BIRCHCLIFF ENERGY

QUARTERLY REPORT / Q1 2025

BIRCHCLIFF ENERGY LTD. ANNOUNCES STRONG Q1 2025 RESULTS AND DECLARES Q2 2025 DIVIDEND

Calgary, Alberta (May 14, 2025) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q1 2025 financial and operational results.

Chris Carlsen, Birchcliff's President and Chief Executive Officer, commented: "We are pleased to report strong operational and financial results for the first quarter of 2025, driven by our continued focus on operational excellence and our high-quality asset base. We successfully executed our Q1 capital program, drilling 14 wells and bringing 8 wells onstream, resulting in first quarter average production of 77,363 boe/d. We generated adjusted funds flow(1) of $124.4 million in Q1 2025 (an 88% increase from Q1 2024), driven by increased production and a stronger average realized natural gas sales price, which benefitted from our natural gas market diversification, with approximately 78% of our natural gas volumes realizing U.S. pricing at the Dawn and NYMEX HH markets. We achieved free funds flow(1) of $12.6 million in the first quarter, notwithstanding that approximately 40%(2) of our full-year capital budget was invested in Q1 2025 prior to spring break-up. With a substantial portion of our capital program behind us, we expect to generate significant free funds flow during the remainder of the year, which will be allocated primarily towards reducing our total debt(3) by approximately 28% from year end 2024(4) , after the payment of our base dividend. Our 2025 production guidance and capital program are unchanged and we remain focused on capital efficiency improvements, driving down our costs and strengthening our balance sheet.

This year marks a significant milestone for Birchcliff as we celebrate our 20th anniversary. We extend our gratitude to our dedicated staff, our board of directors and our shareholders for their support over the years. Together, we look forward to a promising future, leveraging our strengths to navigate the evolving market, drive profitable growth and deliver long-term shareholder value."

Q1 2025 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Delivered average production of 77,363 boe/d (82% natural gas, 10% NGLs, 6% condensate and 2% light oil), a 3% increase from Q1 2024.
- Generated adjusted funds flow of $124.4 million, or $0.46 per basic common share(5), an 88% and 84% increase, respectively, from Q1 2024. Cash flow from operating activities was $126.1 million, a 93% increase from Q1 2024.
- Reported net income to common shareholders of $65.7 million, or $0.24 per basic common share, as compared to a net loss to common shareholders of $15.0 million and $0.06 per basic common share in Q1 2024.
- Birchcliff's market diversification contributed to an effective average realized natural gas sales price(5) of $4.89/Mcf in Q1 2025, which represents a 142% premium to the average benchmark AECO 7A Monthly Index price in the quarter.
- Achieved an operating netback(5) of $17.71/boe, a 38% increase from Q1 2024.
- Birchcliff had a very active first quarter capital program, drilling 14 (14.0 net) wells and bringing 8 (8.0 net) wells on production, with F&D capital expenditures totalling $111.8 million in Q1 2025.

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

(2) Based on the mid-point of Birchcliff's 2025 capital budget of $260 million to $300 million.

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

(4) Based on the mid-point of Birchcliff's total debt guidance range at year end 2025 of $365 million to $405 million and as compared to Birchcliff's total debt at year end 2024 of $535.6 million.

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

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2025 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR+ at www.sedarplus.ca. Birchcliff's updated corporate presentation will be available on its website at www.birchcliffenergy.com on May 14, 2025.

DECLARATION OF Q2 2025 QUARTERLY DIVIDEND

- Birchcliff's board of directors (the "**Board**") has declared a quarterly cash dividend of $0.03 per common share for the quarter ending June 30, 2025.
- The dividend will be payable on June 30, 2025 to shareholders of record at the close of business on June 13, 2025. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

EXTENSION OF CREDIT FACILITIES

- Subsequent to the end of Q1 2025, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Corporation's extendible revolving credit facilities (the "**Credit Facilities**").
- In connection therewith, the agreement governing the Credit Facilities was amended effective May 7, 2025 to extend the maturity dates of each of the syndicated extendible revolving term credit facility and the extendible revolving working capital facility from May 11, 2027 to May 11, 2028. In addition, the lenders confirmed the borrowing base limit at $850 million. The Credit Facilities do not contain any financial maintenance covenants.

