

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated March 13, 2024 is with respect to the three and twelve months ended December 31, 2023 (the "**Reporting Periods**") as compared to the three and twelve months ended December 31, 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 annual audited financial statements of the Corporation and related notes for the years ended December 31, 2023 and 2022 (the "**financial statements**") which have been prepared in accordance with IFRS Accounting Standards. 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 – Forward-Looking Statements*" in this MD&A. All boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. For further information, see "*Advisories – Boe Conversions*" in this MD&A.

With respect to the disclosure of Birchcliff's production contained in this MD&A: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"); (ii) 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.

Birchcliff publishes an annual environmental, social and governance ("**ESG**") report containing comprehensive information relating to its ESG performance, which can be found on the Corporation's website at www.birchcliffenergy.com.

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, 2023 (the "**AIF**"), is available on the SEDAR+ website at www.sedarplus.ca and on the Corporation's website at www.birchcliffenergy.com.

2023 HIGHLIGHTS

- Delivered annual average production of 75,699 boe/d (82% natural gas and 18% liquids) in the twelve month Reporting Period and quarterly average production of 76,546 boe/d (81% natural gas and 19% liquids) in the three month Reporting Period.
- Generated annual adjusted funds flow⁽¹⁾ of \$306.8 million in the twelve month Reporting Period and quarterly adjusted funds flow of \$76.2 million in the three month Reporting Period. Cash flow from operating activities was \$320.5 million in the twelve month Reporting Period and \$79.0 million in three month Reporting Period.
- Reported annual net income to common shareholders of \$9.8 million in the twelve month Reporting Period and a quarterly net loss to common shareholders of \$5.5 million in the three month Reporting Period.
- F&D capital expenditures were \$304.6 million in the twelve month Reporting Period and \$58.2 million in the three month Reporting Period. Birchcliff drilled 30 (30.0 net) wells and brought 32 (32.0 net) wells on production in the twelve month Reporting Period.
- Returned \$213.3 million to shareholders in the twelve month Reporting Period through its base common share dividend. In addition, Birchcliff purchased an aggregate of 1,427,868 common shares under its normal course issuer bid.

2024 OUTLOOK AND GUIDANCE

Birchcliff's disciplined 2024 capital budget reflects its commitment to maintaining a strong balance sheet, while focusing on sustainable shareholder returns and the continued development of its assets. Birchcliff is closely monitoring commodity prices and the previously announced deferral of 13 wells to the second half of the year provides it with the flexibility to further adjust its 2024 capital program if necessary to achieve these priorities. Based on its targeted F&D capital expenditures of \$240 million to \$260 million and as a result of the Corporation adjusting its capital spending profile by moving capital into the second half of 2024, Birchcliff expects annual average production of 74,000 to 77,000 boe/d in 2024. Birchcliff's production profile for 2024 is designed to deliver higher production in Q4 2024 when the Corporation anticipates higher commodity prices.

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

The following tables set forth Birchcliff's guidance and commodity price assumptions for 2024, its 2023 actual audited results and 2023 guidance for comparative purposes, as well as its free funds flow sensitivity for 2024:

	2024 guidance and assumptions – January 17, 2024 ⁽¹⁾	2023 actual results	2023 guidance and assumptions – November 14, 2023
Production			
Annual average production (boe/d)	74,000 – 77,000	75,699	77,000
% Light oil	3%	3%	3%
% Condensate	6%	7%	7%
% NGLs	10%	8%	8%
% Natural gas	81%	82%	82%
Average Expenses (\$/boe)			
Royalty	2.30 – 2.50	2.54	2.55 – 2.75
Operating	3.85 – 4.05	3.83	3.75 – 3.95
Transportation and other ⁽²⁾	5.50 – 5.70	5.69	5.60 – 5.80
Adjusted Funds Flow (millions)⁽³⁾	\$340	\$306.8	\$350
F&D Capital Expenditures (millions)	\$240 – \$260	\$304.6	\$300
Free Funds Flow (millions)⁽³⁾	\$80 – \$100	\$2.2	\$50
Annual Base Dividend (millions)	\$107 ⁽⁴⁾	\$213.3	\$213
Excess Free Funds Flow (millions)⁽³⁾	– ⁽⁵⁾	(\$211.2)	(\$163)
Total Debt at Year End (millions)⁽⁶⁾	\$405 – \$425	\$382.3	\$330
Natural Gas Market Exposure			
AECO exposure as a % of total natural gas production	17% ⁽⁷⁾	15%	15%
Dawn exposure as a % of total natural gas production	44% ⁽⁷⁾	43%	42%
NYMEX HH exposure as a % of total natural gas production	37% ⁽⁷⁾	38%	37%
Alliance exposure as a % of total natural gas production	2% ⁽⁷⁾	4%	6%
Commodity Prices			
Average WTI price (US\$/bbl)	75.00 ⁽⁸⁾	77.76	78.90
Average WTI-MSW differential (CDN\$/bbl)	5.45 ⁽⁸⁾	4.37	4.10
Average AECO price (CDN\$/GJ)	2.50 ⁽⁸⁾	2.50	2.60
Average Dawn price (US\$/MMBtu)	2.80 ⁽⁸⁾	2.33	2.45
Average NYMEX HH price (US\$/MMBtu)	3.00 ⁽⁸⁾	2.74	2.80
Exchange rate (CDN\$ to US\$1)	1.33 ⁽⁸⁾	1.35	1.35

Forward twelve months' free funds flow sensitivity ⁽⁸⁾⁽⁹⁾	Estimated change to 2024 free funds flow (millions)
Change in WTI US\$1.00/bbl	\$3.6
Change in NYMEX HH US\$0.10/MMBtu	\$6.8
Change in Dawn US\$0.10/MMBtu	\$7.9
Change in AECO CDN\$0.10/GJ	\$2.6
Change in CDN/US exchange rate CDN\$0.01	\$4.6

- (1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2024 is based on an annual average production rate of 75,500 boe/d in 2024, which is the mid-point of Birchcliff's 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" 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 \$0.40 per common share is paid and that there are 268 million common shares outstanding, with no special dividends paid. The declaration of future dividends is subject to the approval of the Board and is subject to change.
- (5) Birchcliff has not provided excess free funds flow guidance for 2024.
- (6) Capital management measure. See "Non-GAAP and Other Financial Measures" in this MD&A.
- (7) Birchcliff's natural gas market exposure for 2024 takes into account its outstanding financial basis swap contracts.
- (8) Birchcliff's commodity price and exchange rate assumptions and free funds flow sensitivity for 2024 are based on anticipated full-year averages using the Corporation's anticipated forward benchmark commodity prices and the CDN/US exchange rate as of January 8, 2024.
- (9) 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.

Comparison of 2023 Actual Results to 2023 Guidance

Birchcliff's 2023 annual average production was below its guidance of 77,000 boe/d, primarily due to unplanned third-party outages. Birchcliff's 2023 royalty expense per boe, operating expense per boe and transportation and other expense per boe were in line with guidance. Birchcliff's 2023 adjusted funds flow, free funds flow and excess free funds flow were lower than its guidance and total debt was above its guidance, all primarily due to lower than anticipated annual average benchmark natural gas prices. F&D capital expenditures in 2023 were higher than guidance primarily due to the capitalized portion of annual cash incentive payments accrued in 2023, which were not included in guidance.

SELECTED ANNUAL INFORMATION

The following table sets forth a summary of the Corporation's annual results for the three most recently completed financial years:

	2023	2022	2021
Average production			
Light oil (bbls/d)	1,849	2,223	2,899
Condensate (bbls/d)	5,202	4,679	5,715
NGLs (bbls/d)	6,306	7,471	7,705
Natural gas (Mcf/d)	374,052	375,315	373,217
Total (boe/d)	75,699	76,925	78,520
Average realized sales prices (\$) ⁽¹⁾			
Light oil (per bbl)	99.07	119.78	79.24
Condensate (per bbl)	103.76	122.27	85.65
NGLs (per bbl)	26.92	41.09	30.54
Natural gas (per Mcf)	3.03	6.73	4.29
Total (per boe)	26.79	47.73	32.53
Cash flow from operating activities (\$000s)	320,529	925,275	515,369
Adjusted funds flow (\$000s) ⁽²⁾	306,827	953,683	539,733
Per common share – basic (\$) ⁽³⁾	1.15	3.59	2.03
Free funds flow(\$000s) ⁽²⁾	2,190	589,062	309,254
Per common share – basic (\$) ⁽³⁾	0.01	2.22	1.16
Net income to common shareholders (\$000s) ⁽⁴⁾	9,780	653,682	310,489
Per common share – basic (\$) ⁽⁴⁾	0.04	2.46	1.17
Petroleum and natural gas revenue (\$000s) ⁽¹⁾	740,359	1,340,180	932,406
F&D capital expenditures (\$000s) ⁽⁵⁾	304,637	364,621	230,479
Total capital expenditures (\$000s) ⁽²⁾	307,916	368,230	232,480
Total assets (\$000s)	3,176,910	3,169,365	2,959,967
Revolving term credit facilities (\$000s)	372,097	131,981	500,870
Total debt (\$000s) ⁽⁶⁾	382,306	138,549	499,397
End of period basic common shares (000s)	267,156	266,047	264,790
Weighted average basic common shares (000s)	266,465	265,548	265,990
Dividends on common shares (\$000s)	213,344	71,788	6,639
Per common share (\$)	0.80	0.27	0.03

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

(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.

(4) Net income for the years ended December 31, 2022 and 2021 has been reduced by the dividends on the cumulative redeemable preferred shares, Series A (the "Series A Preferred Shares") totalling \$3.1 million and \$4.2 million, respectively, in determining net income to common shareholders.

(5) See "Advisories – F&D Capital Expenditures" in this MD&A.

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

Annual average production in 2023 decreased by 2% and 4% from 2022 and 2021, respectively, primarily due to lower NGLs and light oil production. In 2023, the Corporation's NGLs production was negatively impacted by an unplanned system outage on Pembina Pipeline's Northern Pipeline system (the "Pembina Outage") that reduced the Corporation's NGLs sales volumes in the first half of 2023. The Corporation's light oil production has generally trended lower as a result of the Corporation specifically targeting natural gas wells in liquids-rich zones. Annual average production in each year was positively impacted by incremental production volumes from new Montney/Doig wells brought on production and negatively impacted by natural production declines.

In 2023, cash flow from operating activities decreased by 65% and 38% from 2022 and 2021, respectively, and adjusted funds flow decreased by 68% and 43% from 2022 and 2021, respectively. The decreases were primarily due to a lower average realized sales price Birchcliff received for its production in 2023 as compared to 2022 and 2021. Birchcliff's 2023

average realized sales price decreased by 44% and 18% from 2022 and 2021, respectively, primarily due to a lower realized natural gas sales price received for its production. Birchcliff's cash flow from operating activities and adjusted funds flow were also negatively impacted by a realized loss on financial instruments of \$37.3 million in 2023 as compared to a realized gain on financial instruments of \$80.7 million in 2022 and a realized loss on financial instruments of \$21.5 million in 2021.

Free funds flow in 2023 decreased by 100% and 99% from 2022 and 2021, respectively, primarily due to lower adjusted funds flow, as compared to the prior two years.

Birchcliff's net income to common shareholders in 2023 decreased by 99% and 97% from 2022 and 2021, respectively. The decreases were primarily due to lower adjusted funds flow and an unrealized loss on financial instruments, largely resulting from the changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts, partially offset by a lower income tax expense in 2023. Birchcliff recorded an unrealized loss on financial instruments of \$38.2 million in 2023 as compared to an unrealized gain on financial instruments of \$131.0 million and \$84.2 million in 2022 and 2021, respectively.

F&D capital expenditures in 2023 decreased by 16% from 2022 and increased by 32% from 2021. The Corporation's F&D capital expenditures fluctuate each year based on the: (i) Corporation's outlook for commodity prices and market conditions; and (ii) level of drilling and completions operations and other capital projects and the timing and cost thereof.

Total debt at December 31, 2023 increased by 176% from December 31, 2022, primarily due to F&D capital expenditures and dividends paid to common shareholders being greater than adjusted funds flow in 2023. Total debt at December 31, 2023 decreased by 23% from December 31, 2021, primarily due to significant free funds flow generated in 2022, which was largely allocated toward debt reduction in that period. See "*Capital Resources and Liquidity*" in this MD&A.

Common share dividend distributions in 2023 increased from the prior two years, primarily due to the Corporation paying a \$0.20 per common share dividend in each quarter of 2023. See "*Dividends*" in this MD&A.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

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

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Cash flow from operating activities (\$000s)	79,006	224,447	(65)	320,529	925,275	(65)
Adjusted funds flow (\$000s)⁽¹⁾	76,215	217,099	(65)	306,827	953,683	(68)
Per basic common share (\$) ⁽²⁾	0.29	0.82	(65)	1.15	3.59	(68)
Per diluted common share (\$) ⁽²⁾	0.28	0.79	(65)	1.13	3.47	(67)
Adjusted funds flow per boe (\$) ⁽²⁾	10.82	29.57	(63)	11.10	33.97	(67)

(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 65% from both the three and twelve month Comparable Prior Periods. Adjusted funds flow decreased by 65% and 68% from the three and twelve month Comparable Prior Periods, respectively. The decreases were primarily due to lower natural gas revenue, which was largely impacted by a 52% and 55% decrease in the average realized sales price Birchcliff received for its natural gas production in the three and twelve month Reporting Periods, respectively.

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 due to lower commodity prices.

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

NET INCOME AND LOSS TO COMMON SHAREHOLDERS

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

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Net income (loss) to common shareholders (\$000s)	(5,533)	69,453	(108)	9,780	653,682	(99)
Per basic common share (\$)	(0.02)	0.26	(108)	0.04	2.46	(98)
Per diluted common share (\$)	(0.02)	0.25	(108)	0.04	2.38	(98)
Net income (loss) to common shareholders per boe (\$)	(0.79)	9.46	(108)	0.35	23.28	(98)

Birchcliff reported a net loss to common shareholders of \$5.5 million in the three month Reporting Period as compared to net income to common shareholders of \$69.5 million in the Comparable Prior Period. The change to a net loss position was primarily due to lower adjusted funds flow, partially offset by a lower unrealized loss on financial instruments in the three month Reporting Period. Birchcliff recorded an unrealized loss on financial instruments of \$11.1 million in the three month Reporting Period as compared to an unrealized loss on financial instruments of \$61.0 million in the Comparable Prior Period.

Birchcliff earned net income to common shareholders of \$9.8 million in the twelve month Reporting Period as compared to \$653.7 million in the Comparable Prior Period. The decrease was primarily due to lower adjusted funds flow and an unrealized loss on financial instruments of \$38.2 million in the twelve month Reporting Period as compared to an unrealized gain on financial instruments of \$131.0 million in the Comparable Prior Period, partially offset by a lower income tax expense in the twelve month Reporting Period.

The changes in unrealized 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 December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
<i>(\$000s)</i>						
Light oil	15,180	25,588	(41)	66,848	97,185	(31)
Condensate	49,135	50,712	(3)	197,032	208,828	(6)
NGLs	18,977	26,224	(28)	61,969	112,049	(45)
Natural gas	99,957	217,822	(54)	414,336	922,060	(55)
P&NG sales ⁽¹⁾	183,249	320,346	(43)	740,185	1,340,122	(45)
Royalty income	46	12	283	174	58	200
P&NG revenue⁽¹⁾	183,295	320,358	(43)	740,359	1,340,180	(45)

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

P&NG revenue decreased by 43% and 45% from the three and twelve month Comparable Prior Periods, respectively. The decreases were primarily due to a 54% and 55% decrease in natural gas revenue in the three and twelve month Reporting Periods, respectively, which 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 December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Light oil (bbls/d)	1,649	2,413	(32)	1,849	2,223	(17)
Condensate (bbls/d)	5,145	4,822	7	5,202	4,679	11
NGLs (bbls/d)	7,653	7,963	(4)	6,306	7,471	(16)
Natural gas (Mcf/d)	372,594	387,604	(4)	374,052	375,315	-
Production (boe/d)	76,546	79,799	(4)	75,699	76,925	(2)
Liquids-to-gas ratio (bbls/MMcf)	38.8	39.2	(1)	35.7	38.3	(7)

Birchcliff's production decreased by 4% and 2% from the three and twelve month Comparable Prior Periods, respectively.

