted by a lower average realized sales price received for Birchcliff's natural gas production in the Reporting Periods.

Gordondale Assets

Birchcliff's production from the Gordondale assets decreased by 12% and 9% from the three and nine month Comparable Prior Periods, respectively. The decrease in the three month Reporting Period was primarily due to natural production declines in Gordondale. Birchcliff did not bring any wells on production in Gordondale in the three month Reporting Period as compared to 9 wells brought on production in the Comparable Prior Period.

The decrease in production in the nine month Reporting Period was primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes, and natural production declines, partially offset by incremental production volumes from the new Montney/Doig wells brought on production in Gordondale in late September 2022.

The liquids-to-gas ratio for the Gordondale assets was comparable to the three month Comparable Prior Period and decreased by 16% from the nine month Comparable Prior Period. The decrease from the nine month Comparable Prior Period was primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes in the Reporting Period.

Birchcliff's operating netback for the Gordondale assets decreased by 49% and 50% from the three and nine month Comparable Prior Periods, respectively, primarily due to lower per boe P&NG revenue, partially offset by lower per boe royalty expense, both of which were largely impacted by lower average realized sales prices received for Birchcliff's liquids and natural gas production in the Reporting Periods.

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,	
($000s)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash:						
Salaries and benefits[1]	8,673	6,291	38	25,180	19,672	28
Other[2]	5,091	4,203	21	16,681	12,863	30
G&A expense, gross	13,764	10,494	31	41,861	32,535	29
Operating overhead recoveries	(24)	(31)	(23)	(97)	(108)	(10)
Capitalized overhead[3][4]	(4,449)	(3,421)	30	(12,366)	(9,987)	24
G&A expense, net	9,291	7,042	32	29,398	22,440	31
G&A expense, net per boe	$1.36	$0.98	39	$1.43	$1.08	32
Non-cash:						
Other compensation	5,453	3,120	75	15,338	8,875	73
Capitalized compensation[3][4]	(2,943)	(1,670)	76	(8,013)	(4,580)	75
Other compensation, net	2,510	1,450	73	7,325	4,295	71
Other compensation, net per boe	$0.37	$0.20	85	$0.36	$0.21	71
Administrative expense, net	**11,801**	**8,492**	**39**	**36,723**	**26,735**	**37**
Administrative expense, net per boe	**$1.73**	**$1.18**	**47**	**$1.79**	**$1.29**	**38**

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

(2) Includes costs such as corporate travel, rent, legal fees, taxes, insurance, computer hardware and software and other general business expenses incurred by the Corporation.

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

(4) In the three and nine month Reporting Periods, the Corporation capitalized 38% and 36% of its administrative expense, respectively. These percentages are consistent with the Comparable Prior Periods.

On an aggregate basis, net administrative expense increased by 39% and 37% from the three and nine month Comparable Prior Periods, respectively, due to higher net G&A expense and other compensation expense.

Net G&A expense increased from the Comparable Prior Periods primarily due to: (i) increased incentive payments made to the Corporation's employees; and (ii) an increase to other general business expenditures largely driven by higher compliance, regulatory, advocacy, corporate travel and employee-related costs.

Other compensation expense increased from the Comparable Prior Periods primarily due to a higher Black-Scholes fair value expense associated with Birchcliff's annual stock option grants.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved and probable reserves 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,	
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Depletion and depreciation expense *($000s)*	55,128	53,730	3	167,052	155,318	8
Depletion and depreciation expense per boe *($)*	8.08	7.48	8	8.11	7.49	8

D&D expense per boe increased by 8% from both the three and nine month Comparable Prior Periods primarily due to a higher depletion rate on the Corporation's developed and producing assets and an increase in depreciation associated with the Corporation's capitalized turnarounds and other minor capital assets.

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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash:						
Interest expense[1]	5,877	3,235	82	13,588	9,882	38
Interest expense per boe[1]	$0.86	$0.44	95	$0.66	$0.48	38
Non-cash:						
Accretion[2]	1,096	1,095	-	3,312	3,034	9
Amortization of deferred financing fees	425	426	-	1,276	1,025	24
Other finance expenses	1,521	1,521	-	4,588	4,059	13
Other finance expenses per boe	$0.22	$0.21	5	$0.22	$0.20	10
Finance expense	**7,398**	**4,756**	**56**	**18,176**	**13,941**	**30**
Finance expense per boe	**$1.08**	**$0.65**	**66**	**$0.88**	**$0.68**	**29**

(1) Birchcliff's interest expense consists of interest incurred on amounts drawn under the Corporation's Credit Facilities and standby charges. Standby charges reflect fees paid by Birchcliff on the undrawn portion of its Credit Facilities. For a description of the Credit Facilities, see *"Capital Resources and Liquidity"* in this MD&A.

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

On an aggregate basis, finance expense increased by 56% and 30% from the three and nine month Comparable Prior Periods, respectively, primarily due to an increase in interest expense associated with the Corporation's Credit Facilities, which are comprised of the Working Capital Facility and Syndicated Credit Facility (as defined herein). Birchcliff's aggregate interest expense increased from the Comparable Prior Periods primarily due to a higher average effective interest rate on amounts drawn under its Credit Facilities. Interest expense was also negatively impacted by a higher average outstanding balance under the Syndicated Credit Facility in the three month Reporting Period and positively impacted by a lower average outstanding balance under the Syndicated Credit Facility in the nine month Reporting Period.

The following table sets forth the Corporation's average effective interest rates under its Working Capital Facility and Syndicated Credit Facility for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Working Capital Facility *(%)*	8.2	5.9	7.9	6.9
Syndicated Credit Facility *(%)*[1]	7.0	4.6	6.6	3.1

(1) The average effective interest rate under the Syndicated Credit Facility was determined primarily based on: (i) the market interest rate applicable to LIBOR and SOFR loans; and (ii) the stamping pricing margin applicable to LIBOR and SOFR loans. Birchcliff's stamping pricing margin 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) deferred income taxes, other compensation, gains and losses on sale of assets and securities, unrealized gains and losses on financial instruments, depletion, depreciation and amortization and impairment charges. The effective interest rate excludes the impact of standby charges.

The average effective interest rates under the Working Capital Facility and the Syndicated Credit Facility increased from the Comparable Prior Periods primarily due to increases in the policy interest rate, set by the Bank of Canada, which in turn affects the banks' prime lending rates.

The average outstanding balance under the Syndicated Credit Facility was approximately $280.5 million and $201.2 million in the three and nine month Reporting Periods, respectively, as compared to $199.9 million and $320.8 million in the Comparable Prior Periods, calculated as the simple average of the month-end amounts.

Income Taxes

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

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Deferred tax expense	5,556	73,734	(92)	8,217	175,961	(95)
Dividend tax expense on preferred shares	-	692	(100)	-	2,065	(100)
Deferred income tax expense	**5,556**	**74,426**	**(93)**	**8,217**	**178,026**	**(95)**
Deferred income tax expense per boe	**$0.81**	**$10.36**	**(92)**	**$0.40**	**$8.59**	**(95)**

On an aggregate basis, deferred income tax expense decreased by 93% and 95% from the three and nine month Comparable Prior Periods, respectively, primarily due to lower before-tax net income in the Reporting Periods.

The Corporation's estimated income tax pools were $1.3 billion at September 30, 2023. 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:

As at, *($000s)*	**September 30, 2023**
Canadian oil and gas property expense	280,673
Canadian development expense	350,876
Canadian exploration expense[1]	293,519
Undepreciated capital costs	222,270
Non-capital losses[1]	152,325
Scientific research and experimental development expenditures[1]	20,844
Investment tax credits[2]	3,096
Financing costs and other	3,166
Estimated income tax pools	**1,326,769**

(1) Immediately available in full to reduce any taxable income in future periods.

(2) Immediately available in full to reduce any cash taxes owing in future periods.