ANNUAL MEETING OF SHAREHOLDERS

- Birchcliff's annual meeting of shareholders is scheduled to take place tomorrow, Thursday, May 15, 2025, at 3:00 p.m. (Mountain Daylight Time) in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

*This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. For further information regarding the forward-looking statements and forward-looking information contained herein, see "Advisories – Forward-Looking Statements". With respect to the disclosure of Birchcliff's production contained in this press release, production volumes have been disclosed on a "gross" basis, as such term is defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**"). For further information regarding the disclosure of Birchcliff's production contained herein, see "Advisories – Production". In addition, this press release uses various "non-GAAP financial measures", "non-GAAP ratios" and "capital management measures" as such terms are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers. For further information regarding the non-GAAP and other financial measures used in this press release, see "Non-GAAP and Other Financial Measures".*

Q1 2025 UNAUDITED FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended March 31, 2025	Three months ended March 31, 2024
OPERATING		
Average production		
Light oil *(bbls/d)*	1,795	1,525
Condensate *(bbls/d)*	4,238	4,765
NGLs *(bbls/d)*	7,626	7,397
Natural gas *(Mcf/d)*	382,224	370,288
Total *(boe/d)*	**77,363**	**75,402**
Average realized sales prices *(CDN$)*		
Light oil *(per bbl)*	95.27	95.24
Condensate *(per bbl)*	97.98	100.26
NGLs *(per bbl)*	27.95	27.59
Natural gas *(per Mcf)*	3.64	2.61
Total *(per boe)*	**28.32**	**23.80**
NETBACK AND COST *($/boe)*		
Petroleum and natural gas revenue	28.32	23.80
Royalty expense	(2.16)	(2.11)
Operating expense	(3.04)(1)	(3.85)
Transportation and other expense(2)	(5.41)	(4.99)
Operating netback(2)	**17.71**	**12.85**
G&A expense, net	(1.42)	(1.28)
Interest expense	(1.27)	(1.13)
Lease interest expense	(0.33)(1)	-
Realized gain (loss) on financial instruments	3.18	(0.82)
Other cash income	-	0.01
Adjusted funds flow(2)	**17.87**	**9.63**
Depletion and depreciation expense	(8.99)	(8.56)
Unrealized gain (loss) on financial instruments	3.53	(3.28)
Other expenses(3)	(0.48)	(0.52)
Deferred income tax (expense) recovery	(2.49)	0.54
Net income (loss) to common shareholders	**9.44**	**(2.19)**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*	197,188	163,304
Cash flow from operating activities *($000s)*	126,097	65,255
Adjusted funds flow *($000s)*(4)	124,413	66,081
Per basic common share *($)*(2)	0.46	0.25
Free funds flow *($000s)*(4)	12,594	(36,692)
Per basic common share *($)*(2)	0.05	(0.14)
Net income (loss) to common shareholders *($000s)*	65,727	(15,035)
Per basic common share *($)*	0.24	(0.06)
End of period basic common shares *(000s)*	272,071	268,578
Weighted average basic common shares *(000s)*	271,614	267,905
Dividends on common shares *($000s)*	8,151	26,857
F&D capital expenditures *($000s)*(5)	111,819	102,773
Total capital expenditures *($000s)*(4)	112,473	103,484
Revolving term credit facilities *($000s)*	518,581	428,566
Total debt *($000s)*(6)	534,710	443,380

(1) Effective July 1, 2024, Birchcliff assumed operatorship of a third-party natural gas processing facility that resulted in the take-or-pay commitment associated with the underlying processing arrangement (the "**Gas Processing Lease**") being classified as a lease under IFRS Accounting Standards. Birchcliff's operating expense and lease interest expense for the three months ended March 31, 2025 include the financial effects of the Gas Processing Lease.