The decrease in the three month Reporting Period was primarily due to: (i) unplanned third-party outages, including a third-party compressor outage that continued until the end of January 2024; (ii) lower light oil production resulting from the Corporation continuing to target natural gas wells in liquids-rich zones; and (iii) natural production declines.

The decrease in the twelve month Reporting Period was primarily due to: (i) the Pembina Outage, which reduced the Corporation's NGLs sales volumes in the first half of 2023; (ii) lower light oil production resulting from the Corporation continuing to target natural gas wells in liquids-rich zones; (iii) the timing of wells brought on production in the twelve month Reporting Period as compared to the Comparable Prior Period, which resulted from the strategic decision to defer the drilling of nine wells from Q2 2023 to Q3 2023; and (iv) natural production declines.

Birchcliff's production in the Reporting Periods was positively impacted by incremental production volumes from the new Montney/Doig wells brought on production during the year.

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

	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
% Light oil production	2	3	3	3
% Condensate production	7	6	7	6
% NGLs production	10	10	8	10
% Natural gas production	81	81	82	81

Liquids accounted for 19% and 18% of Birchcliff's total production in the three and twelve month Reporting Periods, respectively, as compared to 19% in both of the Comparable Prior Periods. Liquids production weighting decreased in the twelve month Reporting Period primarily due to the Pembina Outage, which negatively impacted 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 December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Light oil – WTI Cushing (US\$/bbl)	78.32	82.64	(5)	77.76	94.31	(18)
Light oil – MSW (Mixed Sweet) (CDN\$/bbl)	100.31	110.18	(9)	100.81	119.95	(16)
Natural gas – NYMEX HH (US\$/MMBtu)	2.88	6.26	(54)	2.74	6.64	(59)
Natural gas – AECO 5A Daily (CDN\$/GJ)	2.18	4.85	(55)	2.50	5.04	(50)
Natural gas – AECO 7A Month Ahead (US\$/MMBtu)	1.94	4.11	(53)	2.17	4.28	(49)
Natural gas – Dawn Day Ahead (US\$/MMBtu)	2.28	5.16	(56)	2.33	6.04	(61)
Natural gas – ATP 5A Day Ahead (CDN\$/GJ)	2.30	4.53	(49)	2.30	5.14	(55)
Exchange rate (CDN\$ to US\$1)	1.3700	1.3573	1	1.3523	1.3004	4
Exchange rate (US\$ to CDN\$1)	0.7299	0.7368	(1)	0.7395	0.7690	(4)

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, 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 largely due to a supply and demand imbalance that resulted from rising natural gas production and storage inventories in North America and warm winter conditions that reduced weather-related regional demand for natural gas during the Reporting Periods.

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 primarily due to: (i) continued global recession concerns; (ii) a rising interest rate environment to combat inflation; (iii) lower than expected economic demand for crude oil in China; and (iv) a reduced risk premium on crude oil, which had resulted from supply concerns arising from geopolitical conflicts worldwide. Benchmark pricing for crude oil was supported 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 and loss 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 December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Light oil (\$/bbl)	100.07	115.24	(13)	99.07	119.78	(17)
Condensate (\$/bbl)	103.80	114.32	(9)	103.76	122.27	(15)
NGLs (\$/bbl)	26.95	35.80	(25)	26.92	41.09	(34)
Natural gas (\$/Mcf)	2.92	6.11	(52)	3.03	6.73	(55)
Average realized sales price (\$/boe)⁽¹⁾	26.02	43.63	(40)	26.79	47.73	(44)

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

The Corporation's average realized sales price decreased by 40% and 44% from the three and twelve month Comparable Prior Periods, respectively, 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 benchmark 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 December 31, 2023						Three months ended December 31, 2022					
Natural gas market	Natural gas sales		Natural gas production		Average realized sales price	Natural gas sales		Natural gas production		Average realized sales price	
	(\$000s) ⁽¹⁾	(%)	(Mcf/d)	(%)	(\$/Mcf) ⁽¹⁾	(\$000s) ⁽¹⁾	(%)	(Mcf/d)	(%)	(\$/Mcf) ⁽¹⁾	
AECO	50,508	51	203,024	55	2.72	101,194	46	208,042	53	5.31	
Dawn	47,433	47	161,119	43	3.20	106,494	49	161,671	42	7.16	
Alliance ⁽²⁾	2,016	2	8,451	2	2.59	10,134	5	17,891	5	6.16	
Total	99,957	100	372,594	100	2.92	217,822	100	387,604	100	6.11	

Twelve months ended December 31, 2023						Twelve months ended December 31, 2022					
Natural gas market	Natural gas sales		Natural gas production		Average realized sales price	Natural gas sales		Natural gas production		Average realized sales price	
	(\$000s) ⁽¹⁾	(%)	(Mcf/d)	(%)	(\$/Mcf) ⁽¹⁾	(\$000s) ⁽¹⁾	(%)	(Mcf/d)	(%)	(\$/Mcf) ⁽¹⁾	
AECO	205,465	50	200,400	54	2.82	388,167	42	189,311	50	5.66	
Dawn	193,448	47	161,234	43	3.29	479,726	52	160,837	43	8.17	
Alliance ⁽²⁾	15,423	3	12,418	3	3.40	54,166	6	25,167	7	5.90	
Total	414,336	100	374,052	100	3.03	922,059	100	375,315	100	6.73	

(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 in each natural gas market deteriorated significantly from the Comparable Prior Periods largely due to rising natural gas production and storage inventories in North America and warm winter conditions that reduced weather-related regional demand for natural gas during the Reporting Periods.

Market Diversification and Risk Management

Birchcliff engages in market diversification and risk management activities 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.

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 December 31, 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	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 December 31, 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 December 31, 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⁾	Jan. 1, 2024 – Feb. 29, 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 December 31, 2023 to manage interest rate risk.

Realized Gains and Losses on Financial Instruments

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

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Realized gain (loss) (\$000s)	(2,583)	18,764	(114)	(37,285)	80,742	(146)
Realized gain (loss) (\$/boe)	(0.38)	2.57	(115)	(1.35)	2.88	(147)

Birchcliff recorded a realized loss on financial instruments of \$2.6 million and \$37.3 million in three and twelve month Reporting Periods, respectively, as compared to a realized gain on financial instruments of \$18.8 million and \$80.7 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 twelve month Reporting Periods was US\$0.94/MMBtu and US\$0.57/MMBtu, respectively, as compared to US\$2.14/MMBtu and US\$2.36/MMBtu during the Comparable Prior Periods.

Unrealized Gains and Losses on Financial Instruments

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

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Unrealized gain (loss) (\$000s)	(11,149)	(61,013)	82	(38,185)	131,042	(129)
Unrealized gain (loss) (\$/boe)	(1.58)	(8.31)	81	(1.38)	4.67	(130)

Birchcliff's 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 loss on financial instruments of \$11.1 million in the three month Reporting Period resulted from a decrease in the fair value net asset position to \$9.1 million at December 31, 2023 from \$20.2 million at September 30, 2023. 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 December 31, 2023 as compared to the net fair value previously assessed at September 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 \$38.2 million in the twelve month Reporting Period resulted from a decrease in the fair value net asset position to \$9.1 million at December 31, 2023 from \$47.3 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 December 31, 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 twelve month Reporting Period.

Royalties

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

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Royalty expense (\$000s) ⁽¹⁾	19,400	35,679	(46)	70,257	161,226	(56)
Royalty expense (\$/boe)	2.75	4.86	(43)	2.54	5.74	(56)
Effective royalty rate (%) ⁽²⁾	11	11	-	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 43% and 56% from the three and twelve month Comparable Prior Periods, respectively, primarily due to a lower average realized sales price received for Birchcliff's production in the Reporting Periods.

Operating Expense

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

(\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Field operating expense	27,932	30,952	(10)	110,116	106,203	4
Recoveries	(1,124)	(1,169)	(4)	(4,307)	(4,622)	(7)
Operating expense	26,808	29,783	(10)	105,809	101,581	4
Operating expense (\$/boe)	3.81	4.06	(6)	3.83	3.62	6

Operating expense per boe decreased by 6% from the three month Comparable Prior Period and increased by 6% from the twelve month Comparable Prior Period. The decrease from the three month Comparable Prior Period was primarily due to lower power and fuel costs in the Reporting Period. The increase from the twelve month Comparable Prior Period was primarily due to inflationary pressures in service labour and other supply costs used in Birchcliff's field operations, which together increased by 22% on a per boe basis, from the Comparable Prior Period, and higher property taxes and regulatory fees.

Transportation and Other

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

(\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Natural gas transportation	28,061	28,277	(1)	118,588	115,833	2
Liquids transportation	8,608	8,118	6	27,455	29,639	(7)
Fractionation	1,840	2,298	(20)	6,782	10,222	(34)
Other fees	-	100	(100)	3	170	(98)
Transportation expense	38,509	38,793	(1)	152,828	155,864	(2)
Transportation expense (\$/boe)	5.47	5.29	3	5.53	5.55	-
Marketing purchases ⁽¹⁾	8,928	9,529	(6)	34,772	17,866	95
Marketing revenue ⁽¹⁾	(8,532)	(8,916)	(4)	(30,521)	(18,806)	62
Marketing loss (gain) ⁽²⁾	396	613	(35)	4,251	(940)	552
Marketing loss (gain) (\$/boe) ⁽³⁾	0.06	0.08	(25)	0.16	(0.03)	663
Transportation and other expense⁽²⁾	38,905	39,406	(1)	157,079	154,924	1
Transportation and other expense (\$/boe)⁽³⁾	5.53	5.37	3	5.69	5.52	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 3% from both the three and twelve month Comparable Prior Periods. The increases from the Comparable Prior Periods were primarily due to a marketing loss on a propane supply arrangement with a third-party producer of polypropylene and lower production volumes during the Reporting Periods.

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 December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Pouce Coupe assets						
<i>Average production</i>						
Light oil (bbls/d)	47	23	104	50	20	150
Condensate (bbls/d)	3,605	3,236	11	3,827	3,130	22
NGLs (bbls/d)	2,263	1,669	36	1,748	1,774	(1)
Natural gas (Mcf/d)	285,334	281,836	1	283,396	277,764	2
Production (boe/d)	53,472	51,901	3	52,857	51,217	3
Liquids-to-gas ratio (bbls/MMcf)	20.7	17.5	18	19.9	17.7	12
% of corporate production	70%	65%	8	70%	67%	4
<i>Netback and cost (\$/boe)</i>						
P&NG revenue ⁽¹⁾	24.31	42.21	(42)	25.07	46.38	(46)
Royalty expense	(2.09)	(4.42)	(53)	(1.97)	(4.65)	(58)
Operating expense	(3.12)	(3.38)	(8)	(3.06)	(2.89)	6
Transportation and other expense ⁽²⁾	(5.87)	(5.32)	10	(5.85)	(5.48)	7
Operating netback⁽²⁾	13.23	29.09	(55)	14.19	33.36	(57)
Gordondale assets						
<i>Average production</i>						
Light oil (bbls/d)	1,600	2,388	(33)	1,797	2,201	(18)
Condensate (bbls/d)	1,534	1,581	(3)	1,370	1,545	(11)
NGLs (bbls/d)	5,386	6,292	(14)	4,554	5,695	(20)
Natural gas (Mcf/d)	86,862	105,353	(18)	90,229	97,135	(7)
Production (boe/d)	22,997	27,820	(17)	22,759	25,631	(11)
Liquids-to-gas ratio (bbls/MMcf)	98.1	97.4	1	85.6	97.2	(12)
% of corporate production	30%	35%	(14)	30%	33%	(9)
<i>Netback and cost (\$/boe)</i>						
P&NG revenue ⁽¹⁾	30.01	46.28	(35)	30.78	50.43	(39)
Royalty expense	(4.30)	(5.69)	(24)	(3.87)	(7.93)	(51)
Operating expense	(5.36)	(5.31)	1	(5.55)	(5.02)	11
Transportation and other expense ⁽²⁾	(4.72)	(5.45)	(13)	(5.30)	(5.60)	(5)
Operating netback⁽²⁾	15.63	29.83	(48)	16.06	31.88	(50)
Corporate⁽³⁾						
<i>Netback and cost (\$/boe)</i>						
P&NG revenue ⁽¹⁾	26.03	43.64	(40)	26.80	47.73	(44)
Royalty expense	(2.75)	(4.86)	(43)	(2.54)	(5.74)	(56)
Operating expense	(3.81)	(4.06)	(6)	(3.83)	(3.62)	6
Transportation and other expense ⁽²⁾	(5.53)	(5.37)	3	(5.69)	(5.52)	3
Operating netback⁽²⁾	13.94	29.35	(53)	14.74	32.85	(55)

(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 increased by 3% from both the three and twelve month Comparable Prior Periods. The increases in the Reporting Periods were primarily due to incremental production volumes from the new natural gas wells brought on production in the Pouce Coupe area since the Comparable Prior Periods, partially offset by natural production declines.

The liquids-to-gas ratio for the Pouce Coupe assets increased by 18% and 12% from the three and twelve 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 55% and 57% from the three and twelve 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 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 17% and 11% from the three and twelve month Comparable Prior Periods, respectively. The decrease from the three month Comparable Prior Period was primarily due to: (i) fewer wells brought on production; (ii) unplanned third-party outages, including a third-party compressor outage in Gordondale; and (iii) natural production declines during the Reporting Period. Birchcliff's production in the twelve month Reporting Period was also negatively impacted by the Pembina Outage, which reduced the Corporation's NGLs sales volumes in the first half of 2023. Production in Gordondale was positively impacted by incremental production volumes from the new Montney/Doig wells brought on production in the Gordondale area since the Comparable Prior Periods.

The liquids-to-gas ratio for the Gordondale assets was comparable to the three month Comparable Prior Period and decreased by 12% from the twelve month Comparable Prior Period. The decrease from the twelve month Comparable Prior Period was primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes in the Reporting Period, and the Corporation continuing to target natural gas wells in liquids-rich zones.

Birchcliff's operating netback for the Gordondale assets decreased by 48% and 50% from the three and twelve 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:

(\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
<i>Cash:</i>						
Salaries and benefits ⁽¹⁾	16,117	18,377	(12)	41,297	38,049	9
Other ⁽²⁾	4,825	4,967	(3)	21,506	17,831	21
G&A expense, gross	20,942	23,344	(10)	62,803	55,880	12
Operating overhead recoveries	(28)	(31)	(10)	(125)	(139)	(10)
Capitalized overhead ⁽³⁾	(8,217)	(9,979)	(18)	(20,583)	(19,967)	3
G&A expense, net	12,697	13,334	(5)	42,095	35,774	18
G&A expense, net (\$/boe)	1.80	1.82	(1)	1.52	1.27	20
<i>Non-cash:</i>						
Other compensation	10,953	4,081	168	26,292	12,956	103
Capitalized compensation ⁽³⁾	(4,638)	(1,920)	142	(12,652)	(6,500)	95
Other compensation, net	6,315	2,161	192	13,640	6,456	111
Other compensation, net (\$/boe)	0.90	0.29	210	0.49	0.23	113
Administrative expense, net	19,012	15,495	23	55,735	42,230	32
Administrative expense, net (\$/boe)	2.70	2.11	28	2.01	1.50	34

(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. In the three and twelve month Reporting Periods, the Corporation capitalized 40% and 37% of its administrative expense, respectively, as compared to 43% and 38% in the Comparable Prior Periods.