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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Land	1,895	378	401	8,793	2,047	330
Seismic	47	168	(72)	805	463	74
Workovers	1,568	2,889	(46)	6,609	8,233	(20)
Drilling and completions	53,101	68,053	(22)	182,065	177,524	3
Well equipment and facilities	10,066	13,842	(27)	48,199	69,592	(31)
F&D capital expenditures[1]	66,677	85,330	(22)	246,471	257,859	(4)
Acquisitions	188	848	(78)	188	2,348	(92)
Dispositions	-	-	-	(77)	(315)	(76)
FD&A capital expenditures[2]	66,865	86,178	(22)	246,582	259,892	(5)
Administrative assets	610	307	99	1,793	867	107
Total capital expenditures[2]	**67,475**	**86,485**	**(22)**	**248,375**	**260,759**	**(5)**

(1) See "*Advisories*" in this MD&A.

(2) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

During the three month Reporting Period, Birchcliff had F&D capital expenditures of $66.7 million, which primarily included $37.1 million (56%) for the drilling and completions of new wells in Pouce Coupe, $10.3 million (15%) for the drilling and completion of new wells in Gordondale, $3.2 million (5%) for the drilling of a new well in Elmworth and $7.1 million (11%) on gas gathering and infrastructure projects in Pouce Coupe. During the three month Reporting Period, Birchcliff drilled 10 (10.0 net) wells and brought no wells on production.

During the nine month Reporting Period, Birchcliff had F&D capital expenditures of $246.5 million, which primarily included $154.0 million (62%) for the drilling and completions of new wells in Pouce Coupe, $12.2 million (5%) for the drilling and completion of new wells in Gordondale, $12.4 million (5%) for the drilling of new wells in Elmworth, and

$41.8 million (17%) on gas gathering and infrastructure projects in Pouce Coupe. During the nine month Reporting Period, Birchcliff drilled 25 (25.0 net) wells and brought 23 (23.0 net) wells on production.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

Adjusted working capital consists of items from day-to-day operations, which includes cash, accounts receivables, prepaid expenses and deposits and accounts payables and accrued liabilities, and excludes the current portion of financial instruments and other liabilities. The Corporation's adjusted working capital deficit[(4)] was $8.9 million at September 30, 2023 as compared to $6.6 million at December 31, 2022. The increase in the deficit position was primarily due to a decrease in accounts receivable arising from lower P&NG revenue, partially offset by a decrease in accounts payable and accrued liabilities arising from the Corporation's capital and operating activities.

At September 30, 2023, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of September 2023 production (88%), which was subsequently received in October 2023. 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. Birchcliff's current liabilities at September 30, 2023 primarily consisted of accounts payables and accrued liabilities for capital and operating expenses incurred in the Reporting Periods.

The Corporation's adjusted working capital varies from quarter to quarter primarily due to the timing and size of items included from its normal operations and total capital expenditures, as well as volatility in commodity prices and changes in revenue, among other things. Birchcliff manages its adjusted working capital using adjusted funds flow and advances under its Credit Facilities. The Corporation's adjusted working capital position does not impact the borrowing base available under Birchcliff's Credit Facilities.

Debt

At September 30, 2023, the Corporation's Credit Facilities were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. 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 oil and gas reserves. The agreement governing the Credit Facilities also contains provisions that give the lenders the right to redetermine the borrowing base in certain circumstances. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

Total debt at September 30, 2023 was $327.7 million, an increase of 137% from $138.5 million at December 31, 2022. The increase was primarily due to F&D capital expenditures and dividends paid to common shareholders being greater than adjusted funds flow in the nine month Reporting Period. During the nine month Reporting Period, Birchcliff incurred $246.5 million in F&D capital expenditures, paid $160.0 million in common share dividends and generated $230.6 million in adjusted funds flow.

(4) Capital management measure. See "*Non-GAAP and Other Financial Measures*" in this MD&A.

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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash flow from operating activities	67,840	272,965	(75)	241,523	700,828	(66)
Issuance of common shares[(1)]	1,262	3,594	(65)	5,478	21,883	(75)
Repurchase of common shares[(2)]	-	(4,967)	(100)	(10,261)	(54,414)	(81)
Redemption of capital securities	-	(38,206)	(100)	-	(38,268)	(100)
Redemption of preferred shares	-	(50,000)	(100)		(50,000)	(100)
Purchase of performance warrants	-	-	-	-	(14,506)	(100)
Financing fees paid	-	-	-	-	(1,275)	(100)
Lease payments	(614)	(614)	-	(1,843)	(1,843)	-
Dividend distributions	(53,321)	(7,047)	657	(159,954)	(18,447)	767
Net change in revolving term credit facilities	36,932	(79,466)	(146)	185,455	(303,633)	(161)
Investments	-	(844)	(100)	(1,170)	(1,628)	(28)
Changes in non-cash working capital from investing	15,352	(8,951)	(272)	(10,874)	22,043	(149)
Capital resources[(3)]	**67,451**	**86,464**	**(22)**	**248,354**	**260,740**	**(5)**

(1) Represents common shares that have been issued pursuant to the Corporation's stock option plan.

(2) Represents common shares that have been purchased and cancelled pursuant to the Corporation's normal course issuer bid. See *"Share Information"* in this MD&A.

(3) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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 its adjusted funds flow and available Credit Facilities.

At September 30, 2023, Birchcliff had a balance outstanding under its Credit Facilities of $318.7 million from available Credit Facilities of $850.0 million, leaving the Corporation with $528.8 million (62%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and available capital resources.

The Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2023 will be sufficient to fund its ongoing capital requirements, which include its working capital, F&D capital expenditures and future dividend payments in 2023. For further information, see *"Outlook and Guidance"* and *"Advisories"* in this MD&A. Should commodity prices deteriorate significantly, Birchcliff may adjust its capital requirements, seek additional debt/equity financing and/or consider the potential sale of non-core assets. See *"Advisories"* in this MD&A.

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, 2023:

($000s)	**2023**	**2024**	**2025-2027**	**Thereafter**
Accounts payable and accrued liabilities	106,237	-	-	-
Drawn revolving term credit facilities	-	-	320,977	-
Firm transportation and fractionation[(1)]	39,766	156,151	356,786	92,089
Natural gas processing[(2)]	4,871	19,380	55,625	85,869
Operating commitments[(3)]	519	2,078	6,234	173
Lease payments	778	3,111	10,188	484
Estimated contractual obligations and commitments[(4)]	**152,171**	**180,720**	**749,810**	**178,615**

(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) 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, 2023 to be approximately $262.4 million and are estimated to be incurred as follows: 2023 – $1.2 million, 2024 – $3.5 million and $257.7 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 does not believe it has any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial position, operational results, liquidity or capital expenditures.

SHARE INFORMATION

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, each without par value. At November 14, 2023, there were 266,565,357 common shares and no preferred shares outstanding.

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

	Common Shares
Balance at December 31, 2022	266,046,810
Issuance of common shares(1)	1,858,747
Repurchase of common shares(2)	(1,265,268)
Balance at September 30, 2023	**266,640,289**
Issuance of common shares(1)	87,668
Repurchase of common shares(2)	(162,600)
Balance at November 14, 2023	**266,565,357**

(1) Represents common shares that have been issued pursuant to the Corporation's stock option plan.

(2) Represents common shares that have been purchased and cancelled pursuant to the Corporation's normal course issuer bid.

At November 14, 2023, the Corporation also had the following securities outstanding: (i) 18,256,268 stock options to purchase an equivalent number of common shares; and (ii) 404,967 performance warrants to purchase an equivalent number of common shares.

During the nine month Reporting Period, Birchcliff issued 1,858,747 common shares pursuant to the stock option plan at an average exercise price of $2.95 for aggregate proceeds of $5.5 million. Subsequent to September 30, 2023, Birchcliff issued 87,668 common shares at an average exercise price of $2.17 for aggregate proceeds of $0.2 million.

Normal Course Issuer Bid

On November 17, 2022, 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 13,295,786 of its outstanding common shares over a period of twelve months commencing on November 25, 2022 and terminating no later than November 24, 2023. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. The total number of common shares that Birchcliff is permitted to purchase on the TSX during a trading day is subject to a daily purchase limit of 455,368 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the NCIB will be cancelled.