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

(3) Includes non-cash items such as compensation, accretion, amortization of deferred financing fees and other gains and losses.

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

(5) See *"Advisories – F&D Capital Expenditures"*.

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

2025 GUIDANCE

- Birchcliff is reaffirming its 2025 annual average production guidance of 76,000 to 79,000 boe/d and F&D capital expenditures guidance of $260 million to $300 million.
- As a result of the continued volatility in commodity prices driven by the uncertainties surrounding tariffs, global trade tensions and OPEC+ production increases, Birchcliff has lowered its commodity price assumptions for the remainder of 2025 and revised its guidance for adjusted funds flow, free funds flow and total debt accordingly. In addition, the Corporation has lowered its royalty expense guidance for 2025, primarily due to lower oil prices forecasted for the remainder of the year.
- Birchcliff expects to significantly strengthen its balance sheet in 2025, with free funds flow (after the payment of dividends) anticipated to be allocated primarily towards debt reduction. Based on its current commodity price assumptions, Birchcliff expects to exit 2025 with total debt of $365 million to $405 million, which represents a 28% reduction from its total debt at year end 2024 of $535.6 million.
- The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2025, as well as its free funds flow sensitivity:

	Updated 2025 guidance and assumptions – May 14, 2025[(1)]	Previous 2025 guidance and assumptions – March 12, 2025
Production		
Annual average production *(boe/d)*	76,000 – 79,000	76,000 – 79,000
% Light oil	3%	3%
% Condensate	6%	6%
% NGLs	9%	9%
% Natural gas	82%	82%
Average Expenses *($/boe)*		
Royalty	$1.90 – $2.10	$2.10 – $2.30
Operating	$2.90 – $3.10	$2.90 – $3.10
Transportation and other[(2)]	$5.55 – $5.75	$5.55 – $5.75
Adjusted Funds Flow *(millions)*[(3)]	$480	$580
F&D Capital Expenditures *(millions)*	$260 – $300	$260 – $300
Free Funds Flow *(millions)*[(3)]	$180 – $220	$280 – $320
Total Debt at Year End *(millions)*[(4)]	$365 – $405	$265 – $305
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	23%	23%
Dawn exposure as a % of total natural gas production	41%	41%
NYMEX HH exposure as a % of total natural gas production	35%	35%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price *(US$/bbl)*	$61.75[(5)]	$67.00
Average WTI-MSW differential *(CDN$/bbl)*	$5.60[(5)]	$8.80
Average AECO price *(CDN$/GJ)*	$2.30[(5)]	$2.20
Average Dawn price *(US$/MMBtu)*	$3.65[(5)]	$4.20
Average NYMEX HH price *(US$/MMBtu)*	$3.95[(5)]	$4.50
Exchange rate *(CDN$ to US$1)*	1.41[(5)]	1.44

Forward eight months' free funds flow sensitivity[(5)(6)]	Estimated change to 2025 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$2.6
Change in NYMEX HH US$0.10/MMBtu	$4.5
Change in Dawn US$0.10/MMBtu	$5.5
Change in AECO CDN$0.10/GJ	$2.4
Change in CDN/US exchange rate CDN$0.01	$3.5

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2025 is based on an annual average production rate of 77,500 boe/d in 2025, which is the mid-point of Birchcliff's annual average production guidance range for 2025. Changes in assumed

commodity prices and variances in production forecasts can have an impact on the Corporation's forecasts of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact could be material. In addition, any acquisitions or dispositions completed over the course of 2025 could have an impact on Birchcliff's 2025 guidance and assumptions set forth herein, which impact could be material. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

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

(5) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2025 are based on anticipated full-year averages using the Corporation's anticipated forward benchmark commodity prices and the CDN/US exchange rate as of May 5, 2025, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2025 to April 30, 2025.