On an aggregate basis, net administrative expense increased by 23% and 32% from the three and twelve month Comparable Prior Periods, respectively.

The increase in net administrative expense from the three month Comparable Prior Period was primarily due to higher net other compensation expense, which resulted from an increase in the: (i) Black-Scholes fair value expense associated with Birchcliff's annual stock option grants; and (ii) post-employment benefit expense associated with the retirement of certain executive officers of the Corporation effective December 31, 2023. The increase in net administrative expense in the three month Reporting Period was partially offset by a decrease in net G&A expense in the Reporting Period as a result of lower annual incentive payments as compared to the Comparable Prior Period.

The increase in net administrative expense from the twelve month Comparable Prior Period was primarily due to higher: (i) net G&A expense, which was attributed to increased incentive payments made to the Corporation's employees and higher general business expenditures largely driven by increased compliance, regulatory, advocacy, corporate travel and employee-related costs; and (ii) net other compensation expense which resulted from an increase in the Black-Scholes fair value expense associated with Birchcliff's annual stock option grants and an increase in the post-employment benefit expense associated with the retirement of certain executive officers of the Corporation effective December 31, 2023.

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 ("FDC") 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 December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Depletion and depreciation expense (\$000s)	59,462	58,490	2	226,514	213,808	6
Depletion and depreciation expense (\$/boe)	8.44	7.97	6	8.20	7.61	8

D&D expense per boe increased by 6% and 8% from the three and twelve month Comparable Prior Periods, respectively, primarily due to higher FDC to bring the proved plus probable reserves on an FD&A basis on production. FDC for proved plus probable reserves increased to \$4.97 billion at December 31, 2023 from \$4.54 billion at December 31, 2022.

Included in the depletion assessment at December 31, 2023 was 993.9 MMboe (December 31, 2022 – 986.4 MMboe) of total proved plus probable reserves as estimated by the Corporation's independent third-party reserves evaluator. See "Advisories – Reserves" in this MD&A.

Asset Impairment Assessment

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

Finance Expense

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

(\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
<i>Cash:</i>						
Interest expense ⁽¹⁾	6,724	3,856	74	20,312	13,738	48
Interest expense (\$/boe) ⁽¹⁾	0.95	0.53	79	0.74	0.49	51
<i>Non-cash:</i>						
Accretion ⁽²⁾	1,087	1,016	7	4,399	4,050	9
Amortization of deferred financing fees	424	426	-	1,700	1,451	17
Other finance expenses	1,511	1,442	5	6,099	5,501	11
Other finance expenses (\$/boe)	0.21	0.20	5	0.22	0.19	16
Finance expense	8,235	5,298	55	26,411	19,239	37
Finance expense (\$/boe)	1.16	0.73	59	0.96	0.68	41

(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 55% and 37% from the three and twelve 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 twelve 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 December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
Working Capital Facility (%)	8.2	6.8	8.0	5.1
Syndicated Credit Facility (%) ⁽¹⁾⁽²⁾	7.1	5.9	6.9	3.6

(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. 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, unrealized gains and losses on financial instruments, gains and losses on investments, depletion, depreciation, accretion and amortization and impairment charges. The effective interest rate disclosed in the table excludes the impact of standby charges.

(2) Effective May 3, 2022, the agreement governing the Credit Facilities was amended to, among other things, convert any outstanding LIBOR loans into SOFR loans.

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 \$329.3 million and \$231.4 million in the three and twelve month Reporting Periods, respectively, as compared to \$171.0 million and \$285.1 million in the Comparable Prior Periods, calculated as the simple average of the month-end amounts.

Other Gains and Losses

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

	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Other gains (losses) (\$000s)	(5,358)	(2,080)	(158)	(6,439)	370	(1,840)
Other gains (losses) (\$/boe)	(0.76)	(0.03)	(2,433)	(0.23)	-	-

Loss on Investment

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 common A LP units in a limited partnership and 10,000,000 preferred trust units in a trust (collectively, the "Securities") at a combined investment value of \$10.0 million. The Securities are not publicly listed and do not constitute significant investments. Birchcliff recorded a loss on investment on the Securities of \$1.2 million during the twelve month Reporting Period, as compared to a gain of \$1.8 million during the Comparable Prior Period.

Loss on Sale of Assets

During the twelve month Reporting Period, Birchcliff completed a non-monetary swap transaction in Pouce Coupe which resulted in a \$4.7 million loss on sale of assets. The disposition was considered non-core as it represented less than 1% of both Birchcliff's total production during the Reporting Period and total proved plus probable reserves at December 31, 2023 and was therefore not significant to the Corporation's financial results and operational performance.

Income Taxes

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

(\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Deferred tax recovery (expense)	2,047	(22,460)	(109)	(6,170)	(198,421)	(97)
Dividend tax expense on preferred shares	-	-	-	-	(2,065)	(100)
Deferred income tax recovery (expense)	2,047	(22,460)	(109)	(6,170)	(200,486)	(97)
Deferred income tax recovery (expense) (\$/boe)	0.29	(3.06)	(109)	(0.22)	(7.14)	(97)

Birchcliff reported an income tax recovery of \$2.0 million in the three month Reporting Period, as compared to an income tax expense of \$22.5 million in the Comparable Prior Period, primarily due to a before-tax net loss in the Reporting Period.

Birchcliff incurred an income tax expense of \$6.2 million in the twelve month Reporting Period, as compared to \$200.5 million in the Comparable Prior Period, primarily due to lower before-tax net income in the Reporting Period.

The Corporation's estimated income tax pools were \$1.3 billion at December 31, 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 December 31, (\$000s)	2023
Canadian oil and gas property expense	272,570
Canadian development expense	319,420
Canadian exploration expense ⁽¹⁾	295,099
Undepreciated capital costs	206,983
Non-capital losses ⁽¹⁾	191,838
Scientific research and experimental development expenditures ⁽¹⁾	24,022
Investment tax credits ⁽²⁾	3,540
Financing costs and other	2,391
Estimated income tax pools	1,315,863

(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:

(\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Land	242	807	(70)	9,036	2,854	217
Seismic	212	416	(49)	1,017	879	16
Workovers	2,657	5,250	(49)	9,265	13,482	(31)
Drilling and completions	46,326	70,909	(35)	228,392	248,433	(8)
Well equipment and facilities	8,729	29,380	(70)	56,927	98,973	(42)
F&D capital expenditures⁽¹⁾	58,166	106,762	(46)	304,637	364,621	(16)
Acquisitions	2	-	-	190	2,348	(92)
Dispositions	(10)	-	-	(87)	(315)	(72)
FD&A capital expenditures⁽²⁾	58,158	106,762	(46)	304,740	366,654	(17)
Administrative assets	1,383	709	95	3,176	1,576	102
Total capital expenditures⁽²⁾	59,541	107,471	(45)	307,916	368,230	(16)

(1) See "Advisories – F&D Capital Expenditures" 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's F&D capital expenditures were \$58.2 million, which primarily included \$38.2 million (66%) for the drilling and completions of new wells in Pouce Coupe, \$8.0 million (14%) for the completion of new wells in Gordondale and \$6.9 million (12%) on gas gathering and infrastructure projects in Pouce Coupe. During the three month Reporting Period, Birchcliff drilled 5 (5.0 net) wells and brought 9 (9.0 net) wells on production.

During the twelve month Reporting Period, Birchcliff's F&D capital expenditures were \$304.6 million, which primarily included \$192.2 million (63%) for the drilling and completions of new wells in Pouce Coupe, \$20.2 million (7%) for the drilling and completion of new wells in Gordondale, \$12.4 million (4%) for the drilling of new wells in Elmworth and \$48.7 million (16%) on gas gathering and infrastructure projects in Pouce Coupe. During the twelve month Reporting Period, Birchcliff drilled 30 (30.0 net) wells and brought 32 (32.0 net) wells on production.

CAPITAL RESOURCES AND LIQUIDITY

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, which are described in further detail below. The Corporation believes that its anticipated adjusted funds flow in 2024 and available Credit Facilities will be sufficient to fund its ongoing capital requirements in 2024, which include its working capital, F&D capital expenditures and dividend payments approved by the Board. 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 – Forward-Looking Statements" in this MD&A.

Credit Facilities and Debt

At December 31, 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 do not contain any financial maintenance covenants. The maturity date of each of the Syndicated Credit Facility and the Working Capital Facility is currently May 11, 2025. The Corporation may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. All repayments on the Credit Facilities are due at the maturity date. As the Credit Facilities do not mature in 2024, all liabilities related to the Corporation's Credit Facilities are considered to be non-current.

The agreement governing the Credit Facilities allows for prime rate loans, SOFR term loans, U.S. base rate loans, bankers' acceptances and, in the case of the Working Capital Facility only, letters of credit. The Credit Facilities are subject to semi-annual reviews 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.

At December 31, 2023, Birchcliff had a balance outstanding under its Credit Facilities of \$372.1 million from available Credit Facilities of \$850.0 million, leaving the Corporation with \$475.9 million (56%) 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.

Total debt at December 31, 2023 was \$382.3 million, an increase of 176% 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 twelve month Reporting Period. During the twelve month Reporting Period, Birchcliff incurred \$304.6 million in F&D capital expenditures, paid \$213.3 million in common share dividends and generated \$306.8 million in adjusted funds flow.

Working Capital

Adjusted working capital consists of items from day-to-day operations, which includes cash, accounts receivables, prepaid expenses and deposits, accounts payables and accrued liabilities and the current portion of post-employment benefit obligations and excludes the current portion of financial instruments and lease obligations. 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.

The Corporation's adjusted working capital deficit⁽²⁾ was \$10.2 million at December 31, 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 and an increase in the current portion of post-employment benefit obligations, partially offset by a decrease in accounts payable and accrued liabilities arising from the Corporation's reduced capital and operating activities and an increase in prepaid expenses and deposits.

At December 31, 2023, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of December 2023 production (80%), which was subsequently received in January 2024. 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 December 31, 2023 primarily consisted of accounts payables and accrued liabilities for capital and operating expenses incurred in the Reporting Periods.

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 December 31, 2023:

(\$000s)	2024	2025	2026-2028	Thereafter
Accounts payable and accrued liabilities	94,822	-	-	-
Drawn revolving term credit facilities	-	373,939	-	-
Firm transportation and fractionation ⁽¹⁾	167,720	167,175	348,972	140,888
Natural gas processing ⁽²⁾	19,380	19,327	53,500	68,667
Operating commitments ⁽³⁾	2,078	2,078	4,329	-
Capital commitments ⁽⁴⁾	9,024	5,518	5,400	-
Lease payments	3,111	3,414	7,302	120
Estimated contractual obligations and commitments⁽⁵⁾	296,135	571,451	419,503	209,675

(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) Includes drilling commitments.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at December 31, 2023 to be approximately \$250.8 million and are estimated to be incurred as follows: 2024 – \$2.9 million, 2025 – \$2.9 million and \$245.0 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.

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

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 March 12, 2024, there were 268,513,636 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⁾	2,536,733
Repurchase of common shares ⁽²⁾	(1,427,868)
Balance at December 31, 2023	267,155,675
Issuance of common shares ⁽¹⁾	1,357,961
Balance at March 12, 2024	268,513,636

(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 March 12, 2024, the Corporation also had the following securities outstanding: (i) 21,542,356 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 twelve month Reporting Period, Birchcliff issued 2,536,733 common shares pursuant to the stock option plan at an average exercise price of \$2.82 for aggregate proceeds of \$7.2 million. Subsequent to December 31, 2023, Birchcliff issued 1,357,961 common shares at an average exercise price of \$3.37 for aggregate proceeds of \$4.6 million.

Normal Course Issuer Bid

On November 20, 2023, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**2024 NCIB**"). Pursuant to the 2024 NCIB, Birchcliff may purchase up to 13,328,267 of its outstanding common shares over a period of twelve months commencing on November 27, 2023 and terminating no later than November 26, 2024. Under the 2024 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. Subject to exceptions for block purchases, 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 275,590 common shares. All common shares purchased under the 2024 NCIB will be cancelled. The 2024 NCIB effectively renewed the Corporation's previous normal course issuer bid under which the Corporation was permitted to purchase up to 13,295,786 common shares over the period from November 25, 2022 to November 24, 2023 (the "**2023 NCIB**"). During the twelve month Reporting Period, Birchcliff purchased and cancelled 1,427,868 common shares pursuant to the 2023 NCIB at an average price of \$8.02 for an aggregate cost of \$11.4 million (before fees). Birchcliff has not purchase any common shares pursuant to the 2024 NCIB as of March 13, 2024.

A security holder may obtain, for no charge, a copy of the notice in respect of the 2024 NCIB filed with the TSX by contacting the Corporation at 403-261-6401.

DIVIDENDS

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

	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
<i>Common Shares:</i>				
Dividend distribution (\$000s)	53,390	58,503	213,344	71,788
Per common share (\$)	0.20	0.22	0.80	0.27
<i>Series A Preferred Shares⁽¹⁾:</i>				
Series A dividend distribution (\$000s)	-	-	-	3,149
Per Series A Preferred Share (\$)	-	-	-	1.57
<i>Series C Preferred Shares⁽¹⁾:</i>				
Series C dividend distribution (\$000s)	-	-	-	2,013
Per Series C Preferred Share (\$)	-	-	-	1.32

(1) On September 30, 2022, Birchcliff redeemed all outstanding Series A Preferred Shares and cumulative redeemable preferred shares, Series C (the "Series C Preferred Shares").

During the twelve month Reporting Period, the Corporation paid a quarterly cash dividend of \$0.20 per common share for the quarters ended March 31, 2023, June 30, 2023, September 30, 2023 and December 31, 2023.

On January 17, 2024, the Board declared a quarterly cash dividend of \$0.10 per common share for the quarter ending March 31, 2024. The dividend will be payable on March 28, 2024 to shareholders of record at the close of business on March 15, 2024.