The Corporation did not purchase any common shares pursuant to the NCIB in the three month Reporting Period. During the nine month Reporting Period, Birchcliff purchased 1,265,268 common shares pursuant to the NCIB at an average price of $8.10 for an aggregate cost of $10.2 million, before fees. Subsequent to September 30, 2023, Birchcliff purchased 162,600 common shares pursuant to the NCIB at an average price of $7.37 for an aggregate cost of $1.2 million, before fees.

DIVIDENDS

The following table sets forth the common share dividend distributions by the Corporation for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Common share dividend *($000s)*	53,321	5,317	903	159,954	13,285	1,104
Per common share *($)*	0.20	0.02	900	0.60	0.05	1,100

On January 18, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending March 31, 2023. The dividend was paid on March 31, 2023 to shareholders of record at the close of business on March 15, 2023.

On May 10, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending June 30, 2023. The dividend was paid on June 30, 2023 to shareholders of record at the close of business on June 15, 2023.

On August 10, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending September 30, 2023. The dividend was paid on September 29, 2023 to shareholders of record at the close of business on September 15, 2023.

Subsequent to September 30, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending December 31, 2023. The dividend will be payable on December 29, 2023 to shareholders of record at the close of business on December 15, 2023.

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

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, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Average light oil production *(bbls/d)*	1,728	1,936	2,088	2,413	2,254	1,855	2,369	2,604
Average condensate production *(bbls/d)*	4,850	5,462	5,358	4,822	4,601	4,500	4,796	5,330
Average NGLs production *(bbls/d)*	7,412	6,811	3,288	7,963	7,593	6,349	7,976	7,570
Average natural gas production *(Mcf/d)*	360,924	379,807	383,145	387,604	381,788	366,256	365,296	379,275
Average production *(boe/d)*	74,143	77,510	74,592	79,799	78,079	73,746	76,024	78,716
Average realized light oil sales price *($/bbl)*[(1)]	100.46	89.89	105.69	115.24	115.94	135.91	115.47	92.79
Average realized condensate sales price *($/bbl)*[(1)]	107.67	98.18	105.88	114.32	115.84	138.28	121.56	98.66
Average realized NGLs sales price *($/bbl)*[(1)]	26.35	22.86	36.69	35.80	38.18	48.26	43.56	38.24
Average realized natural gas sales price *($/Mcf)*[(1)]	2.86	2.67	3.68	6.11	6.83	8.61	5.40	5.52
Average realized sales price *($/boe)*[(1)]	25.96	24.28	31.07	43.63	47.26	58.75	41.79	40.02
P&NG revenue *($000s)*[(1)]	177,126	171,291	208,647	320,358	339,531	394,315	285,976	289,806
Operating expense *($/boe)*	3.93	3.64	3.95	4.06	3.50	3.40	3.49	3.50
F&D capital expenditures *($000s)*[(2)]	66,677	64,755	115,039	106,762	85,330	84,247	88,282	35,726
Total capital expenditures *($000s)*[(3)]	67,475	65,241	115,659	107,471	86,485	86,150	88,124	36,075
Cash flow from operating activities *($000s)*	67,840	62,353	111,330	224,447	272,965	273,711	154,152	196,142
Adjusted funds flow *($000s)*[(3)]	72,225	69,650	88,737	217,099	267,350	285,535	183,699	193,649
Per basic common share *($)*[(4)]	0.27	0.26	0.33	0.82	1.01	1.08	0.69	0.73
Per diluted common share *($)*[(4)]	0.27	0.26	0.33	0.79	0.97	1.03	0.67	0.70
Free funds flow *($000s)*[(3)]	5,548	4,895	(26,302)	110,337	182,020	201,288	95,417	157,923
Net income (loss) to common shareholders *($000s)*	15,108	42,753	(42,548)	69,453	244,582	213,855	125,792	106,102
Per basic common share *($)*	0.06	0.16	(0.16)	0.26	0.92	0.81	0.47	0.40
Per diluted common share *($)*	0.06	0.16	(0.16)	0.25	0.89	0.77	0.46	0.38
Total assets *($ millions)*	3,175	3,165	3,141	3,169	3,188	3,066	3,006	2,960
Total liabilities *($ millions)*	897	856	817	757	788	857	961	1,042
Revolving term credit facilities *($000s)*	318,711	281,354	191,426	131,981	196,989	276,030	397,752	500,870
Total debt *($000s)*[(5)]	327,655	278,521	217,927	138,549	186,064	266,894	408,998	499,397
Dividends on common shares *($000s)*	53,321	53,241	53,392	58,503	5,317	5,310	2,658	2,646
Weighted average common shares outstanding								
Basic *(000s)*	266,390	266,354	266,447	265,922	265,298	265,440	265,530	265,197
Diluted *(000s)*	272,447	272,365	266,447	275,567	274,223	276,015	275,980	276,600

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

(2) See "*Advisories*" in this MD&A.

(3) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(4) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(5) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Production in the last eight quarters was primarily impacted by Birchcliff's successful drilling of horizontal liquids-rich natural gas and light oil wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods. Light oil production has generally trended lower over the last eight quarters primarily due to the Corporation specifically targeting natural gas wells in liquids-rich zones in the Pouce Coupe and Gordondale areas. Production in the first and second quarter of 2023 was negatively impacted by a decrease in NGLs sales volumes as a result of the Pembina Outage. Light oil and NGLs production during the second quarter of 2022 were lower compared to the other disclosed quarters due to a major scheduled turnaround at the AltaGas Facility.

P&NG revenue, adjusted funds flow and cash flow from operating activities in the last eight quarters were largely impacted by the average realized sales price received for Birchcliff's production. Birchcliff's average realized sales price has experienced significant volatility over the last eight quarters. The Corporation's average realized sales price in the three most recently completed quarters decreased significantly from the prior quarters due to declines in benchmark oil and natural gas commodity prices.

Birchcliff's net income and loss in the last eight quarters were largely impacted by fluctuations in adjusted funds flow and unrealized gains and losses on financial instruments, which resulted from changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts and certain other adjustments, including D&D expense and deferred income tax expense and recoveries.

The Corporation's F&D capital expenditures fluctuate from quarter to quarter based on the Corporation's outlook for commodity prices and market conditions, the level of drilling and completions operations and other capital projects and the timing thereof.

The Corporation's free funds flow is impacted by the amount and timing of F&D capital expenditures (which are typically weighted more heavily in the first half of the year) and fluctuations in adjusted funds flow quarter to quarter.

The amount outstanding under the Credit Facilities and the Corporation's total debt in the last three quarters have trended higher primarily due to the aggregate of F&D capital expenditures and dividends paid to common shareholders being greater than adjusted funds flow in the first, second and third quarter of 2023.

The Corporation pays dividends on its common shares when declared and approved by the Board. The dividend payments on the Corporation's common shares increased substantially in the last four quarters as a result of the higher quarterly base dividend of $0.20 per common share that was paid in the first, second and third quarters of 2023 and a special dividend of $0.20 per common share that was paid in the fourth quarter of 2022.

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, 2023 and ended on September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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.

Benchmark oil and natural gas prices remained volatile during the Reporting Periods primarily driven by a confluence of factors, including the extension of production cuts by the OPEC+, ongoing global economic slowdown concerns attributed to rising inflation and interest rates, geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages. These factors remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and economic conditions, or the extent to which they will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of these economic conditions and events have been considered in management's estimates and assumptions at September 30, 2023 and have been reflected in the Corporation's financial results.

REGULATORY UPDATE

Regulations relating to climate change and climate-related matters continue to evolve and may result in additional disclosure requirements in the future. On June 26, 2023, the International Sustainability Standards Board published the new IFRS sustainability disclosure standards, IFRS S1 G*eneral Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (collectively, the "**ISSB Standards**"). There is no requirement for public companies in Canada, including the Corporation, to adopt the ISSB Standards until the Canadian Sustainability Standards Board and the Canadian Securities Administrators have made decisions on the applicable reporting requirements in Canada.