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,	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Average light oil production (bbls/d)	1,649	1,728	1,936	2,088	2,413	2,254	1,855	2,369
Average condensate production (bbls/d)	5,145	4,850	5,462	5,358	4,822	4,601	4,500	4,796
Average NGLs production (bbls/d)	7,653	7,412	6,811	3,288	7,963	7,593	6,349	7,976
Average natural gas production (Mcf/d)	372,594	360,924	379,807	383,145	387,604	381,788	366,256	365,296
Average production (boe/d)	76,546	74,143	77,510	74,592	79,799	78,079	73,746	76,024
Average realized light oil sales price (\$/bbl) ⁽¹⁾	100.07	100.46	89.89	105.69	115.24	115.94	135.91	115.47
Average realized condensate sales price (\$/bbl) ⁽¹⁾	103.80	107.67	98.18	105.88	114.32	115.84	138.28	121.56
Average realized NGLs sales price (\$/bbl) ⁽¹⁾	26.95	26.35	22.86	36.69	35.80	38.18	48.26	43.56
Average realized natural gas sales price (\$/Mcf) ⁽¹⁾	2.92	2.86	2.67	3.68	6.11	6.83	8.61	5.40
Average realized sales price (\$/boe) ⁽¹⁾	26.02	25.96	24.28	31.07	43.63	47.26	58.75	41.79
P&NG revenue (\$000s) ⁽¹⁾	183,295	177,126	171,291	208,647	320,358	339,531	394,315	285,976
F&D capital expenditures (\$000s) ⁽²⁾	58,166	66,677	64,755	115,039	106,762	85,330	84,247	88,282
Total capital expenditures (\$000s) ⁽³⁾	59,541	67,475	65,241	115,659	107,471	86,485	86,150	88,124
Cash flow from operating activities (\$000s)	79,006	67,840	62,353	111,330	224,447	272,965	273,711	154,152
Adjusted funds flow (\$000s) ⁽³⁾	76,215	72,225	69,650	88,737	217,099	267,350	285,535	183,699
Per basic common share (\$) ⁽⁴⁾	0.29	0.27	0.26	0.33	0.82	1.01	1.08	0.69
Per diluted common share (\$) ⁽⁴⁾	0.28	0.27	0.26	0.33	0.79	0.97	1.03	0.67
Free funds flow (\$000s) ⁽³⁾	18,049	5,548	4,895	(26,302)	110,337	182,020	201,288	95,417
Net income (loss) to common shareholders (\$000s)	(5,533)	15,108	42,753	(42,548)	69,453	244,582	213,855	125,792
Per basic common share (\$)	(0.02)	0.06	0.16	(0.16)	0.26	0.92	0.81	0.47
Per diluted common share (\$)	(0.02)	0.06	0.16	(0.16)	0.25	0.89	0.77	0.46
Total assets (\$ millions)	3,177	3,175	3,165	3,141	3,169	3,188	3,066	3,006
Total liabilities (\$ millions)	951	897	856	817	757	788	857	961
Revolving term credit facilities (\$000s)	372,097	318,711	281,354	191,426	131,981	196,989	276,030	397,752
Total debt (\$000s) ⁽⁵⁾	382,306	327,655	278,521	217,927	138,549	186,064	266,894	408,998
Dividends on common shares (\$000s)	53,390	53,321	53,241	53,392	58,503	5,317	5,310	2,658
Weighted average common shares outstanding								
Basic (000s)	266,667	266,390	266,354	266,447	265,922	265,298	265,440	265,530
Diluted (000s)	271,651	272,447	272,365	266,447	275,567	274,223	276,015	275,980

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

(2) See "Advisories – F&D Capital Expenditures" 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 new 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. 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. Production in the fourth quarter of 2023 was negatively impacted by unplanned third-party outages, including a third-party compressor outage. Light oil and NGLs production during the second quarter of 2022 were lower compared to other disclosed quarters due to a major scheduled turnaround at AltaGas' deep-cut sour gas processing facility in Gordondale.

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 four most recently completed quarters decreased significantly from the prior quarters due to declining 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 and cost thereof.

The Corporation's free funds flow is impacted by the amount and timing of F&D capital expenditures 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 four 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 each 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 five quarters as a result of the higher quarterly base dividend of \$0.20 per common share that was paid in each quarter 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

Disclosure Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer (the "**Certifying Officers**") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("**DC&P**"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the Certifying Officers by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings, or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's DC&P at December 31, 2023 and have concluded that the Corporation's DC&P were effective at December 31, 2023.

While the Certifying Officers believe that the Corporation's DC&P provide a reasonable level of assurance and are effective, they do not expect that the DC&P will prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met.

Internal Control over Financial Reporting

The Certifying Officers have designed, or caused to be designed under their supervision, internal control over financial reporting ("**ICFR**"), as defined in NI 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Corporation. The control framework the Certifying Officers used to design the Corporation's ICFR is *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's ICFR at December 31, 2023 and have concluded that the Corporation's ICFR was effective at December 31, 2023. There were no changes in the Corporation's ICFR that occurred during the period beginning on October 1, 2023 and ended on December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

While the Certifying Officers believe that the Corporation's ICFR provides a reasonable level of assurance and is effective, they do not expect that the ICFR will prevent all errors and fraud. A control system, no matter how well conceived,

maintained and operated, can provide only reasonable, but not absolute, assurance that the objective of the control system will be met.

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 as well as ongoing conflict in the Middle East 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 December 31, 2023 and have been reflected in the Corporation's financial results.

Significant Judgments in Applying Accounting Policies

The following are the critical judgments that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in its financial statements:

Identification of Cash-Generating Units

Birchcliff's assets are required to be aggregated into cash-generating units ("CGUs") for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, operating structure, commodity type and similar exposures to market risks. By their nature, these assumptions are subject to management's judgment and may impact the carrying value of the Corporation's assets in future periods.

Identification of Impairment Indicators

IFRS Accounting Standards require Birchcliff to assess, at each reporting date, whether there are any internal or external indicators that its petroleum and natural gas properties and equipment within a CGU may be impaired. Birchcliff is required to consider information from both external sources (such as negative downturn in forecasted oil and gas commodity prices, significant adverse changes in the technological, market, economic or legal environment in which the entity operates) and internal sources (such as downward revisions in the estimate of proved and probable oil and gas reserves and the related cash flows, significant adverse effect on the financial and operational performance of a CGU, evidence of obsolescence or physical damage to the asset). By their nature, these assumptions are subject to management's judgment.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year:

Reserves

Reported recoverable quantities of proved and probable oil and gas reserves and the related cash flows require estimation and are subject to assumptions regarding forecasted production, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. They also require interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate proved and probable oil and gas reserves may change from period to period. The Corporation uses estimated proved and probable oil and gas reserves to deplete petroleum and natural gas properties and equipment, to assess for indicators

of impairment on the Corporation's CGU and, if any indicators exist, to perform an impairment test to estimate the recoverable amount of a CGU. The Corporation engages an independent third-party reserves evaluator to evaluate its proved and probable oil and gas reserves. The estimated recoverable quantities of proved and probable oil and gas reserves and the related cash flows from Birchcliff's petroleum and natural gas interests are evaluated by an independent third-party reserves evaluator at least annually.

The Corporation's proved and probable oil and gas reserves represent the estimated quantities of petroleum, natural gas and NGLs which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such proved and probable oil and gas reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon: (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proved and probable if producibility is supported by either production or conclusive formation tests. Birchcliff's proved and probable oil and gas reserves are determined in accordance with the standards contained in NI 51-101 and the *Canadian Oil and Gas Evaluation Handbook* (the "**COGE Handbook**").

Decommissioning Obligations

The Corporation estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires an estimate regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these risk-free cash flows.

Impairment of Non-Financial Assets

For the purposes of determining the extent of any impairment or its reversal, if any, estimates must be made regarding proved and probable oil and gas reserves and the related cash flows considering significant assumptions including forecasted oil and gas commodity prices, forecasted production, forecasted operating costs, forecasted royalty costs and forecasted future development costs. These significant assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the discount rate estimate used to discount the cash flow estimates related to proved and probable oil and gas reserves. Changes in the aforementioned assumptions could affect the carrying amount of the Corporation's assets, and impairment charges and reversal, if any, will affect profit or loss.

Income Taxes

Birchcliff files corporate income tax, goods and services tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of these tax positions through negotiations or litigation with tax authorities can take several years to complete. The Corporation does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. Estimates of future taxable income are based on forecasted cash flows from operations. To the extent that any interpretation of tax law is challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Birchcliff to realize the deferred tax assets recorded at the statement of financial position date could be impacted.

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 (the “ISSB”) published the new IFRS sustainability disclosure standards, IFRS S1 *General 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

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation’s other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation’s business and the oil and natural gas business generally. If any of the risks set out below materialize, the Corporation’s business, financial condition, results of operations, prospects, cash flow and reputation may be adversely affected, which may, in turn, reduce or restrict the Corporation’s ability to pay dividends and may materially affect the market price of the Corporation’s common shares.

Commodity Prices

The prices of oil, natural gas and NGLs are volatile, outside of the Corporation’s control and affect the Corporation’s financial condition, financial performance, cash flow and future rate of growth

The Corporation’s revenue, profitability, cash flow and future rate of growth are highly dependent on commodity prices. Commodity prices may fluctuate widely in response to relatively minor changes in the supply of, and demand for, oil, natural gas and NGLs, market uncertainty and a variety of additional factors that are beyond the Corporation’s control. These factors include, but are not limited to, the following:

- domestic and global supply of, and demand for, oil, natural gas and NGLs;
- market expectations with respect to the future supply of, demand for and price of, oil, natural gas and NGLs;
- production and inventory levels of oil, NGLs and natural gas;
- volatility and trading patterns in the commodity-futures markets;
- the proximity, capacity, cost and availability of pipelines and other transportation infrastructure;
- the capacity of refiners to utilize available supplies of oil and NGLs;
- weather conditions affecting supply and demand;
- overall domestic and global economic conditions;
- political conditions, instability and hostilities, including conflicts in the Middle East, Eastern Europe and elsewhere;
- sanctions imposed on certain oil producing nations (such as Russia) by other countries;
- the actions of OPEC, its members and other state-controlled oil companies relating to oil price and production controls;
- currency fluctuations;
- the price and quantity of oil, NGLs and LNG imports to, and exports from, the US and other countries;
- the development of new hydrocarbon exploration, production and transportation methods or technological advancements in existing methods;
- capital investments by oil and natural gas companies relating to the exploration, development and production of hydrocarbons;
- social attitudes or policies affecting energy consumption and energy supply;

- domestic and foreign governmental regulations, including environmental regulations, climate change regulations and taxation;
- shareholder activism or activities by non-governmental organizations to limit sources of capital for the energy sector or restrict the exploration, development and production of oil, NGLs and natural gas;
- the effects of energy conservation efforts and GHG reduction measures; and
- the price, availability and acceptance of alternative energies, including renewable energy.

Crude oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries, conflicts in the Middle East, the war in Ukraine and ongoing credit and liquidity concerns. Prices for crude oil and natural gas are also subject to the availability of foreign markets and the ability to access such markets.

Any substantial and prolonged decline in the price of oil and natural gas would have an adverse effect on the carrying value of the Corporation's assets, borrowing capacity, revenue, profitability and cash flow from operating activities and may have a material adverse effect on the Corporation's business, financial condition, results of operations, prospects, its ability to pay dividends and ultimately on the market price of its common shares.

A material decline in oil and natural gas prices could result in a reduction in the Corporation's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs. The Corporation might also elect not to produce from certain wells at lower prices. In addition, any prolonged period of low oil or natural gas prices could result in a decision by the Corporation to suspend or slow exploration and development activities or the construction or expansion of new or existing facilities or reduce its production levels.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on the value of such properties. Price volatility also makes it difficult to budget for and project the return on potential acquisitions or development and exploitation projects.

Lower commodity prices may also affect the volume and value of the Corporation's reserves, rendering certain reserves uneconomic for development. The Corporation's reserves at December 31, 2023 are estimated using forecast prices and costs. If oil and natural gas prices decrease, the Corporation's reserves may be substantially reduced as economic limits of developed reserves are reached earlier and undeveloped reserves become uneconomic at such prices. Even if some reserves remain economic at lower price levels, sustained low prices may compel the Corporation to re-evaluate its development plans and reduce or eliminate various projects with marginal economics. Any decrease in the value of the Corporation's reserves may reduce the borrowing base under the Credit Facilities, which, depending on the level of the Corporation's indebtedness, could result in the Corporation having to repay a portion of its indebtedness. See "*Risk Factors – Credit Facilities*" in this MD&A.

In addition, lower commodity prices restrict the Corporation's cash flow resulting in less funds being available to fund the Corporation's capital expenditure programs. The Corporation's capital expenditure plans are impacted by the Corporation's cash flow. Consequently, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year-over-year basis.

In addition to possibly resulting in a decrease in the value of the Corporation's economically recoverable reserves, lower commodity prices may also result in a decrease in the value of the Corporation's infrastructure and facilities, all of which could also have the effect of requiring a write-down of the carrying value of its oil and natural gas assets on its balance sheet and the recognition of an impairment charge on its income statement.

Exploration, Development and Production Risks

The Corporation's business, operations and financial condition may be affected by the financial, operational, environmental and safety risks associated with the exploration, development and production of oil and natural gas

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability

to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Corporation's existing reserves and the production therefrom, will decline over time as the Corporation produces from such reserves. A future increase in the Corporation's reserves will depend on both the ability of the Corporation to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Corporation may determine that current markets, terms of acquisition or participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Corporation will discover or acquire further commercial quantities of oil or natural gas. The success of the Corporation's business is highly dependent on its ability to acquire or discover new reserves in a cost-efficient manner as substantially all of the Corporation's cash flow is derived from the sale of the petroleum and natural gas reserves that it accumulates and develops. In order to remain financially viable, the Corporation must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Adverse field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, the shutting-in of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development and utilization of enhanced recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

The Corporation utilizes multi-well pad drilling where practicable. Wells drilled on a pad are typically not placed on production until all wells on the pad are drilled and completed. In addition, problems affecting a single well could adversely affect production from all of the wells on the pad. As a result, multi-well pad drilling can cause delays in the scheduled commencement of production or interruptions in ongoing production. These delays or interruptions may cause volatility in the Corporation's operating results.

The Corporation's business is subject to all the risks and hazards typically associated with oil and natural gas exploration, development and production operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property or the environment and cause personal injury or threaten wildlife. Particularly, the Corporation may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability and business interruption insurance in amounts that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Corporation could incur significant costs. See *"Risk Factors – Insurance"* in this MD&A.

Restrictions on the availability and cost of materials and equipment may impede the Corporation's exploration, development and operating activities as such activities are dependent on the availability and cost of specialized materials and equipment (typically sourced from third parties) in the areas where such activities are conducted. The availability of such material and equipment is limited. An increase in demand or cost, or a decrease in the availability of such materials and equipment, may impede the Corporation's exploration, development and operating activities. See *"Risk Factors – Availability and Cost of Equipment, Materials and Services and Inflation"* in this MD&A.

Project Risks

The success of the Corporation's operations may be negatively impacted by factors outside of its control resulting in operational delays and cost overruns

The Corporation manages a variety of small and large projects in the conduct of its business. Project delays and interruptions may delay expected revenue from operations. Significant project cost overruns could make a project uneconomic. The Corporation's ability to execute projects and successfully market its oil, natural gas and NGLs depends upon numerous factors beyond the Corporation's control, including:

- the availability and proximity of processing and pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing and the Corporation's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the effects of inclement and severe weather events, including fire, drought, flooding and extreme temperatures;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour;
- environmental and Indigenous activism or land claims that result in delays or cancellations of projects;
- litigation and judicial interpretation and application of laws, including with respect to Indigenous rights and historical treaties;
- political uncertainty; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

If cash flow from operating activities and funds from external financing sources are not sufficient to cover the Corporation's capital expenditure requirements, the Corporation may be required to reallocate available capital among its projects or modify its capital expenditure plans, which may result in delays in, or cancellation of, certain projects or the deferral of certain capital expenditures. Any change to the Corporation's capital expenditure plans could, in turn, have a material adverse effect on the Corporation's business, financial position, results of operations and plans.

Due to these factors, the Corporation could be unable to execute projects on time, on budget, or at all, and may be unable to effectively market the oil, natural gas and NGLs that it produces.

Availability and Cost of Equipment, Materials and Services and Inflation

Restrictions on the availability and cost of equipment, materials and services may impede the Corporation's exploration, development and operating activities and the Corporation's operations may be negatively impacted by inflationary pressures

Oil and natural gas exploration, development and operating activities are dependent on the availability and cost of specialized equipment and other materials (typically leased from third parties) in the areas where such activities will be conducted. The availability of such equipment and materials is limited.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services, including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services

and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flow.

Canada, the United States and other countries have recently experienced high levels of inflation, supply chain disruptions, equipment limitations, escalating supply costs and commodity prices and additional government intervention through stimulus spending and additional regulations, which have impacted the Corporation's operating costs. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flow.

In addition, many central banks, including the Bank of Canada, have taken steps to raise interest rates in an attempt to combat inflation. The rise in interest rates has impacted the Corporation's borrowing costs. The increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on the Corporation's financial performance. Rising interest rates could also result in a recession in Canada or other countries, which could have a negative impact on demand for oil and natural gas, causing a decrease in commodity prices. A decrease in commodity prices would immediately impact the Corporation's revenues and could also reduce drilling activity. It is unknown how long high levels of inflation will continue to impact the economy of Canada and how inflation and rising interest rates will impact oil and gas demand and commodity prices.

Market Price of the Common Shares

The market price of the Corporation's common shares may be volatile and adversely affected by factors related and unrelated to the oil and natural gas industry and cannot be accurately predicted

The market price of the Corporation's common shares may be volatile, which may affect the ability of holders to sell such shares at an advantageous price. The market prices of the securities of oil and natural gas issuers, including the Corporation, is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices, current perceptions of the oil and natural gas market and worldwide pandemics. This includes, but is not limited to, changing (and in some cases negative) investor sentiment towards energy-related businesses. In recent years, the volatility of oil and natural gas commodity prices and the securities of issuers involved in the oil and natural gas business, has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. The volatility, trading volume and market prices of oil and natural gas issuers have been impacted by increasing investment levels in passive funds that track major indices and only purchase securities included in such indices and subsequently dispose of those securities if they are excluded from such indices. In addition, many institutional investors, pension funds and insurance companies, including government-sponsored entities, have implemented investment strategies increasing their investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments. These factors have impacted the volatility and liquidity of certain securities and put downward pressure on the market prices of those securities.

Similarly, the market price of the Corporation's common shares could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity, debt levels, dividend levels and other internal factors. In addition, market price fluctuations in the common shares may also be due to the Corporation's results failing to meet the expectations of securities analysts or investors in any quarter, downward revisions in securities analysts' estimates and material public announcements by the Corporation, along with a variety of additional factors, including, without limitation, those set forth under "Advisories – Forward-Looking Statements". Accordingly, the prices at which the Corporation's common shares will trade cannot be accurately predicted.

Dividends

The amount of and frequency at which future cash dividends are paid may vary and there is no assurance that the Corporation will pay dividends in the future

The declaration and payment of future dividends (and the amount thereof) is subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including: fluctuations in commodity prices; the financial condition of Birchcliff; current and future levels of cash flow; production levels; results of operations; capital expenditure requirements; working capital requirements; debt service requirements and debt levels; liquidity requirements; operating costs; royalty burdens; foreign exchange and interest rates; tax laws; the Corporation's risk management activities or programs; available investment opportunities; the Corporation's business

plan, strategies and objectives; legal, regulatory and contractual restrictions; the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta) (the “**ABCA**”) for the declaration and payment of dividends; and other factors that the Board may deem relevant. Depending on these and various other factors, many of which are beyond the control of Birchcliff, the dividend policy of the Corporation may vary from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

Pursuant to the ABCA, the Corporation may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. Additionally, pursuant to the agreement governing the Credit Facilities, the Corporation 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.

Dividends may be reduced or suspended during periods of lower cash flow from operating activities. The timing and amount of Birchcliff’s capital expenditures, and the ability of the Corporation to repay or refinance existing debt as it becomes due, directly affects the amount of cash dividends that may be declared by the Board. Future acquisitions, expansions of Birchcliff’s assets, and other capital expenditures and the repayment or refinancing of existing debt as it becomes due may be financed from sources such as cash flow from operating activities, the issuance of additional shares or other securities of Birchcliff, and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to Birchcliff, or at all, to make additional investments, fund future expansions or make other required capital expenditures. To the extent that external sources of capital, including from the issuance of additional shares or other securities or the availability of additional credit facilities, become limited or unavailable on favourable terms or at all due to credit market conditions or otherwise, the ability of the Corporation to make the necessary capital investments to maintain or expand its operations, to repay outstanding debt and to invest in assets, as the case may be, may be impaired. To the extent Birchcliff is required to use cash flow from operating activities to finance capital expenditures or acquisitions or to repay existing debt as it becomes due, the cash available for dividends may be reduced and the level of dividends declared may be reduced or suspended entirely.

Over time, the Corporation’s capital and other cash needs may change significantly from its current needs, which could affect whether the Corporation pays dividends and the amount of dividends, if any, it may pay in the future. If the Corporation continues to pay dividends at the current levels, it may not retain a sufficient amount of cash to finance external growth opportunities, meet any large unanticipated liquidity requirements or fund its activities in the event of a significant business downturn.

The Board may amend, revoke or suspend the Corporation’s dividend policy at any time. A decline in the market price, liquidity or both, of the Corporation’s common shares may result if the Corporation reduces or eliminates the payment of dividends, which may result in losses to shareholders. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by Birchcliff and potential legislative and regulatory changes.

Gathering and Processing Facilities, Pipeline Systems, Trucking and Rail

Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and railway lines may have a negative impact on the Corporation’s ability to produce and sell its oil and natural gas

The Corporation delivers its products through gathering and processing facilities, pipeline systems, by truck and, in certain circumstances, by rail. The amount of oil, natural gas and NGLs that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems, trucks and railway lines. The lack of firm pipeline capacity, production limits and limits on availability of capacity in gathering and processing facilities, pipeline systems and railway lines continues to affect the oil and natural gas industry and limits the ability to transport produced oil, natural gas and NGLs to market. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Corporation’s production, operations and financial results.

The Corporation’s production passes through Birchcliff owned or third-party infrastructure prior to it being ready for sale. There is a risk that should this infrastructure fail and cause a significant portion of the Corporation’s production to

be shut-in and unable to be sold, this could have a material adverse effect on the Corporation's available cash flow. With respect to facilities owned by third parties and over which the Corporation has no control, these facilities may discontinue or decrease operations, either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on the Corporation's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Further, the Corporation has certain long-term take-or-pay commitments to deliver products through third-party owned infrastructure which creates a financial liability and there can be no assurance that future volume commitments will be met which may adversely affect the Corporation's financial condition and cash flow from operating activities.

Geopolitical Events

Geopolitical events or instability may have wide-ranging consequences for the global market and economic conditions, including energy and commodity prices

The Corporation's business may be adversely affected by geopolitical events and decisions made in Canada, the United States, the Middle East, China, Europe and elsewhere.

The current war in Ukraine and the international response has had, and may continue to have, potential wide-ranging consequences for global market volatility and economic conditions, including energy and commodity prices, which may, in turn, increase inflationary pressures and interest rates. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which have had, and may continue to have, far-reaching effects on the global economy and energy and commodity prices.

The current war between Israel and Hamas in the Gaza Strip has the potential to have wide-ranging consequences on the world economy. While neither Israel nor the Gaza Strip are significant oil producers, there is a risk that the conflict could lead to wider regional instability in the Middle East, home to some of the world's biggest oil producers.

In addition, attacks by Houthi rebels in the Red Sea has put significant risks on shipping lanes in the area and has resulted in increased shipping costs to various business entities. Continued attacks on shipping in the Middle East may result in further increases in shipping costs and longer transit times and delays in delivering products or procuring supplies. Further escalation of the conflict may spark confrontations in other parts of the Middle East and have further consequences on global markets, commodity prices, supply chains and shipping lanes.

The short, medium and long-term implications of these and other potential future international conflicts are difficult to predict with any certainty at this time and there remains uncertainty relating to the potential direct and indirect impacts on the Corporation, and each conflict could have a material and adverse effect on its business, financial condition and results of operations. Depending on their extent, duration and severity, such conflicts may have the effect of heightening many of the other risks described herein, including, without limitation, the risks relating to the Corporation's exposure to commodity prices; the successful completion of the Corporation's growth and expansion projects, including the expected return on investment thereof; supply chains and the Corporation's ability to obtain required equipment, materials or labour; cyber-security risks; inflationary pressures; and restricted access to capital and increased borrowing costs as a result of increased interest rates.

Political Uncertainty

The Corporation's business may be adversely affected by political and social events and decisions made in Canada and elsewhere

The Corporation's results can be adversely impacted by political, legal or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or the interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and the duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licences and permits for the Corporation's activities or restrict the operation of third-party infrastructure that the Corporation relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, the sale of electric vehicles and the use of alternative fuels or uncompetitive fuel components could affect the demand for the Corporation's products. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels, technologies or the use of electric vehicles. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources and the success of these initiatives may decrease the demand for the Corporation's products.

A change in federal, provincial, state or municipal governments in Canada or the United States may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry, including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic, which has resulted in a rise in civil disobedience surrounding oil and natural gas development, particularly with respect to infrastructure projects such as pipelines. Protests, blockades, demonstrations and vandalism have the potential to delay and disrupt the Corporation's activities. See "*Risk Factors – Public Opposition and Non-Governmental Organizations*" in this MD&A.

Substantial Capital and Additional Funding Requirements

The Corporation may require additional financing from time to time to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by the current economic and global market volatility

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil, natural gas and NGLs reserves in the future. As future capital expenditures are expected to be financed out of cash generated from operations and borrowings as well as possible future asset and equity sales, the Corporation's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Corporation's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Corporation's securities in particular.

The Corporation's cash flow from its properties may not be sufficient to fund its ongoing activities at all times and from time to time the Corporation may require additional financing. The inability of the Corporation to access sufficient capital for its operations and activities could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet the Corporation's requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the Corporation may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. Moreover, future activities may require the Corporation to alter its capitalization significantly. A failure to obtain financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.

Climate Change

Climate change may pose varied and far-ranging risks to the business and operations of the Corporation, both known and unknown, which may adversely affect its business, operations and financial condition

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially fossil fuel combustion, on global climate issues. In turn, increasing public, government and investor attention is being paid to global climate issues and to GHG emissions, including emissions of carbon dioxide and methane from the production and use of oil, NGLs and natural gas. The majority of countries, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. At the 2021 United Nations Climate Change Conference, Canada's Prime Minister Justin Trudeau made several pledges regarding reducing Canada's GHG emissions and at the 2023 United Nations Climate Change Conference, Canada renewed its commitments to transitioning away from fossil fuels and further cutting emissions. As discussed below, the Corporation faces both physical risks and transition risks associated with climate change and climate change policy and regulations.

Physical Risks – Acute

Climate change has been linked to an increased severity and frequency of extreme weather. Extreme hot and cold weather, heavy snowfall, heavy rainfall, drought and wildfires may restrict or interfere with the Corporation's operations, increasing its costs and negatively impacting its production. For example, extreme weather may impact the Corporation's ability to complete capital projects, facility turnarounds, maintenance and repairs on time. Moreover, extreme weather conditions may lead to disruptions in the Corporation's ability to transport its production, as well as goods and services in its supply chains. Extreme weather also increases the risk of damage to infrastructure and equipment and the risk of injury to the Corporation's personnel due to dangerous working conditions. Certain of the Corporation's properties are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Corporation's assets. See *"Risk Factors – Seasonality and Extreme Weather"* in this MD&A.

Physical Risks – Chronic

Climate change has been linked to long-term shifts in climate patterns, including rising mean temperature and sea levels and long-term changes in precipitation patterns. As the level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns, long-term shifts in climate patterns pose the risk of exacerbating operational delays and other risks posed by seasonal weather patterns. In addition, long-term shifts in weather patterns such as water scarcity, increased frequency of storms and fires and prolonged heat waves may, among other things, require the Corporation to incur greater expenditures (time and capital) to deal with the challenges posed by such changes to its premises, operations, supply chain, transport needs and employee safety, which may in turn have a material adverse effect on the Corporation's business, operations and financial condition. In the event of water shortages or sourcing issues, the Corporation may not be able to, or will incur greater costs to, carry out hydraulic fracturing. See *"Risk Factors – Seasonality and Extreme Weather"* and *"Risk Factors – Hydraulic Fracturing"* in this MD&A.

Transition Risks – Reputational

The Corporation's business, financial condition, operations or prospects may be negatively impacted as a result of any negative public opinion towards the Corporation or as a result of any negative sentiment towards, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates, as well as their opposition to certain oil and natural gas projects.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels, which has influenced investors' willingness to invest in the oil and natural gas industry. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the financial community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their

portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses, while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop providing insurance coverage and financing to oil and natural gas companies and related infrastructure businesses and projects. The impact of such efforts may require the Corporation's management to dedicate significant time and resources to these climate change-related concerns and may adversely affect the Corporation's operations, the demand for and price of its common shares, the Corporation's cost of capital and the Corporation's access to the capital markets, which negative impact could prove to be material over time.

See *"Risk Factors – Changing Investor Sentiment"*, *"Risk Factors – Public Opinion and Reputational Risk"* and *"Risk Factors – Public Opposition and Non-Governmental Organizations"* in this MD&A.

Transition Risks – Market

Concerns over climate change, fossil fuels, GHG emissions and water and land-use could lead to reduced demand for the oil, natural gas and NGLs that the Corporation produces, which would have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. See *"Risk Factors – Energy Transition and Alternatives to and Changing Demand for Petroleum Products"* in this MD&A.

Transition Risks – Regulatory and Policy

Foreign and domestic governments continue to evaluate and implement policy, legislation and regulations focused on restricting GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures.

Existing and future laws and regulations may impose significant liabilities for a failure to comply with their requirements. Concerns over climate change, fossil fuels, GHG emissions and water and land-use could lead to the enactment of more stringent laws and regulations applicable to the Corporation. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's business, financial condition, results of operations and prospects.

Adverse impacts to the Corporation's business as a result of GHG legislation may include, but are not limited to, increased compliance costs, permitting delays, increased operating costs and capital expenditures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses and, in the long-term, potentially reducing the demand for oil, natural gas and NGLs, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets or requiring impairments for financial statement purposes.

The Corporation's exploration and production facilities and other operations and activities emit GHGs which requires the Corporation to comply with applicable GHG emissions legislation. The Corporation is subject to TIER and may become subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to ESG and climate reporting, the ISSB has issued the ISSB Standards with the aim of developing sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators and Canadian Sustainability Standards Board are considering amending Canadian reporting requirements informed by the ISSB Standards. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, lenders or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities, and raise capital may be adversely affected.

See *"Risk Factors – Regulatory"*, *"Risk Factors – Environmental Regulation"*, *"Risk Factors – Evolving Corporate Governance, Sustainability and Reporting Framework"* and *"Risk Factors – Carbon Pricing Risk"* in this MD&A.

Transition Risks – Legal

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. Individuals, government authorities or other organizations may make claims against oil and natural gas companies, including the Corporation, for alleged personal injury, property damage or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Corporation, impact its operations and have an adverse effect on its financial condition, which could prove to be material. See “*Risk Factors – Litigation*” in this MD&A.

Transition Risks – Technology

The adoption of new technologies by the Corporation to deal with climate change could require a significant capital investment. Limitations related to the development, adoption and success of these technologies or the development of disruptive technologies may have a material adverse effect on the Corporation’s business, financial condition, results of operations and prospects. See “*Risk Factors – Cost of New Technologies*” in this MD&A.

Regulatory

Modification to current, or implementation of additional, regulations and the failure to obtain any necessary regulatory approvals could negatively impact the Corporation

Various levels of governments impose extensive controls and regulations on oil and natural gas operations, including exploration, development, production, pricing, marketing, transportation, infrastructure and mergers and acquisitions. Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties, the exportation of oil and natural gas, infrastructure projects and the transfer of assets pursuant to acquisition and divestiture activities. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce the demand for oil and natural gas, increase the Corporation’s costs or make certain projects uneconomic, any of which may have a material adverse effect on the Corporation’s business, financial condition, results of operations and prospects.

In order to conduct oil and natural gas operations, the Corporation requires regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities. Obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Indigenous consultation, environmental impact assessments and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions including, but not limited to, security deposit obligations, ongoing regulatory oversight of projects, mitigating or avoiding project impacts, environmental and habitat assessments and other commitments or obligations. In addition, third-party challenges to regulatory decisions and orders can reduce the efficiency of the regulatory regime, as the implementation of the decisions and orders may be delayed resulting in uncertainty and interruption to the business of the oil and natural gas industry. There can be no assurance that the Corporation will be able to obtain all of the permits, licences, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake in the time required or on acceptable terms and conditions. Any failure to renew, maintain or obtain the required permits, licences, registrations, approvals and authorizations or the revocation or termination of the same may disrupt the Corporation’s operations and have a material adverse effect on the Corporation’s business and financial condition.