RISK FACTORS

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 heading "*Risk Factors*" in the AIF and MD&A for the year ended December 31, 2022.

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
FD&A	finding, development and acquisition
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
LIBOR	London Interbank Offered Rate
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
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
P&NG	petroleum and natural gas
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	Organization of the Petroleum Exporting Countries, with certain non-OPEC oil exporting countries
SOFR	Secured Overnight Financing Rate
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 AND OTHER FINANCIAL MEASURES

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below.

Non-GAAP Financial Measures

NI 52-112 defines a non-GAAP financial measure as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation. The non-GAAP financial measures used in this MD&A are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP financial measures as indicators of Birchcliff's performance. Set forth below is a description of the non-GAAP financial measures used in this MD&A.

Adjusted Funds Flow, Free Funds Flow and Excess Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital. 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 assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, buy back common shares and pay dividends.

Birchcliff defines "free funds flow" as adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to generate shareholder returns through a number of initiatives, including but not limited to, debt repayment, common share buybacks, the payment of common share dividends, acquisitions and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

Birchcliff defines "excess free funds flow" as free funds flow less common share dividends paid. Management believes that excess free funds flow assists management and investors in assessing Birchcliff's ability to further enhance shareholder returns after the payment of common share dividends, which may include debt repayment, special dividends, increases to the Corporation's base common share dividend, common share buybacks, acquisitions and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

The most directly comparable GAAP financial measure to adjusted funds flow, free funds flow and excess free funds flow is cash flow from operating activities. The following table provides a reconciliation of cash flow from operating activities to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

($000s)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022	Twelve months ended December 31, 2022
Cash flow from operating activities	**67,840**	**272,965**	**241,523**	**700,828**	**925,275**
Change in non-cash operating working capital	3,601	(6,448)	(13,229)	33,581	25,662
Decommissioning expenditures	784	833	2,318	2,175	2,746
Adjusted funds flow	**72,225**	**267,350**	**230,612**	**736,584**	**953,683**
F&D capital expenditures	(66,677)	(85,330)	(246,471)	(257,859)	(364,621)
Free funds flow	**5,548**	**182,020**	**(15,859)**	**478,725**	**589,062**
Dividends on common shares	(53,321)	(5,317)	(159,954)	(13,285)	(71,788)
Excess free funds flow	**(47,773)**	**176,703**	**(175,813)**	**465,440**	**517,274**

Birchcliff has disclosed in this MD&A forecasts of adjusted funds flow, free funds flow and excess free funds flow for 2023, which are forward-looking non-GAAP financial measures (see *"Outlook and Guidance"* in this MD&A). The equivalent historical non-GAAP financial measures are adjusted funds flow, free funds flow and excess free funds flow for the twelve months ended December 31, 2022. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein will be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales prices the Corporation receives for its production. The forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading *"Outlook and Guidance"* in this MD&A.

Capital Resources

Birchcliff defines "capital resources" as cash flow from operating activities after adjusting for the aggregate of issuance of common shares, repurchase of common shares, redemption of capital securities, redemption of preferred shares, purchase of performance warrants, financing fees paid, lease payments, dividend distributions, net change in revolving term credit facilities, investments and changes in non-cash working capital from investing. Management believes capital resources assists management and investors in assessing Birchcliff's ability to fund its short and long-term financial obligations. The most directly comparable GAAP financial measure to capital resources is cash flow from operating activities. See *"Capital Resources and Liquidity"* in this MD&A for the reconciliation of cash flow from operating activities to capital resources.

FD&A and Total Capital Expenditures

Birchcliff defines "FD&A capital expenditures" as exploration and development expenditures, less dispositions, plus acquisitions (if any). Birchcliff defines "total capital expenditures" as FD&A capital expenditures plus administrative assets. Management believes that FD&A capital expenditures and total capital expenditures assist management and investors in assessing Birchcliff's overall capital cost structure associated with its P&NG activities. The most directly comparable GAAP financial measure to FD&A capital expenditures and total capital expenditures is exploration and development expenditures. The following table provides a reconciliation of exploration and development expenditures to FD&A capital expenditures and total capital expenditures for the periods indicated:

($000s)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Exploration and development expenditures(1)	**66,677**	**85,330**	**246,471**	**257,859**
Acquisitions	188	848	188	2,348
Dispositions	-	-	(77)	(315)
FD&A capital expenditures	**66,865**	**86,178**	**246,582**	**259,892**
Administrative assets	610	307	1,793	867
Total capital expenditures	**67,475**	**86,485**	**248,375**	**260,759**

(1) Disclosed as F&D capital expenditures elsewhere in this MD&A. See "*Advisories*" in this MD&A.

Transportation and Other Expense and Marketing Gains and Losses

Birchcliff defines "transportation and other expense" as transportation expense plus marketing loss (less marketing gain), which denotes marketing purchases less marketing revenue. Birchcliff may enter into certain marketing purchase and sales arrangements with the objective of reducing any unused transportation or fractionation fees associated with its take-or-pay commitments and/or increasing the value of its production through value-added downstream initiatives. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation and marketing activities. Management believes that marketing gains and losses assists management and investors in assessing the success of Birchcliff's marketing arrangements. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to marketing gains and losses and transportation and other expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Transportation expense	**40,455**	**39,379**	**114,319**	**117,071**
Marketing purchases	8,618	2,124	25,844	8,337
Marketing revenue	(5,637)	(2,613)	(21,989)	(9,890)
Marketing (gain) loss	**2,981**	**(489)**	**3,855**	**(1,553)**
Transportation and other expense	**43,436**	**38,890**	**118,174**	**115,518**

Operating Netback

Birchcliff defines "operating netback" as P&NG revenue less royalty expense, operating expense and transportation and other expense. Operating netback is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. Management believes that operating netback assists management and investors in assessing Birchcliff's operating profits after deducting the cash costs that are directly associated with the sale of its production, which can then be used to pay other corporate cash costs or satisfy other obligations. The following table provides a breakdown of Birchcliff's operating netback for its Pouce Coupe assets, Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
P&NG revenue	115,208	221,623	364,168	665,440
Royalty expense	(7,233)	(22,154)	(27,777)	(65,895)
Operating expense	(15,337)	(13,649)	(43,749)	(37,917)
Transportation and other expense	(31,867)	(26,395)	(83,931)	(76,916)
Operating netback – Pouce Coupe assets	**60,771**	**159,425**	**208,711**	**484,712**
P&NG revenue	61,691	117,539	192,198	353,353
Royalty expense	(6,638)	(21,204)	(23,013)	(59,589)
Operating expense	(11,337)	(11,328)	(34,765)	(33,389)
Transportation and other expense	(11,514)	(12,453)	(34,094)	(38,477)
Operating netback – Gordondale assets	**32,202**	**72,554**	**100,326**	**221,898**
P&NG revenue	177,126	339,531	557,064	1,019,822
Royalty expense	(13,892)	(43,379)	(50,857)	(125,547)
Operating expense	(26,792)	(25,155)	(79,001)	(71,798)
Transportation and other expense	(43,436)	(38,890)	(118,174)	(115,518)
Operating netback – Corporate	**93,006**	**232,107**	**309,032**	**706,959**

Non-GAAP Ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. The non-GAAP ratios used in this MD&A are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies. Set forth below is a description of the non-GAAP ratios used in this MD&A.

Adjusted Funds Flow Per Boe and Adjusted Funds Flow Per Basic and Diluted Common Share

Birchcliff calculates "adjusted funds flow per boe" as aggregate adjusted funds flow in the period divided by the production (boe) in the period. Management believes that adjusted funds flow per boe assists management and investors in assessing Birchcliff's financial profitability and sustainability on a cash basis by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Birchcliff calculates “adjusted funds flow per basic common share” and “adjusted funds flow per diluted common share” as aggregate adjusted funds flow in the period divided by the weighted average basic or diluted common shares outstanding, as the case may be, at the end of the period. Management believes that adjusted funds flow per basic common share and adjusted funds flow per diluted common share assist management and investors in assessing Birchcliff’s financial strength on a per common share basis.