In addition, the Corporation may have to comply with the requirements of certain federal legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada), which may adversely affect its business and financial condition and the market value of its common shares or assets, particularly when undertaking, or attempting to undertake, an acquisition or disposition.

Environmental Regulation

Compliance with environmental regulations requires the dedication of a portion of the Corporation's financial and operational resources

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects and restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and/or result in operational restrictions. A breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. In addition, a breach may result in the suspension or revocation of necessary licences and authorizations and/or the Corporation being subject to interim compliance measures, all of which may restrict the Corporation's ability to conduct operations. Further, the Corporation could be subject to civil liability for pollution damage. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liabilities and potentially increased capital expenditures and operating costs. Although the Corporation believes that it is in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

In addition, new environmental legislation may increase uncertainty among oil and natural gas participants as the new legislation is implemented. The implementation of new environmental legislation or the modification of existing legislation affecting the oil and natural gas industry generally could reduce the demand for oil and natural gas and increase costs. See *"Risk Factors – Climate Change"* in this MD&A.

Changing Investor Sentiment

Changing investor sentiment towards the oil and natural gas industry may impact the Corporation's access to, and cost of, capital

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and Indigenous rights, have affected certain investors', lenders' and insurers' sentiments towards investing in, lending to and insuring participants in, the oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors, lenders and insurers have announced that they no longer are willing to fund or invest in, lend to or insure oil and natural gas properties or companies, or are reducing the amount of such investments over time. In addition, certain institutional investors, lenders and insurers are requesting that issuers develop and implement more robust ESG policies and practices and make related disclosures. Developing and implementing such policies and practices, and making such related disclosures, can involve significant costs and require a significant time commitment from the Corporation's Board, management and employees. Failing to implement the policies and practices, and make the related disclosures, as requested by institutional investors, lenders and insurers, may result in such investors reducing their investment in or loan to the Corporation, or not investing in or lending to the Corporation at all, or such insurers refusing to insure the Corporation. Any reduction in the investor, lender or insurance base interested or willing to invest in, lend to or insure participants in the oil and natural gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to, or increasing the cost of, capital or insurance and decreasing the price and liquidity of its common shares, even if the Corporation's operating results, underlying asset values or prospects have not changed or improved.

Public Opinion and Reputational Risk

The Corporation relies on its reputation to continue its operations and to attract and retain investors and employees

The Corporation's business, financial condition, operations and prospects may be negatively impacted by any negative public opinion towards the Corporation or as a result of any negative sentiment towards, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates, as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences, increased costs and/or cost overruns and reduced access to (or an increase in the cost of) capital, credit and/or insurance. See "*Risk Factors – Public Opposition and Non-Governmental Organizations*" in this MD&A.

Any environmental damage, loss of life, injury or damage to property caused by the Corporation's operations could damage its reputation. Negative sentiment towards the Corporation could result in a lack of willingness of governmental authorities to grant the necessary licences or permits for the Corporation to operate its business. In addition, negative sentiment towards the Corporation could result in the residents of the areas where the Corporation is doing business opposing further operations in the area by the Corporation. If the Corporation develops a reputation of having an unsafe workplace, this may impact its ability to attract and retain the necessary skilled employees and consultants to operate its business. Further, the Corporation's reputation and public opinion could be affected by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Corporation has no control. In addition, opposition from special interest groups opposed to oil and natural gas development and the possibility of climate-related litigation against governments and fossil fuel companies may harm the Corporation's reputation. See "*Risk Factors – Climate Change*" in this MD&A.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment towards the Corporation, which may result in limiting the Corporation's access to, or increasing the cost of, capital, credit and/or insurance and decreasing the price and liquidity of its common shares.

Public Opposition and Non-Governmental Organizations

The oil and natural gas industry and the Corporation may be subject to public opposition and other actions by non-governmental organizations

The oil and natural gas industry may, at times, be subject to public opposition. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development, particularly with respect to infrastructure projects. Public opposition could expose the Corporation to the risk of higher costs, operational delays and disruptions or even project cancellations due to increased pressure on governments and regulators by special interest groups, which may include Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations. Potential impacts of such pressure and opposition include blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of federal, provincial or municipal governments, and delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences, as well as direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require significant and unanticipated capital and operating expenditures and may divert the attention of management and key personnel from business operations, which may negatively impact the Corporation's business, financial condition, results of operations and prospects.

In addition, the Corporation's oil and natural gas properties, wells and facilities or the third-party facilities and pipelines utilized by the Corporation could be the subject of a terrorist attack or sabotage. If any of such properties, wells or facilities are the subject of terrorist attack or sabotage, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Energy Transition and Alternatives to and Changing Demand for Petroleum Products

The global energy transition to a low-carbon economy, changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect the Corporation's business, financial condition, results of operations and cash flow

A transition away from the use of petroleum products, which may include fuel conservation measures, alternative fuel requirements, electric vehicle mandates, increasing consumer demand for alternatives to oil, natural gas and NGLs and technological advances in fuel economy and renewable energy, could reduce the demand for oil and natural gas. Certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil, natural gas and NGLs products. The Corporation cannot predict the impact of the changing demand for oil, natural gas and NGLs products and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flow by decreasing the Corporation's profitability, increasing its costs, limiting its access to capital or decreasing the value of its assets.

In addition, the Corporation may invest in technologies and other opportunities related to decreasing GHG emissions or energy transition, which may involve investments in businesses, operations or assets relating to renewable or other alternative forms of energy. Such investments may involve certain risks and uncertainties in addition to those identified herein in respect of the Corporation's existing business, operations and assets, including the obligation to comply with additional regulatory and other legal requirements associated with such businesses, operations or assets and the potential requirement for additional sources of capital to make, develop and/or maintain such investments and the Corporation's ability to access such sources of capital. In the event the Corporation were to complete such investments, there can be no guarantee that the Corporation will realize a return on those investments or businesses, operations or assets that is similar to the returns it receives in respect of its existing business, operations and assets.

Evolving Corporate Governance, Sustainability and Reporting Framework

Evolving corporate governance, sustainability and reporting framework may increase both compliance costs and the risk of non-compliance that may have an adverse effect on the Corporation

The Corporation is subject to evolving rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity, making compliance more difficult and uncertain. Further, the Corporation's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. See "Risk Factors – Climate Change – Transition Risks – Regulatory and Policy" in this MD&A.

Credit Facilities

The Corporation's borrowing base under the Credit Facilities could be redetermined and the Corporation could fail to comply with covenants under the Credit Facilities, resulting in restricted access to capital or a requirement to repay all amounts owing thereunder

The amount authorized under the Credit Facilities is dependent on the borrowing base determined by the Corporation's lenders. The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil, natural gas and NGLs reserves. The Corporation's lenders use the Corporation's reserves, commodity prices and other factors to determine the Corporation's borrowing base. Depressed commodity prices could result in a reduction in the Corporation's borrowing base, thereby reducing the funds available to the Corporation under the Credit Facilities. As the borrowing base is determined based on the lender's interpretation of the Corporation's reserves and future commodity prices, there can be no assurance as to the amount of the borrowing base determined at each review.

In addition to the semi-annual reviews of the borrowing limit, the lenders under the Credit Facilities have the right to redetermine the borrowing base limit in certain other circumstances. In the event that: (i) the Corporation, any material subsidiary of the Corporation or any of its borrowing base properties become subject to an abandonment/reclamation order by an energy regulator where the aggregate estimated current cost to the Corporation and its material subsidiaries

to comply with all outstanding orders exceeds 10% of the borrowing base; or (ii) the liability management rating (as such term is defined in the agreement governing the Credit Facilities) of the Corporation or any material subsidiary is less than 2.0, then, unless agreed to by all of the lenders, a redetermination of the borrowing base shall be completed within 45 days of receipt by the Corporation or the applicable material subsidiary of such order or demand in the case of (i) above, and of receipt by the agent of notice that the liability management rating is less than 2.0 in the case of (ii) above. Further, a majority of lenders have the right once per year to redetermine the borrowing base in between scheduled redeterminations and the borrowing base may also be reduced in connection with asset dispositions.

If, at the time of a borrowing base redetermination, the outstanding borrowings under the Credit Facilities were to exceed the borrowing base as a result of any such redetermination, the Corporation would be required to make principal repayments or otherwise eliminate the borrowing base shortfall. If the Corporation is forced to repay a portion of its indebtedness under the Credit Facilities, it may not have sufficient funds to make such repayments. If it does not have sufficient funds and is otherwise unable to negotiate renewals of its borrowings or arrange new financing, it may have to sell significant assets. Any such sale could have a material adverse effect on the Corporation's business and financial results.

The maturity date of the Credit Facilities is currently May 11, 2025. The Corporation may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In the event that either of the Credit Facilities is not extended before the maturity date, all outstanding indebtedness under such Credit Facility will be repayable at the maturity date. There is also a risk that the Credit Facilities will not be renewed for the same principal amount or on the same terms. Any of these events could adversely affect the Corporation's ability to fund its ongoing operations and to pay dividends.

The Corporation is required to comply with covenants under the Credit Facilities. In the event that the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in an event of default under the Credit Facilities, which could result in the Corporation being required to repay amounts owing thereunder and may prevent the payment of dividends to shareholders. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, the Credit Facilities impose certain restrictions on the Corporation, including, but not limited to, restrictions on the payment of dividends and other distributions, incurring of additional indebtedness, dispositions of properties and the entering into of amalgamations, mergers, plans of arrangements, reorganizations or consolidations with any person. The Credit Facilities do not currently contain any financial maintenance covenants; however, there is no assurance that the Corporation's lenders will not impose any such covenants on the Corporation in the future. Any such covenants may either affect the availability or price of additional funding.

If the Corporation's lenders require repayment of all or portion of the amounts outstanding under the Credit Facilities for any reason, including for a default of a covenant, there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under the Credit Facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under the Credit Facilities, the lenders under the Credit Facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Issuance of Debt

Increased debt levels may impair the Corporation's ability to borrow additional capital on a timely basis to fund opportunities as they arise

From time to time, the Corporation may finance its activities (including asset acquisitions) in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to

take advantage of business opportunities that may arise and may adversely affect the market price of its common shares.

Risk Management Activities

Risk management activities expose the Corporation to the risk of financial loss and counter-party risk

From time to time, the Corporation may enter into physical or financial agreements to receive fixed prices on its oil, natural gas and NGLs production to offset the risk of revenue losses if commodity prices decline. Similarly, the Corporation may enter into agreements to fix the differential or discount pricing gap which exists and may fluctuate between different grades of oil, natural gas and NGLs and the various market prices received for such products. However, to the extent that the Corporation engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Corporation's risk management arrangements expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the contracted volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the arrangement;
- the counterparties to the arrangements or other risk management contracts fail to perform under those arrangements; and/or
- a sudden unexpected material event impacts oil or natural gas prices.

On the other hand, a failure to diversify commodity prices into different markets exposes the Corporation to reduced liquidity when prices decline in a single market. A sustained lower commodity price environment in that single market would result in lower realized prices for undiversified volumes and reduce the prices at which the Corporation would enter into derivative contracts on future volumes. This could make such diversification transactions unattractive, and, as a result, some or all of the Corporation's production volumes forecasted for the current fiscal year and beyond may not be protected by derivative arrangements.

Similarly, the Corporation may enter into agreements to fix the exchange rate of Canadian dollars to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Corporation will not benefit from the fluctuating exchange rate.

Further, the Corporation may enter into arrangements to fix interest rates applicable to the Corporation's debt. However, if interest rates decrease as compared to the interest rate fixed by the Corporation, the Corporation will not benefit from the lower interest rate.

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting the Corporation's financial position. The Corporation's operations are dependent upon the availability of water and its ability to dispose of produced water from drilling and production activities

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under high pressure into tight rock formations to stimulate the production of oil and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing have resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity and completely banning hydraulic fracturing in other areas. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs and third-party or governmental claims and could increase the Corporation's costs of compliance and doing business, as well as delay the development of oil, NGLs and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could reduce the amount of oil, natural gas and NGLs that the Corporation is ultimately able to produce from its reserves and/or result in the Corporation being unable to economically recover certain of its

oil, natural gas and NGLs reserves, which in either case could result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs. Cost increases could have a material adverse effect on drilling economics resulting in delays or suspensions of drilling, which could have a detrimental effect on the Corporation's financial condition, results of operations and cash flows. See *"Risk Factors – Availability of Water"* in this MD&A.

The Corporation must dispose of the fluids produced from oil, natural gas and NGLs production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities. See *"Risk Factors – Disposal of Fluids Used in Operations"* in this MD&A.

Government authorities may issue orders to shut down or curtail the injection depth of existing wells in the vicinity of seismic events. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighbouring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that the Corporation may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates, pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Minor earthquakes are common in certain parts of Alberta. Since 2015, the Alberta Energy Regulator (the "AER") has introduced seismic protocols for hydraulic fracturing operators in the Fox Creek, Red Deer and Brazeau areas (collectively, the "**Seismic Protocol Regions**") initially in response to significant induced seismic activity in the Duvernay formation in Fox Creek. Oil and natural gas producers in each of the Seismic Protocol Regions are subject to a "traffic light" reporting system that sets thresholds on the Richter scale of earthquake magnitude, which vary among the three regions. The reporting requirements include an assessment of the potential for seismicity prior to conducting operations, the implementation of a response plan to address potential seismic events and the suspension of operations, depending on the magnitude of an earthquake. Orders imposed by the AER in response to seismic events remain in effect as long as the AER deems them necessary. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, leading to continued monitoring by the AER. The AER may extend seismic protocols to other areas of the province if necessary, which may adversely affect the Corporation's operations.

Availability of Water

Lack of availability of water may affect the Corporation's ability to implement various processes

The Corporation uses water in many parts of its operations, including drilling and completions activities. As a result of below-average precipitation over the past number of months, snowpack, rivers and reservoirs around the Province of Alberta are low. For the first time since 2001, Alberta's Drought Command Team has been authorized to negotiate water-sharing agreements with water licence holders, including in the Red Deer River, Bow River and Old Man River basins, to manage water use and mitigate the risks of drought. Reduced availability of water could have a material adverse effect on the results of operations and financial condition of the Corporation.

Disposal of Fluids Used in Operations

Regulations regarding the disposal of fluids used in operations may increase costs of compliance or subject the Corporation to regulatory penalties or litigation

The safe disposal of hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the Corporation's costs of compliance which may impact the economics of certain projects and, in turn, impact activity levels and new capital spending on the Corporation's oil and natural gas properties.

Industry Competition

The Corporation competes with other oil and natural gas companies, some of which have greater financial and operational resources or other competitive advantages

The oil and natural gas industry is highly competitive in all of its phases. The Corporation competes with numerous other entities in the exploration for, and the development, production and marketing of, oil, natural gas and NGLs, including land, acquisitions of reserves, access to drilling and service rigs and other equipment, access to transportation and access to skilled technical and operating personnel. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil, natural gas and NGLs on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. To a lesser extent, the Corporation also faces competition from companies that supply alternative sources of energy, such as wind and solar power. Other factors that could affect competition in the marketplace include additional discoveries of hydrocarbon reserves by the Corporation's competitors, the cost of production, political and economic factors and other factors outside of the Corporation's control.

Carbon Pricing Risk

Taxes on carbon emissions affect the demand for oil and natural gas and the Corporation's operating expenses and may impair the Corporation's ability to compete

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the Government of Canada has implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system, which was upheld by the Supreme Court of Canada as constitutional, currently applies in provinces and territories without their own system that meets federal standards.

Any taxes placed on carbon emissions may have the effect of decreasing the demand for oil, natural gas and NGLs products and at the same time, increasing the Corporation's operating expenses, each of which may have a material adverse effect on the Corporation's profitability and financial condition. Further, the imposition of carbon taxes puts companies at an economic disadvantage with their counterparts who operate in jurisdictions where there are less costly carbon regulations. See "Risk Factors – Climate Change" and "Risk Factors – Environmental Regulation" in this MD&A.

Uncertainty of Reserves Estimates

The Corporation's estimated reserves are based on numerous factors and assumptions which may prove incorrect and which may affect the Corporation

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and the future net revenue attributed to such reserves. In general, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net revenue therefrom are based upon a number of variable factors and assumptions, such as commodity prices, historical production from the properties, production rates, ultimate reserves recovery, the timing and amount of capital expenditures, marketability of oil, natural gas and NGLs, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results.

For these reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, the classification of such reserves based on risk of recovery and estimates of future net revenue associated with reserves prepared by different engineers, or by the same engineer at different times, may vary. The Corporation's actual production, revenue, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved and probable reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws in Canada, the Corporation's independent qualified reserves evaluator has used forecast prices and costs in estimating the reserves and future net revenue as summarized herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil, natural gas and NGLs, curtailments or increases in consumption by oil, natural gas and NGLs purchasers, changes in governmental regulations or taxation and the impact of inflation on costs.

Actual production and cash flow derived from the Corporation's reserves will vary from the estimates contained in the Corporation's independent reserves evaluation and such variations could be material. The independent reserves evaluation is based in part on the assumed success of activities the Corporation intends to take in future years. The reserves and estimated future net revenue to be derived therefrom and contained in the Corporation's independent reserves evaluation will be reduced to the extent that such activities are not undertaken or, if undertaken, do not achieve the level of success assumed in the evaluation.

Variations in Foreign Exchange Rates and Interest Rates

Variations in foreign exchange rates and interest rates could adversely affect the Corporation's financial condition

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar may negatively affect the Corporation's production revenue. Accordingly, Canadian/United States exchange rates could impact the future value of the Corporation's reserves as determined by independent reserves evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil, natural gas and NGLs production, it could also result in an increase in the price for certain goods used in the Corporation's operations, which may have a negative impact on the Corporation's financial results.

To the extent that the Corporation engages in risk management activities related to foreign exchange and interest rates, there are risks associated with such activities. See *"Risk Factors – Risk Management Activities"* in this MD&A.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in reduced funds available to fund its exploration and development activities and the cash available for dividends and could negatively impact the market price of the Corporation's common shares.

Seasonality and Extreme Weather

Oil and natural gas operations are subject to seasonal conditions and extreme weather and the Corporation may experience significant operational delays as a result

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable, which may prevent, delay or make operations more difficult. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploration activities and may also result in the shut-in of some of the Corporation's production if not otherwise tied-in. In addition, certain oil and natural gas producing properties may be located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Further, extreme cold weather, heavy snowfall and heavy rainfall may restrict the

Corporation's ability to access its properties, cause operational difficulties and delays, damage infrastructure or equipment and contribute to personnel injury because of dangerous working conditions.

The Corporation's operations are susceptible to the impacts of wildfires and flooding. In addition to the loss of revenue that would result from the loss of production if the Corporation's operations were affected by wildfires and/or flooding, the Corporation would incur delays and expenses responding to such events, repairing damaged equipment and resuming operations. Although the Corporation's insurance policies may compensate it for part of the Corporation's losses, they will not compensate the Corporation for all of its losses. In addition, wildfires and/or flooding consume both financial resources and management and employee time. The Corporation can offer no assurance that the severe wildfires and flooding that have at times affected the oil and natural gas industry in Western Canada will not occur again in the future with equal or greater severity.

Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and also to volatility in commodity prices as the demand for natural gas typically fluctuates during cold winter months and hot summer months.

Asset Concentration

All of the Corporation's properties are located on the Montney/Doig Resource Play in Alberta, making the Corporation vulnerable to risks associated with having its production concentrated in one area

All of the Corporation's producing and undeveloped properties are geographically concentrated on the Montney/Doig Resource Play in Alberta. As a result of this concentration, the Corporation may be disproportionately exposed to the impact of delays or interruptions of production or operations from that area caused by transportation capacity constraints, curtailment of production, government regulation, natural disasters, availability of equipment, facilities or services, adverse weather conditions or other events which impact that area. Due to the concentrated nature of the Corporation's portfolio of properties, a number of the Corporation's properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on the Corporation's results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on the Corporation's financial condition and results of operations.

In addition, industry activity is high in the Corporation's areas of operations, as are the demand for and costs of personnel, equipment, power, services and resources. Any delay or inability to secure the necessary personnel, equipment, power, services or resources could result in the Corporation's actual production volumes being below its forecasts. Any such decrease in production volumes, or any significant increases in costs, could have a material adverse effect on the Corporation's financial condition, results of operations, cash flow and profitability.

Cost of New Technologies

The Corporation's ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete

The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and natural gas companies may have greater financial, technical and personnel resources that allow them to implement and benefit from new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Corporation implements such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition, results of operations and prospects could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology or is unsuccessful in implementing certain technologies, its business, financial condition, results of operations and prospects could also be materially adversely affected.

Reliance on a Skilled Workforce and Key Personnel

An inability to recruit and retain a skilled workforce and key personnel could negatively impact the Corporation

The operations and management of the Corporation require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Corporation's business plans, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. In addition, the decline in market conditions in recent years has resulted in a significant number of skilled personnel exiting the oil and natural gas industry and fewer young people entering the industry. Contributions of the existing management team to the immediate and near-term operations of the Corporation are likely to be of central importance. In addition, certain of the Corporation's current employees may have significant institutional knowledge that must be transferred to other employees prior to their departure from the Corporation. If the Corporation is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, the Corporation could be negatively impacted. In addition, the Corporation could experience increased costs to retain and recruit these professionals. Investors in the Corporation must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Corporation's management.

Information Technology Systems and Cyber-Security

A disruption of information technology services or a cyber-security breach may adversely affect the Corporation

The Corporation has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure to conduct daily operations. The Corporation depends on various information technology systems to estimate reserves, process and record financial data, manage its financial resources and land base, analyze seismic information, administer its contracts with its operators and lessees and communicate with employees, consultants, securityholders and other stakeholders, regulators and other third parties.

In the event the Corporation is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve the efficiency and efficacy of its information technology systems, the operation of such systems could be interrupted or result in the loss, corruption or release of data. Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to its business activities or its competitive position. In addition, cyber-phishing attempts, in which a malicious party disguising themselves as a trustworthy entity in an electronic communication attempts to obtain sensitive information such as usernames, passwords, credit card or banking details (and money) or to have phony wire transfer or cheque requests approved, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim of a cyber-phishing attack, it could result in a loss or theft of the Corporation's financial resources or critical data and information or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or download malware.

In addition to the oversight provided by the Corporation's Information Technology Committee, there is further reporting on the Corporation's information technology and cyber-security risks to the Board. Further, the Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and the Corporation periodically conducts cyber-security risk assessments and education and training for its employees. Despite the Corporation's efforts to mitigate such cyber-phishing attacks through education

and training, cyber-phishing activities remain a serious problem that may damage its information technology infrastructure. The Corporation applies technical and process controls in line with industry-accepted standards to protect its information assets and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Corporation's performance, earnings and its reputation and any damages sustained may not be adequately covered by the Corporation's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

To date, the Corporation has not been subject to a cyber-security attack or other breach that has had a material impact on its business or operations or resulted in material losses to the Corporation; however, there is no assurance that the measures the Corporation takes to protect its business systems and operational control systems will be effective in protecting against a breach in the future and that the Corporation will not incur such losses in the future.

The handling of secure information exposes the Corporation to potential data security risks that could result in monetary damages against the Corporation and could otherwise damage its reputation, and adversely affect its business, financial condition and results of operations

The protection of customer, employee and company data is also critical to the Corporation's business. The regulatory environment in Canada surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. A significant breach of customer, employee or company data could attract a substantial amount of media attention, damage customer relationships and the Corporation's reputation and result in fines or lawsuits. In addition, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws or are expected to do so. The continued emphasis on information security, as well as increasing concerns about government surveillance, may lead customers to request additional measures to enhance security and/or assume higher liability under the Corporation's contracts. As a result of legislative initiatives and customer demands, the Corporation may have to modify its operations to further improve data security. Any such modifications may result in increased expenses and operational complexity and adversely affect the Corporation's reputation, business, financial condition and results of operations.

Additionally, the Corporation's information technology systems may incorporate the use of artificial intelligence ("AI") and the development of such capabilities remains ongoing. Although the Corporation has implemented a policy with respect to its employees' use of AI tools, AI presents risks, challenges and unintended consequences that could affect its adoption, and therefore the Corporation's business. AI algorithms and training methodologies may be flawed. The use of AI to support business operations of the Corporation, its partners, vendors, suppliers, contractors or others carries inherent risks related to data privacy and cyber-security, such as intended, unintended or inadvertent transmission of proprietary or sensitive information, as well as challenges related to implementing and maintaining AI tools, including the development and maintenance of appropriate datasets for such support. Dependence on AI to make certain business decisions without adequate safeguards may introduce additional operational vulnerabilities by producing inaccurate outcomes or other unintended results, based on flaws or deficiencies in the underlying data. Further, AI tools or software may rely on data sets to produce derivative work which may contain content subject to licence, copyright, patent or trademark protection or sensitive personal information and can produce outputs that infringe intellectual property rights or compromise privacy of individuals or organizations, raising concerns about data privacy. As AI is an emerging technology for which the legal and regulatory landscape is not fully developed, including potential liability for breaching intellectual property or privacy rights or laws, new laws and regulations applicable to AI initiatives remain uncertain and the Corporation's obligation to comply with such laws could entail significant costs, negatively affect the Corporation's business or limit the Corporation's ability to incorporate certain AI capabilities into its operations.

Insurance

Not all risks are insurable and the occurrence of an uninsurable event may have a material adverse effect on the Corporation

The Corporation's involvement in the exploration for, and development of, oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blowouts, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full

extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, the Corporation's inability to obtain insurance against one or more risks at acceptable premiums or at all or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of which may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

Litigation

The Corporation may be involved in litigation in the normal course of its operations and the outcome of litigation may adversely affect the Corporation and its reputation

In the normal course of the Corporation's operations, it may become involved in, be named as a party to or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Such proceedings may develop in relation to personal injury (including claims resulting from exposure to hazardous substances), property damage, property taxes, land and access rights, royalty rights, environmental issues (including claims relating to contamination), securities law matters, employment matters and contractual disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and, as a result, could have a material adverse effect on the Corporation's business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Corporation's business operations, which may adversely affect the Corporation.

Due to the rapid development of oil and natural gas technology, the Corporation may become involved in, be named as a party to or be the subject of, various legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or conversely, the Corporation may commence lawsuits against others who the Corporation believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to: (i) pay substantial damages; (ii) cease the use of infringing intellectual property; (iii) expend significant resources to develop or acquire non-infringing intellectual property; (iv) discontinue processes incorporating infringing technology; or (v) obtain licences to the infringing intellectual property. However, the Corporation may not be successful in such development or acquisition or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Indigenous Land and Rights Claims

Indigenous land and rights claims and opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploration activities may negatively impact the Corporation

Opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploration activities may negatively impact the Corporation in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact the Corporation's progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of Canada. There may be outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on the lands where

the Corporation operates. Such claims, if successful, could have a material adverse impact on the Corporation's ability to operate on such lands, which could in turn have a material adverse impact on the Corporation's financial condition, results of operations and/or growth plans.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect the Corporation's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, the decision in *Yahey v British Columbia* (the "**Blueberry Decision**") determined that the cumulative impacts of government-sanctioned industrial development on the traditional territories of the Blueberry River First Nation (the "**BRFN**") in Northeast British Columbia breached that group's treaty rights. Recently, the Government of British Columbia and the BRFN came to an agreement relating to further industrial activities in the area. Although the Corporation does not have any assets in British Columbia, the BRFN may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties. For example, in July 2022, Duncan's First Nation filed a lawsuit against the Government of Alberta relying on similar arguments to those advanced successfully by the BRFN. While a settlement between the British Columbia government and BRFN was entered into and the regulatory authorities have resumed granting certain approvals for oil and natural gas activities in British Columbia, the long-term impacts of, and associated risks with, the Blueberry Decision and the Duncan's First Nation lawsuit on the Canadian oil and natural gas industry remain uncertain.

In addition, the Government of Canada has introduced the *United Nations Declaration on the Rights of Indigenous Peoples Act* to implement the *United Nations Declaration on the Rights of Indigenous Peoples* ("**UNDRIP**"). Other Canadian jurisdictions, including British Columbia, have introduced or passed similar legislation and have begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with UNDRIP's implementation by governments are uncertain. Additional processes may be created and legislation associated with project development and operations may be amended or introduced, further increasing uncertainty with respect to project regulatory approval timelines and requirements.

Credit Risk

The Corporation is exposed to credit risk through its contractual arrangements and its third-party operators or partners of properties in which it has an interest

The Corporation may be exposed to third-party credit risk through its contractual arrangements with joint venture partners, marketers of its oil, natural gas and NGLs production, counterparties to its risk management contracts and other parties. In addition, the Corporation may be exposed to third-party credit risk from operators of properties in which the Corporation has a working or royalty interest and from purchasers of assets from the Corporation for various liabilities, including well abandonment and reclamation obligations assumed by the purchasers. In the event such entities fail to meet their contractual or other obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The use of risk management contracts involves the risk that the counterparties will be unable to meet the financial terms of such transactions. The Corporation is unable to predict changes in a counterparty's creditworthiness or ability to perform. Even if the Corporation accurately predicts such changes, its ability to negate this risk may be limited depending upon market conditions and the contractual terms of the agreements. During periods of high volatility in commodity prices, the Corporation's derivative receivable positions may increase, which would increase the Corporation's counterparty credit exposure. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

Conversely, the Corporation's counterparties may deem the Corporation to be at risk of defaulting on its contractual obligations. These counterparties may require that the Corporation provide additional credit assurance by prepaying anticipated expenses or posting letters of credit, which would decrease the Corporation's available liquidity.

Title to and Right to Produce from Assets

Defects in the Corporation's title or rights to produce from its properties may result in a financial loss

The Corporation's actual title to and interest in its properties, and its right to produce and sell the oil, natural gas and NGLs therefrom, may vary from the Corporation's records. Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. In addition, there may be valid legal challenges or legislative changes that affect the Corporation's title to and right to produce from its oil and natural gas properties, which could impair the Corporation's activities on them and result in a reduction of the revenue received by the Corporation.

If a defect exists in the chain of title or in the Corporation's right to produce, or a legal challenge or legislative change arises, it is possible that the Corporation may lose all or a portion of the properties to which the title defect relates and/or its right to produce from such properties. This may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

The Corporation, or its working interest partners, may fail to meet the requirements of a licence or lease, causing its termination or expiry

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of a licence or lease fails to meet the specific requirements of the licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the business, financial condition, results of operations and prospects of the Corporation.

Operational Dependence

The Corporation is subject to risk as it pertains to other parties operating assets it has an interest in

Other companies operate some of the assets in which the Corporation has an interest. The Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's business, financial condition, results of operations and prospects. The Corporation's return on assets operated by others depends upon a number of factors that may be outside of the Corporation's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, companies that may operate some of the assets in which the Corporation has an interest may be in or encounter financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Corporation has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Corporation may be required to satisfy such obligations and to seek recourse from such companies. To the extent that any such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Corporation potentially becoming subject to additional liabilities relating to such assets and the Corporation having difficulty collecting revenue due to it from such operators or recovering amounts owing to the Corporation from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Corporation's financial and operational results.