Free Funds Flow Per Basic Common Share

Birchcliff calculates “free funds flow per basic common share” as aggregate free funds flow in the period divided by the weighted average basic common shares outstanding at the end of the period. Management believes that free funds flow per basic common share assists management and investors in assessing Birchcliff’s financial strength and its ability to deliver shareholder returns on a per common share basis.

Transportation and Other Expense Per Boe

Birchcliff calculates “transportation and other expense per boe” as aggregate transportation and other expense in the period divided by the production (boe) in the period. Management believes that transportation and other expense per boe assists management and investors in assessing Birchcliff’s cost structure as it relates to its transportation and marketing activities by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Marketing Gains and Losses Per Boe

Birchcliff calculates “marketing gain per boe” and “marketing loss per boe” as aggregate marketing gain or loss (as the case may be) in the period divided by the production (boe) in the period. Management believes that marketing gains and losses per boe assists management and investors in assessing the success of Birchcliff’s marketing arrangements by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Operating Netback Per Boe

Birchcliff calculates “operating netback per boe” as aggregate operating netback in the period divided by the production (boe) in the period. Operating netback per boe is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. Management believes that operating netback per boe assists management and investors in assessing Birchcliff’s operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity’s objectives, policies and processes for managing the entity’s capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Set forth below is a description of the capital management measures used in this MD&A.

Total Debt and Adjusted Working Capital

Birchcliff calculates “total debt” as the amount outstanding under the Corporation’s revolving term credit facilities (if any) plus adjusted working capital deficit (less adjusted working capital surplus) at the end of the period. “Adjusted working capital deficit (surplus)” is calculated as working capital deficit (surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less the current portion of other liabilities at the end of the period. Management believes that total debt assists management and investors in assessing Birchcliff’s overall liquidity and financial position at the end of the period. Management believes that adjusted working capital deficit (surplus) assists management and investors in assessing Birchcliff’s short-term liquidity. The following table provides a reconciliation of the amount outstanding under the revolving term credit facilities and working capital deficit (surplus), as determined in accordance with GAAP, to total debt and adjusted working capital deficit (surplus), respectively, for the periods indicated:

As at, *($000s)*	September 30, 2023	December 31, 2022
Revolving term credit facilities	**318,711**	**131,981**
Working capital deficit (surplus)(1)	8,257	(7,902)
Fair value of financial instruments – asset(2)	7,971	17,729
Fair value of financial instruments – liability(2)	(4,777)	(1,345)
Other liabilities(2)	(2,507)	(1,914)
Adjusted working capital deficit (surplus)	**8,944**	**6,568**
Total debt	**327,655**	**138,549**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

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

All references to "$" and "CDN$" are to Canadian dollars and all references to "US$" are to United States dollars.

Boe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl 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.

MMBtu Pricing Conversions

$1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value Mcf.

Oil and Gas Metrics

This MD&A contains metrics commonly used in the oil and natural gas industry, including operating netback. 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. 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 operating netback and how such metric is calculated, see *"Non-GAAP and Other Financial Measures"* in this MD&A.

F&D Capital Expenditures

Unless otherwise stated, references in this MD&A to "F&D capital expenditures" denotes exploration and development expenditures as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any acquisitions, dispositions, administrative assets and the capitalized portion of cash incentive payments that have not been approved by the Board. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff's capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

Forward-Looking Statements

Certain statements contained in this MD&A constitute 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, strategy, operations, performance or financial position 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", "maintain", "deliver" 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:

- 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 *"Outlook and Guidance"* as it relates to Birchcliff's outlook and guidance and its exploration, development and production activities and the timing thereof, including: that it is accelerating approximately $20 million of capital expenditures from 2024 into Q4 2023 to commence the drilling of 5 (5.0 net) wells in Pouce Coupe in Q4 2023, which wells are planned to be brought on production in late January 2024, as well as drill several surface holes and procure various long-lead items required for the execution of the Corporation's 2024 capital program; that by accelerating these capital projects into Q4 2023, the Corporation will be able to maximize production during the winter months to capture the anticipated strength in natural gas pricing that is typically seen in the winter months, allow Birchcliff to continue its two-drilling rig program throughout the remainder of 2023, help to ensure the efficient execution of the Corporation's 2024 capital program and allow Birchcliff to significantly decrease the risks related to the price and availability of drilling and other oilfield services during a period of tight supply; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, excess free funds flow, total debt at year end and natural gas market exposure in 2023; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2023;
- 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: the Corporation's expectation that counterparties will be able to meet their financial obligations; 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; that the unutilized credit capacity under the Credit Facilities provides Birchcliff with significant financial flexibility and available capital resources; that the Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2023 will be sufficient to fund its ongoing capital requirements, which include its working capital, F&D capital expenditures and future dividend payments in 2023; and that should commodity prices deteriorate significantly, Birchcliff may adjust its capital requirements, seek additional debt/equity financing and/or consider the potential sale of non-core assets;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations;

- the Corporation's belief that it does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial position, operational results, liquidity or capital expenditures;
- statements relating to the NCIB, including: potential purchases under the NCIB; and the cancellation of common shares under the NCIB;
- statements regarding potential transactions; and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein will be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales prices the Corporation receives for its production; and that the forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023.

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: prevailing and future commodity prices and differentials, 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 laws; future cash flow, debt and dividend levels; future operating, transportation, 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; reserves 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 approval of the Board of future dividends; 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 results of the Corporation's risk management and market diversification activities; 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:

- With respect to Birchcliff's 2023 guidance, such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance"*. In addition:
    - Birchcliff's production guidance assumes that: the 2023 capital program 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 forecast of F&D capital expenditures assumes that the 2023 capital program will be carried out as currently contemplated and excludes any potential acquisitions, dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. 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.
    - Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the

commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its outstanding physical and financial basis swap contracts and excludes cash incentive payments that have not been approved by the Board.

  - Birchcliff's forecast of excess free funds flow assumes that: the forecasts of adjusted funds flow and free funds flow are achieved; and an annual base dividend of $0.80 per common share is paid during 2023, there are 266 million common shares outstanding, there are no changes to the base dividend rate and no special dividends are paid.
  - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved, with the level of capital spending for 2023 met and the payment of an annual base dividend of $213 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no further buybacks of common shares during 2023; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023; (v) there are no equity issuances during 2023; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.
  - Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu; and (iii) 22,000 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its outstanding physical and financial basis swap contracts.

- With respect to statements of future wells to be drilled and brought on production, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

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), epidemics and global conflict (including the Russian invasion of Ukraine and the Israel-Hamas conflict) 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; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2023); 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; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in 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; 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 operate its assets and achieve expected future results; 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; 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; political uncertainty and uncertainty associated with government policy changes; actions by government authorities; an inability of the Corporation to comply with existing and future laws and the cost of compliance with such laws; dependence on facilities, gathering lines and pipelines; 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 and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of the Board to declare dividends and change the Corporation's dividend policy and the risk that the amount of dividends may be less than currently forecast; 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; 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; and the accuracy of the Corporation's accounting estimates and judgments.

The declaration and payment of any future dividends are subject to the discretion of the Board and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution.

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 the AIF under the heading *"Risk Factors"* 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 financial performance, financial position or cash flows, 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.

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 and FOFI contained in this MD&A are expressly qualified by the foregoing cautionary statements. The forward-looking statements and FOFI 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 or FOFI, 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, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	53	74
Accounts receivable	73,106	125,005
Prepaid expenses and deposits	24,134	12,140
Financial instruments *(Note 12)*	7,971	17,729
	105,264	154,948
Non-current assets:		
Investments *(Note 13)*	8,916	10,961
Property, plant and equipment *(Note 3)*	3,044,036	2,972,592
Financial instruments *(Note 12)*	17,018	30,864
	3,069,970	3,014,417
Total assets	**3,175,234**	**3,169,365**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	106,237	143,787
Other liabilities *(Note 9)*	2,507	1,914
Financial instruments *(Note 12)*	4,777	1,345
	113,521	147,046
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	318,711	131,981
Decommissioning obligations *(Note 5)*	79,180	99,720
Deferred income taxes	363,333	355,115
Other liabilities *(Note 9)*	22,359	22,850
	783,583	609,666
Total liabilities	897,104	756,712
SHAREHOLDERS' EQUITY		
Common share capital *(Note 6)*	1,428,102	1,430,944
Contributed surplus	99,520	86,560
Retained earnings	750,508	895,149
Total shareholders' equity	2,278,130	2,412,653
Total shareholders' equity and liabilities	**3,175,234**	**3,169,365**

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
REVENUE				
Petroleum and natural gas revenue *(Note 8)*	177,126	339,531	557,064	1,019,822
Marketing revenue *(Note 8)*	5,637	2,613	21,989	9,890
Royalties	(13,892)	(43,379)	(50,857)	(125,547)
Realized gain (loss) on financial instruments *(Note 12)*	(5,652)	45,490	(34,702)	61,978
Unrealized gain (loss) on financial instruments *(Note 12)*	8,156	109,927	(27,036)	192,055
Other income (expense)	39	30	(732)	(31)
	171,414	454,212	465,726	1,158,167
EXPENSES				
Operating	26,792	25,155	79,001	71,798
Transportation	40,455	39,379	114,319	117,071
Marketing purchases *(Note 8)*	8,618	2,124	25,844	8,337
Administrative, net	11,801	8,492	36,723	26,735
Depletion and depreciation *(Note 3)*	55,128	53,730	167,052	155,318
Finance	7,398	4,756	18,176	13,941
Dividends on capital securities	-	675	-	2,013
Other loss (gain) *(Notes 5 & 13)*	558	(162)	1,081	(2,450)
	150,750	134,149	442,196	392,763
Net income before taxes	20,664	320,063	23,530	765,404
Deferred income tax expense	(5,556)	(74,426)	(8,217)	(178,026)
NET INCOME AND COMPREHENSIVE INCOME	**15,108**	**245,637**	**15,313**	**587,378**
Net income per common share *(Note 7)*				
Basic	**$0.06**	**$0.92**	**$0.06**	**$2.20**
Diluted	**$0.06**	**$0.89**	**$0.06**	**$2.12**

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**	**Total**
As at December 31, 2021	1,463,424	41,434	90,924	321,821	1,917,603
Issuance of common shares *(Note 10)*	31,398	-	(9,515)	-	21,883
Repurchase of common shares	(54,414)	-	-	-	(54,414)
Purchase of performance warrants	(8,213)	-	(6,293)	-	(14,506)
Dividends on common shares *(Note 6)*	-	-	-	(13,285)	(13,285)
Dividends on perpetual preferred shares	-	-	-	(3,149)	(3,149)
Stock-based compensation *(Note 10)*	-	-	8,448	-	8,448
Redemption of perpetual preferred shares	-	(41,434)	-	(8,566)	(50,000)
Net income	-	-	-	587,378	587,378
As at September 30, 2022	**1,432,195**	**-**	**83,564**	**884,199**	**2,399,958**
As at December 31, 2022	1,430,944	-	86,560	895,149	2,412,653
Issuance of common shares *(Notes 6 & 10)*	7,419	-	(1,941)	-	5,478
Repurchase of common shares *(Note 6)*	(10,261)	-	-	-	(10,261)
Dividends on common shares *(Note 6)*	-	-	-	(159,954)	(159,954)
Stock-based compensation *(Note 10)*	-	-	14,901	-	14,901
Net income	-	-	-	15,313	15,313
As at September 30, 2023	**1,428,102**	**-**	**99,520**	**750,508**	**2,278,130**

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)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Cash provided by (used in):				
OPERATING				
Net income	15,108	245,637	15,313	587,378
Adjustments for items not affecting operating cash:				
Unrealized loss (gain) on financial instruments *(Note 12)*	(8,156)	(109,927)	27,036	(192,055)
Depletion and depreciation *(Note 3)*	55,128	53,730	167,052	155,318
Other compensation	2,510	1,450	7,325	4,295
Finance	7,398	4,756	18,176	13,941
Other loss (gain)	558	(162)	1,081	(2,450)
Deferred income tax expense	5,556	74,426	8,217	178,026
Interest paid	(5,877)	(3,235)	(13,588)	(9,882)
Dividends on capital securities	-	675	-	2,013
Decommissioning expenditures *(Note 5)*	(784)	(833)	(2,318)	(2,175)
Changes in non-cash working capital	(3,601)	6,448	13,229	(33,581)
	67,840	272,965	241,523	700,828
FINANCING				
Issuance of common shares *(Notes 6 & 10)*	1,262	3,594	5,478	21,883
Repurchase of common shares *(Note 6)*	-	(4,967)	(10,261)	(54,414)
Repurchase of capital securities	-	(38,206)	-	(38,268)
Redemption of perpetual preferred shares	-	(50,000)	-	(50,000)
Purchase of performance warrants	-	-	-	(14,506)
Financing fees paid	-	-	-	(1,275)
Lease payments *(Note 9)*	(614)	(614)	(1,843)	(1,843)
Dividend distributions *(Note 6)*	(53,321)	(7,047)	(159,954)	(18,447)
Net change in revolving term credit facilities *(Note 4)*	36,932	(79,466)	185,455	(303,633)
	(15,741)	(176,706)	18,875	(460,503)
INVESTING				
Exploration and development *(Note 3)*	(66,677)	(85,330)	(246,471)	(257,859)
Acquisitions *(Note 3)*	(188)	(848)	(188)	(2,348)
Dispositions *(Note 3)*	-	-	77	315
Administrative assets *(Note 3)*	(610)	(307)	(1,793)	(867)
Investments	-	(844)	(1,170)	(1,628)
Changes in non-cash working capital	15,352	(8,951)	(10,874)	22,043
	(52,123)	(96,280)	(260,419)	(240,344)
Net change in cash	(24)	(21)	(21)	(19)
Cash, beginning of period	77	65	74	63
CASH, END OF PERIOD	**53**	**44**	**53**	**44**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2023, AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

Unaudited (Expressed in 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 oil and 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 are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "BIR".

These unaudited interim condensed financial statements were approved and authorized for issuance by Birchcliff's board of directors (the "**Board**") on November 14, 2023.

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 September 30, 2023, and for the three and nine months ended September 30, 2023, including the 2022 comparative periods. 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, 2022. 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 unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2022.

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.

Current Environment and Estimation Uncertainty

Benchmark oil and natural gas prices remained volatile during the nine months ended September 30, 2023 primarily driven by a confluence of factors, including the extension of production cuts by the Organization of the Petroleum Exporting Countries including Russia (OPEC+), ongoing global economic slowdown concerns attributed to rising inflation and interest rates, geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages. These factors remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and conditions, or the extent to which they will impact the Corporation long-term.

Climate Change and Environmental Reporting

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. On June 26, 2023, the International Sustainability Standards Board published the new IFRS sustainability disclosure standards, IFRS S1 G*eneral Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, with the aim to develop an environment sustainability disclosure framework that is accepted globally. In addition, the Canadian Securities Administrators have proposed National

Instrument 51-107 – *Disclosure of Climate-related Matters*, with additional climate-related disclosure requirements for certain reporting issuers in Canada. If the Corporation is unable to meet future sustainability reporting requirements of regulators or current and future expectations of stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolved over time, has not yet been quantified.