Risks Associated with Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved and the Corporation may dispose of certain assets for less than their carrying value on the financial statements

The Corporation considers acquisitions and dispositions of assets in the ordinary course of business. Typically, once an acquisition opportunity is identified, a review of available information relating to the assets is conducted. There is a risk that even a detailed review of records and assets may not necessarily reveal every existing or potential problem, nor will it permit the Corporation to become sufficiently familiar with the assets to fully assess their deficiencies and

potential. There is no guarantee that defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Inspections may not always be performed on every well and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the Corporation may assume certain environmental and other risk liabilities in connection with acquired assets.

In addition, acquisitions of oil and natural gas properties or companies are based in part on engineering, environmental and economic assessments. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Corporation. All such assessments involve a measure of geological, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. If actual reserves or production are less than expected, the Corporation's revenues and consequently the value of its common shares could be negatively affected.

Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses and assets may require substantial management effort, time and resources, diverting management's focus away from other strategic opportunities and operational matters, and may also result in the loss of key employees, the disruption of ongoing business, supplier, customer and employee relationships and deficiencies in internal controls or information technology controls.

Management continually assesses the value and contribution of the various assets within its portfolio. In this regard, certain assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such assets, there is a risk that certain assets of the Corporation, if disposed of, could realize less than their carrying value on the Corporation's financial statements.

Management of Growth and Integration

The Corporation may not be able to effectively manage the growth of its business

The Corporation may be subject to both integration and growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to effectively manage growth and the integration of additional assets will require it to continue to implement and improve its operational and financial systems and to train and manage, and potentially expand, its employee base. The inability of the Corporation to effectively deal with this integration and growth could have a material adverse impact on its business, financial condition, results of operations and prospects.

Liability Management and Abandonment and Reclamation Costs

Liability management programs enacted by regulators may prevent or interfere with the Corporation's ability to acquire properties or require a substantial cash deposited with the regulator. In addition, the Corporation may have to pay certain costs associated with abandonment and reclamation

Alberta has developed a liability management program designed to prevent taxpayers from incurring costs associated with the suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its regulatory obligations. The implementation of or changes to the requirements of liability management programs may result in significant increases to the security that must be posted, increased and more frequent financial disclosure obligations or the denial of licence or permit transfers, which could impact the availability of capital to be spent by the Corporation. In addition, these liability management programs may prevent or interfere with the Corporation's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the AER to allow for the transfer of such assets.

The Corporation will need to comply with the terms and conditions of environmental and regulatory approvals and all legislation regarding the abandonment of its projects and reclamation of the project lands at the end of their economic life, which may result in substantial abandonment and reclamation costs. Any failure to comply with the terms and

conditions of approvals and legislation may result in the imposition of fines and penalties, which may be material. Generally, abandonment and reclamation costs are substantial and, while the Corporation accrues a reserve in its financial statements for such costs in accordance with IFRS Accounting Standards, such accruals may be insufficient.

It is not possible at this time to estimate abandonment and reclamation costs reliably since they will, in part, depend on future regulatory requirements. In addition, it may be prudent or required by applicable laws, regulations or regulatory approvals in the future for the Corporation to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If the Corporation establishes a reclamation fund, its liquidity and funds flow may be adversely affected.

Internal Controls

Material weaknesses in the Corporation's internal controls may negatively affect the Corporation and the market price of its common shares

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation has implemented procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's financial statements and negatively impact the market price of its common shares.

Royalty Regimes

Changes to royalty regimes may negatively impact the Corporation's cash flow

The Government of Alberta may adopt a new royalty regime or modify the existing royalty regime, which may impact the economic viability of the Corporation's projects. An increase in royalties would reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic or uneconomic.

Negative Impact of Additional Sales or Issuances of Securities

The Corporation may issue additional securities, diluting current shareholders

The Corporation may issue an unlimited number of common shares without any vote or action by the shareholders, subject to the rules of any stock exchange on which the Corporation's securities may be listed. The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation. If the Corporation issues additional securities, the percentage ownership of existing shareholders will be reduced and diluted and the market price of the common shares could decrease.

Breaches of Confidentiality

Breach of confidentiality by a third party could impact the Corporation's competitive advantage or put it at risk of litigation

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation would be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Conflicts of interest may arise for the Corporation's directors and officers

Certain of the Corporation's directors and officers are engaged in, and will continue to engage in, other activities in the oil and natural gas industry and as a result, may become subject to conflicts of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract or a material transaction, or proposed material transaction, with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract or transaction, unless otherwise permitted under the ABCA.

Income Taxes

Taxation authorities may reassess the Corporation's tax returns

The Corporation files all required income tax returns and believes that it is in compliance with the provisions of the *Income Tax Act* (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, such reassessment may have an impact on current and future taxes, penalties and interest payable, which could have an adverse effect on its financial condition.

Income tax laws or other laws or government incentive programs relating to the oil and natural gas industry, such as the treatment of resource taxation, dividends, share repurchases or capital gains, may in the future be changed or interpreted in a manner that adversely affects the Corporation and/or its shareholders. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment and/or the detriment of its shareholders.

Additional Taxation Applicable to Non-Residents

Non-resident shareholders are required to pay additional taxes on their dividends

Tax legislation in Canada may impose withholding or other taxes on the cash dividends, stock dividends or other property transferred by the Corporation to non-resident shareholders. These taxes may be reduced pursuant to tax treaties between Canada and the non-resident shareholder's jurisdiction of residence. Evidence of eligibility for a reduced withholding rate must be filed by the non-resident shareholder in prescribed form with their broker (or in the case of registered shareholders, with the transfer agent). In addition, the country in which the non-resident shareholder is resident may impose additional taxes on such dividends. Any of these taxes may change from time to time.

Foreign Exchange Risk for Non-Resident Shareholders

Variations in foreign exchange rates may affect the amount of cash dividends received by shareholders who receive dividends in currencies other than Canadian dollars

The Corporation's cash dividends are declared in Canadian dollars and may be converted in certain instances to foreign denominated currencies at the spot exchange rate at the time of payment. As a consequence, non-resident shareholders and shareholders who calculate their return in currencies other than the Canadian dollar are subject to foreign exchange risk. To the extent that the Canadian dollar strengthens with respect to their currency, the amount of any dividend will be reduced when converted to the shareholder's home currency.

Infectious Disease Risks

Infectious diseases may cause disruptions in economic activity in Canada and internationally and impact the demand for oil and natural gas

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on the Corporation's business, including changes to the way the Corporation and its counterparties operate, and on the Corporation's financial results and condition. In the event of a global pandemic, countries around the world may close international borders and order the closure of institutions and businesses deemed non-essential. This could result in a significant reduction in economic activity in Canada and internationally along with a drop in demand for oil and natural gas. Any reduction in economic activity in certain countries resulting from outbreaks, government-imposed lockdowns

and other restrictions could have a negative effect on demand for oil and natural gas and could also aggravate the other risk factors identified herein.

Social Media

The Corporation faces compliance and supervisory challenges in respect of the use of social media as a means of communicating

Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Corporation's systems and obtain confidential information. As social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Expansion into New Activities

Expanding the Corporation's business may expose it to new risks and uncertainties

The operations and expertise of the Corporation's management are currently focused on oil and natural gas production, exploration and development on the Montney/Doig Resource Play in Alberta. In the future, the Corporation may acquire or move into new industry-related activities or new geographical areas or may acquire different energy-related assets. As a result, the Corporation may face unexpected risks or alternatively, the Corporation's exposure to one or more existing risk factors may be significantly increased, which may in turn result in the Corporation's future operational and financial condition being adversely affected.

Forward-Looking Information

Forward-looking information may prove inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties relating to forward-looking statements is found under the heading "*Advisories – Forward-Looking Statements*".

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 Accounting Standards
GHG	greenhouse gas
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
MMboe	million barrels of oil equivalent
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
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	Organization of the Petroleum Exporting Countries, with certain non-OPEC oil exporting countries
P&NG	petroleum and natural gas
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, retirement benefit payments 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. Birchcliff eliminates retirement benefit payments from cash flow from operating activities as such payments reflect costs for past service and contributions made by eligible executives under the Corporation’s post-employment benefit plan, which are not indicative of the current period. Birchcliff has not historically adjusted for retirement benefit payments in the calculation of adjusted funds flow as previously no payments had been made to executive officers pursuant to their respective executive employment agreements. 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 repurchases, 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 December 31,		Twelve months ended December 31,		
	2023	2022	2023	2022	2021
(\$000s)					
Cash flow from operating activities	79,006	224,447	320,529	925,275	515,369
Change in non-cash operating working capital	(6,248)	(7,919)	(19,477)	25,662	21,161
Decommissioning expenditures	1,457	571	3,775	2,746	3,203
Retirement benefit payments	2,000	-	2,000	-	-
Adjusted funds flow	76,215	217,099	306,827	953,683	539,733
F&D capital expenditures	(58,166)	(106,762)	(304,637)	(364,621)	(230,479)
Free funds flow	18,049	110,337	2,190	589,062	309,254
Dividends on common shares	(53,390)	(58,503)	(213,344)	(71,788)	(6,639)
Excess free funds flow	(35,341)	51,834	(211,154)	517,274	302,615

Birchcliff has disclosed in this MD&A forecasts of adjusted funds flow and free funds flow for 2024, which are forward-looking non-GAAP financial measures (see “2024 Outlook and Guidance” in this MD&A). The equivalent historical non-GAAP financial measures are adjusted funds flow and free funds flow for the twelve months ended December 31, 2023. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow and free funds flow disclosed herein will be higher than their respective historical amounts primarily due to higher anticipated benchmark oil and natural gas prices, which are expected to increase the average realized sales prices the Corporation receives for its production. The commodity price assumptions on which the Corporation’s guidance is based are set forth under the heading “2024 Outlook and Guidance” in this MD&A.

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 December 31,		Twelve months ended December 31,		
	2023	2022	2023	2022	2021
Exploration and development expenditures⁽¹⁾	58,166	106,762	304,637	364,621	230,479
Acquisitions	2	-	190	2,348	283
Dispositions	(10)	-	(87)	(315)	-
FD&A capital expenditures	58,158	106,762	304,740	366,654	230,762
Administrative assets	1,383	709	3,176	1,576	1,718
Total capital expenditures	59,541	107,471	307,916	368,230	232,480

(1) Disclosed as F&D capital expenditures elsewhere in this MD&A. See “Advisories – F&D Capital Expenditures” 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:

(\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
Transportation expense	38,509	38,793	152,828	155,864
Marketing purchases	8,928	9,529	34,772	17,866
Marketing revenue	(8,532)	(8,916)	(30,521)	(18,806)
Marketing (gain) loss	396	613	4,251	(940)
Transportation and other expense	38,905	39,406	157,079	154,924

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:

(\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
P&NG revenue	119,583	201,550	483,750	866,991
Royalty expense	(10,275)	(21,092)	(38,052)	(86,987)
Operating expense	(15,332)	(16,120)	(59,081)	(54,037)
Transportation and other expense	(28,895)	(25,414)	(112,825)	(102,331)
Operating netback – Pouce Coupe assets	65,081	138,924	273,792	623,636
P&NG revenue	63,489	118,449	255,688	471,803
Royalty expense	(9,103)	(14,575)	(32,118)	(74,164)
Operating expense	(11,343)	(13,578)	(46,108)	(46,967)
Transportation and other expense	(9,964)	(13,946)	(44,057)	(52,422)
Operating netback – Gordondale assets	33,079	76,350	133,405	298,250
P&NG revenue	183,295	320,358	740,359	1,340,180
Royalty expense	(19,400)	(35,679)	(70,257)	(161,226)
Operating expense	(26,808)	(29,783)	(105,809)	(101,581)
Transportation and other expense	(38,905)	(39,406)	(157,079)	(154,924)
Operating netback – Corporate	98,182	215,490	407,214	922,449

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 and 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 lease obligations and capital securities 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 December 31, (\$000s)	2023	2022	2021
Revolving term credit facilities	372,097	131,981	500,870
Working capital deficit (surplus) ⁽¹⁾	10,522	(7,902)	53,312
Fair value of financial instruments – asset ⁽²⁾	3,588	17,729	69
Fair value of financial instruments – liability ⁽²⁾	(1,394)	(1,345)	(16,586)
Lease obligations ⁽³⁾	(2,507)	(1,914)	-
Capital securities ⁽²⁾	-	-	(38,268)
Adjusted working capital deficit (surplus)	10,209	6,568	(1,473)
Total debt	382,306	138,549	499,397

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

(3) Reflects the current portion only, which is included in “other liabilities” in the financial statements.

ADVISORIES

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.

Reserves

Birchcliff retained independent qualified reserves evaluator, Deloitte LLP ("**Deloitte**"), to evaluate and prepare reports on 100% of Birchcliff's light crude oil and medium crude oil (combined), conventional natural gas, shale gas and NGLs reserves effective December 31, 2023 and December 31, 2022. Such evaluations were prepared in accordance with the standards contained in the COGE Handbook and NI 51-101. Further information regarding the Corporation's reserves can be found in the AIF.

Certain terms used herein are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings in this MD&A as in NI 51-101 or the COGE Handbook, as the case may be.

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 *"2024 Outlook and Guidance"* as it relates to Birchcliff's 2024 outlook and guidance and its exploration, development and production activities and the timing thereof, including: that Birchcliff's disciplined 2024 capital budget reflects its commitment to maintaining a strong balance sheet, while

focusing on sustainable shareholder returns and the continued development of its assets; that the previously announced deferral of 13 wells to the second half of the year provides it with the flexibility to further adjust its 2024 capital budget if necessary to achieve these priorities; that based on its targeted F&D capital expenditures of \$240 million to \$260 million and as a result of the Corporation adjusting its capital spending profile by moving capital into the second half of 2024, Birchcliff expects annual average production of 74,000 to 77,000 boe/d in 2024; that Birchcliff's production profile for 2024 is designed to deliver higher production in Q4 2024 when the Corporation anticipates higher commodity prices; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, total debt at year end and natural gas market exposure in 2024; 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;

- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- estimates of reserves and future development costs;
- 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: 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 Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2024 will be sufficient to fund its ongoing capital requirements, which include its working capital, F&D capital expenditures and dividend payments approved by the Board; 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; that the unutilized credit capacity under the Credit Facilities provides Birchcliff with significant financial flexibility and available capital resources; and the Corporation's expectation that counterparties will be able to meet their financial obligations;
- 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 2024 NCIB, including: potential purchases under the 2024 NCIB; and the cancellation of common shares under the 2024 NCIB;
- statements regarding potential transactions; and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow and free funds flow disclosed herein will be higher than their respective historical amounts primarily due to higher anticipated benchmark oil and natural gas prices, which are expected to increase the average realized sales prices the Corporation receives for its production.

Statements relating to reserves are forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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 2024 guidance, such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading "2024 Outlook and Guidance". In addition:
 - Birchcliff's production guidance assumes that: the 2024 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 2024 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 2024 capital program will be carried out as currently contemplated and the level of capital spending for 2024 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 financial basis swap contracts outstanding as at January 8, 2024, and excludes cash incentive payments that have not been approved by the Board.
 - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow and free funds flow are achieved, with the level of capital spending for 2024 met and the payment of an annual base dividend of approximately \$107 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 buybacks of common shares during 2024; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2024; (v) there are no equity issuances during 2024; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2024. 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) 147,500 MMBtu/d being contracted on a financial basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US\$1.12/MMBtu; and (iii) 9,045 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 financial basis swap contracts.
- With respect to statements regarding 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.

- With respect to estimates of reserves, the key assumption is the validity of the data used by Deloitte in its independent reserves evaluation.

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 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 ABCA 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 this MD&A and 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-oriented 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.