3. PROPERTY, PLANT AND EQUIPMENT

The continuity for property, plant and equipment ("**PP&E**") is as follows:

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2021	389	4,377,505	20,078	23,648	4,421,620
Additions	17	330,114	-	1,576	331,707
Acquisitions	-	2,776	-	-	2,776
Dispositions	-	(315)	-	-	(315)
As at December 31, 2022	406	4,710,080	20,078	25,224	4,755,788
Additions	-	235,410	951	1,794	238,155
Acquisitions	-	418	-	-	418
Dispositions	-	(77)	-	-	(77)
As at September 30, 2023(1)	406	4,945,831	21,029	27,018	4,994,284
Accumulated depletion and depreciation:					
As at December 31, 2021	-	(1,543,943)	(5,981)	(19,464)	(1,569,388)
Depletion and depreciation expense(2)	-	(210,049)	(2,035)	(1,724)	(213,808)
As at December 31, 2022	-	(1,753,992)	(8,016)	(21,188)	(1,783,196)
Depletion and depreciation expense(2)	-	(164,394)	(1,527)	(1,131)	(167,052)
As at September 30, 2023	-	(1,918,386)	(9,543)	(22,319)	(1,950,248)
Net book value:					
As at December 31, 2022	**406**	**2,956,088**	**12,062**	**4,036**	**2,972,592**
As at September 30, 2023	**406**	**3,027,445**	**11,486**	**4,699**	**3,044,036**

(1) The Corporation's PP&E were pledged as security for its revolving term credit facilities. Although the Corporation believes that it has title to its PP&E, it cannot control or completely protect itself against the risk of title disputes and challenges.

(2) Future development costs required to develop and produce proved and probable oil and gas reserves totalled approximately $4.4 billion at September 30, 2023 (December 31, 2022 – $4.5 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an asset impairment test is performed if Birchcliff identifies indicators of impairment at the end of a reporting period. At September 30, 2023 and December 31, 2022, Birchcliff determined that there were no asset impairment indicators present and therefore an impairment test was not required.

4. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's revolving term credit facilities include:

As at, ***($000s)***	**September 30, 2023**	**December 31, 2022**
Syndicated credit facility	320,017	109,201
Working capital facility	960	26,321
Drawn revolving term credit facilities	320,977	135,522
Unamortized deferred financing fees	(2,266)	(3,541)
Revolving term credit facilities	**318,711**	**131,981**

At September 30, 2023, the aggregate principal amount of the Corporation's revolving term credit facilities was $850.0 million which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of

$100.0 million (collectively, the "**Credit Facilities**"). The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $262.4 million at September 30, 2023 (December 31, 2022 – $281.0 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**September 30, 2023**	**December 31, 2022**
Balance, beginning	99,720	140,603
Obligations incurred	1,560	4,004
Obligations acquired	230	428
Obligations divested	-	(19)
Changes in estimated future cash flows(1)	(20,634)	(44,996)
Accretion	2,756	3,248
Decommissioning expenditures(2)	(4,452)	(3,548)
Balance, ending	**79,180**	**99,720**

(1) Primarily relates to changes in the inflation rate and discount nominal risk-free rate used to calculate the present value of the decommissioning obligations. Birchcliff applied an inflation rate of 1.75% and a discount nominal risk-free rate of 3.81% to calculate the present value of the decommissioning obligations at September 30, 2023 and an inflation rate of 2.09% and a discount nominal risk-free rate of 3.28% at December 31, 2022.

(2) Includes $0.8 million and $2.1 million of funding from the Alberta Site Rehabilitation Program for the 2022 and 2023 periods, respectively, that were recorded to income as "other gain".

6. CAPITAL STOCK

Share Capital

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, each without par value.

Number of Common Shares Issued and Outstanding

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

As at, *(000s)*	**September 30, 2023**	**December 31, 2022**
Outstanding at beginning of period	266,047	264,790
Issuance of common shares(1)	1,858	7,597
Repurchase of common shares(2)	(1,265)	(6,340)
Outstanding at end of period	**266,640**	**266,047**

(1) Relates to the exercise of stock options and performance warrants during the period (if any).

(2) On November 17, 2022, 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 13,295,786 of its outstanding common shares over a period of twelve months commencing on November 25, 2022 and terminating no later than November 24, 2023. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Pursuant to the rules of the TSX, the total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 455,368 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares under the NCIB will be cancelled. During the nine months ended September 30, 2023, the Corporation purchased 1,265,268 common shares under the NCIB at an average price of $8.10 for an aggregate value of $10.2 million, before fees. All such common shares were cancelled.

Dividends

The following table sets forth the common share dividend distributions by the Corporation:

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**
Common share dividend *($000s)*	53,321	5,317	159,954	13,285
Per common share *($)*	0.20	0.02	0.60	0.05

On August 10, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending September 30, 2023. The dividend was paid on September 29, 2023 to shareholders of record at the close of business on September 15, 2023. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

7. EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income to common shareholders (*$000s*)(1)	15,108	244,582	15,313	584,229
Weighted average basic common shares outstanding *(000s)*	266,390	265,298	266,397	265,422
Dilutive securities *(000s)*	6,057	8,925	6,325	9,942
Weighted average diluted common shares outstanding *(000s)*(2)	272,447	274,223	272,722	275,364
Per basic common share	**$0.06**	**$0.92**	**$0.06**	**$2.20**
Per diluted common share	**$0.06**	**$0.89**	**$0.06**	**$2.12**

(1) Net income for the three and nine months ended September 30, 2022 has been reduced by the dividends on Series A Preferred Shares totalling $1.1 million and $3.1 million, respectively, in determining the net income to common shareholders.

(2) The weighted average diluted common shares outstanding excludes 5,912,134 and 5,923,134 stock options that were anti-dilutive for the three and nine months ended September 30, 2023, respectively (September 30, 2022 – 248,400 and 322,400).

8. REVENUE

The following table sets forth Birchcliff's petroleum and natural gas ("**P&NG**") sales and revenue by source:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2023	2022	2023	2022
Light oil sales	15,969	24,037	51,668	71,597
Condensate(1)	48,037	49,031	147,898	158,116
NGLs sales(2)	17,967	26,673	42,992	85,825
Natural gas sales	95,109	239,773	314,378	704,238
P&NG sales(3)(4)	177,082	339,514	556,936	1,019,776
Royalty income	44	17	128	46
P&NG revenue	177,126	339,531	557,064	1,019,822
Marketing revenue(5)	5,637	2,613	21,989	9,890
Revenue from contracts with customers	**182,763**	**342,144**	**579,053**	**1,029,712**

(1) Consists of pentanes plus.

(2) Consists of ethane, propane and butane.

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

(4) Included in accounts receivable at September 30, 2023 was $64.2 million (September 30, 2022 – $118.2 million) in P&NG sales to be received from its marketers in respect of September 2023 production, which was subsequently received in October 2023.

(5) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain commodity purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. The value of commodities purchased and sold during the period is primarily driven by prevailing commodity prices, the availability of sellers and buyers for fractionated production and fractionation capacity available in the market. The value of commodities purchased and sold to third parties are recorded on a gross basis for financial statement presentation purposes. Marketing revenue also includes a propane supply arrangement with a third-party polypropylene producer, which is recorded net of processing costs and other charges. For the three and nine months ended September 30, 2023, the Corporation had marketing purchases from third parties of $8.6 million and $25.8 million, respectively (September 30, 2022 – $2.1 million and $8.3 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligations

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 was approximately $15.3 million at September 30, 2023 (December 31, 2022 – $15.3 million).

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

As at, ***($000s)***	**September 30, 2023**	**December 31, 2022**
Balance, beginning	11,170	9,895
Obligations incurred[1]	438	1,091
Accretion	152	184
Balance, ending[2]	**11,760**	**11,170**
Current portion	-	-
Long-term portion	11,760	11,170

(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 obligations at September 30, 2023 and December 31, 2022.

Lease Obligations

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations was approximately $14.6 million at September 30, 2023 (December 31, 2022 – $15.3 million) and is expected to be settled by 2029.

A reconciliation of the discounted lease obligations is set forth below:

As at, ***($000s)***	**September 30, 2023**	**December 31, 2022**
Balance, beginning	13,594	15,434
Lease payments	(1,843)	(2,458)
Change in estimate	951	-
Accretion	404	618
Balance, ending[1]	**13,106**	**13,594**
Current portion	2,507	1,914
Long-term portion	10,599	11,680

(1) Birchcliff applied a discount rate of 4.7% to calculate the present value of the lease obligations at September 30, 2023 and December 31, 2022.

10. SHARE-BASED PAYMENT

Stock Options

At September 30, 2023, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,664,029 (September 30, 2022 – 26,587,728) common shares. At September 30, 2023, there remained 8,295,426 (September 30, 2022 – 11,473,314) stock options available for issuance. For the stock options exercised during the three months ended September 30, 2023, the weighted average common share trading price on the TSX was $7.99 (September 30, 2022 – $10.08) per common share.

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

	Three months ended September 30,				**Nine months ended September 30,**			
	2023		**2022**		**2023**		**2022**	
	Number	**Price** ***($)***[1]	**Number**	**Price** ***($)***[1]	**Number**	**Price** ***($)***[1]	**Number**	**Price** ***($)***[1]
Outstanding, beginning	18,849,175	5.72	15,521,053	3.95	20,322,784	5.53	23,116,919	3.96
Granted[2]	4,200	8.16	81,000	9.70	77,200	7.82	311,400	9.24
Exercised	(418,705)	(3.01)	(388,771)	(2.99)	(1,858,747)	(2.95)	(6,317,135)	(3.08)
Forfeited	(55,734)	(7.75)	(98,868)	(4.76)	(162,301)	(8.43)	(353,670)	(4.50)
Expired	(10,333)	(11.41)	-	-	(10,333)	(11.41)	(1,643,100)	(7.84)
Outstanding, ending	**18,368,603**	**5.77**	**15,114,414**	**4.00**	**18,368,603**	**5.77**	**15,114,414**	**4.00**

(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, 2023 was $1.95 (September 30, 2022 – $4.61). In determining the stock-based compensation expense for options granted during the three months ended September 30, 2023, the Corporation applied a weighted average estimated forfeiture rate of 7.1% (September 30, 2022 – 7.6%).

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

Three months ended,	**September 30, 2023**	**September 30, 2022**
Risk-free interest rate	4.2%	3.0%
Expected life *(years)*	4.0	4.0
Expected volatility	55.7%	62.9%
Dividend yield	9.9%	0.8%

A summary of the stock options outstanding and exercisable under the Option Plan at September 30, 2023 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	5,777,207	1.76	2.02	4,246,501	1.60	2.10
3.01	6.00	1,526,395	0.59	3.60	1,466,226	0.51	3.59
6.01	9.00	5,360,901	3.23	6.60	1,736,720	3.19	6.58
9.01	11.65	5,704,100	4.20	9.37	32,133	3.73	10.56
		18,368,603	**2.85**	**5.77**	**7,481,580**	**1.77**	**3.47**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff. As at September 30, 2023, there remained 404,967 performance warrants (December 31, 2022 – 404,967) outstanding with an expiry date of January 31, 2025.

11. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base 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 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 Credit Facilities and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the nine months ended September 30, 2023.

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

As at, *($000s)*	**September 30, 2023**	**December 31, 2022**
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(318,711)	(131,981)
Unamortized deferred financing fees	(2,266)	(3,541)
Outstanding letters of credit[(2)]	(185)	(185)
	(321,162)	(135,707)
Unused credit	**528,838**	**714,293**

(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 oil and gas reserves.

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

The capital structure of the Corporation is as follows:

As at, *($000s)*	September 30, 2023	December 31, 2022	% Change
Total shareholders' equity	**2,278,130**	**2,412,653**	**(6)**
Total shareholders' equity as a % of total capital	87%	95%	
Revolving term credit facilities	318,711	131,981	
Working capital deficit (surplus)(1)	8,257	(7,902)	
Fair value of financial instruments - asset(2)	7,971	17,729	
Fair value of financial instruments - liability(2)	(4,777)	(1,345)	
Other liabilities(2)	(2,507)	(1,914)	
Adjusted working capital deficit (surplus)(3)	8,944	6,568	
Total debt	**327,655**	**138,549**	**136**
Total debt as a % of total capital	13%	5%	
Total capital	**2,605,785**	**2,551,202**	**2**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

(3) Represents items related to the day-to-day operations of Birchcliff and excludes the current portion of financial instruments and other liabilities where the benefit or obligation has not been realized by the Corporation.

12. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board 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.

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 the corporation's financial performance operating results and financial position. Commodity prices for P&NG are not only influenced by Canadian ("**CDN**") and the United States ("**US**") supply and demand, but also by world events that dictate the levels of supply and demand globally.

Financial Derivative Contracts

At September 30, 2023, Birchcliff had certain financial derivative contracts outstanding 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, 2023, Birchcliff had the following financial derivative contracts in place to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[1]	Contract Price	Asset (Liability) *($000s)*
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	(1,234)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	(1,054)
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	(1,379)
Natural gas	AECO 7A basis swap[2]	15,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	(280)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(140)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(149)
Natural gas	AECO 7A basis swap[2]	12,500 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	885
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	646
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	1,418
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	59
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	3
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Oct. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	(75)
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	2,535
Natural gas	AECO 7A basis swap[2]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	3,980
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	885
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	1,866
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	485
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu	867
Natural gas	AECO 7A basis swap[2]	40,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.979/MMBtu	2,046
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.960/MMBtu	1,242
Natural gas	AECO 7A basis swap[2]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu	2,900
				Fair value	**15,506**

(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, 2023, if the future NYMEX HH/AECO 7A basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in the nine months ended September 30, 2023 would have changed by approximately $14.6 million.

There were no financial derivative contracts entered into subsequent to September 30, 2023 to manage commodity price risk.

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, 2023 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, 2023 – 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, 2023 to manage commodity price risk.

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, 2023, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term[1]	Notional Amount *($million)*	Fixed Rate *(%)*	Fair Value Asset *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR[2]	Oct. 1, 2023 – Mar. 1, 2024	350	2.215	**4,706**

(1) All transactions have been aggregated and presented at the weighted average fixed rate.

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

There were no financial derivative contracts entered into subsequent to September 30, 2023 to manage interest rate risk.

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 P&NG sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended September 30, 2023.

13. INVESTMENTS

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 Common A LP Units (the "**Common A Units**") in a limited partnership and 10,000,000 Preferred Trust Units (the "**Preferred Trust Units**") in a trust (collectively, the "**Securities**") at a combined value of $10.0 million. The Securities are not publicly listed and do not constitute a significant investment.

As at September 30, 2023, the Corporation determined the Securities had a fair value of $6.5 million (December 31, 2022 – $9.4 million). Birchcliff recorded a loss on investment of approximately $2.8 million during the nine months ended September 30, 2023 compared to a gain on investment of $1.8 million during the nine months ended September 30, 2022.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Jeff Tonken
Chief Executive Officer

Christopher Carlsen
President and Chief Operating Officer

Bruno Geremia
Executive Vice President and
Chief Financial Officer

Myles Bosman
Executive Vice President, Exploration

David Humphreys
Executive Vice President, Operations

Robyn Bourgeois
Vice President, Legal, General Counsel and
Corporate Secretary

Hue Tran
Vice President, Business Development and
Marketing

Theo van der Werken
Vice President, Engineering

DIRECTORS

Jeff Tonken
Chief Executive Officer and
Chairman of the Board
Calgary, Alberta

Dennis Dawson
Independent Lead Director
Calgary, Alberta

Debra Gerlach
Independent Director
Calgary, Alberta

Stacey McDonald
Independent Director
Calgary, Alberta

Cameron Proctor
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Kevin Matiasz
Drilling and Completions Manager

Paul Messer
Manager of Information Technology

Tyler Murray
Mineral Land, Acquisitions and Dispositions
Manager

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager, Human Resources and
Corporate Services

Jeff Rogers
Facilities Manager

Victor Sandhawalia
Manager of Finance

Daniel Sharp
Manager of Geology

Ryan Sloan
Health and Safety Manager

Duane Thompson
Production Manager

BANKERS

The Bank of Nova Scotia

HSBC Bank Canada

National Bank of Canada

Canadian Imperial Bank of Commerce

Bank of Montreal

ATB Financial

Business Development Bank of Canada

Wells Fargo Bank, N.A., Canadian Branch

United Overseas Bank Limited

ICICI Bank Canada

AUDITORS

KPMG LLP, Chartered Professional
Accountants
Calgary, Alberta

RESERVES EVALUATOR

Deloitte LLP
Calgary, Alberta

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