(6) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2025, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

- The oil and natural gas industry in Canada, along with other industries, has faced considerable uncertainty in respect of the United States' evolving trade policy. Although Birchcliff currently anticipates that U.S. tariffs will not have a material impact on its business, this considerable uncertainty makes it impossible to predict what, if any, impacts there might be on the Corporation's business. Birchcliff will continue to monitor developments in U.S. trade policy, assess any potential impacts on the Corporation's business and will update its guidance if, as and when appropriate.

Q1 2025 FINANCIAL AND OPERATIONAL RESULTS

Production

- Birchcliff's production averaged 77,363 boe/d in Q1 2025, a 3% increase from Q1 2024. The increase was primarily due to the strong performance of the Corporation's capital program and the successful drilling of new Montney/Doig wells brought on production since Q1 2024, specifically high-rate natural gas wells in liquids-rich zones in Pouce Coupe and light oil and liquids-rich natural gas wells in Gordondale, partially offset by natural production declines.
- Liquids accounted for 18% of Birchcliff's total production in both Q1 2025 and Q1 2024.

Adjusted Funds Flow and Cash Flow From Operating Activities

- Birchcliff's adjusted funds flow was $124.4 million in Q1 2025, or $0.46 per basic common share, an 88% and 84% increase, respectively, from Q1 2024.
- Birchcliff's cash flow from operating activities was $126.1 million in Q1 2025, a 93% increase from Q1 2024.
- The increases were primarily due to higher natural gas revenue, which largely resulted from higher natural gas production in Q1 2025 and a 39% increase in the average realized natural gas sales price Birchcliff received for such production as compared to Q1 2024. Adjusted funds flow and cash flow from operating activities were also positively impacted by a realized gain on financial instruments of $22.2 million in Q1 2025 as compared to a realized loss on financial instruments of $5.6 million in Q1 2024.

Net Income (Loss) to Common Shareholders

- Birchcliff reported net income to common shareholders of $65.7 million in Q1 2025, or $0.24 per basic common share, as compared to a net loss to common shareholders of $15.0 million and $0.06 per basic common share in Q1 2024.
- The change to a net income position was primarily due to higher adjusted funds flow and an unrealized gain on financial instruments of $24.6 million in Q1 2025 as compared to an unrealized loss on financial instruments of $22.5 million in Q1 2024, partially offset by a deferred income tax expense of $17.3 million in Q1 2025 as compared to a deferred income tax recovery of $3.7 million in Q1 2024.

Capital Activities and Investment

- Birchcliff had a very active first quarter capital program, drilling 14 (14.0 net) wells and bringing 8 (8.0 net) wells on production, with F&D capital expenditures totalling $111.8 million in Q1 2025.

Debt and Credit Facilities

- Total debt at March 31, 2025 was $534.7 million, a 21% increase from March 31, 2024.
- At March 31, 2025, Birchcliff had a balance outstanding under its Credit Facilities of $522.3 million (March 31, 2024: $430.2 million) from available Credit Facilities of $850.0 million (March 31, 2024: $850.0 million), leaving the Corporation with $327.7 million (39%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees.

Natural Gas Market Diversification

- Birchcliff's physical natural gas sales exposure primarily consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing.
- The following table sets forth Birchcliff's effective sales, production and average realized sales price for its natural gas and liquids for Q1 2025, after taking into account the Corporation's financial instruments:

Three months ended March 31, 2025						
	Effective sales *(CDN$000s)*	**Percentage of total sales** *(%)*	**Effective production** *(per day)*	**Percentage of total natural gas production** *(%)*	**Percentage of total corporate production** *(%)*	**Effective average realized sales price** *(CDN$)*
Market						
AECO(1)(2)	16,210	7	82,553 Mcf	22	18	2.18/Mcf
Dawn(3)	82,094	34	162,982 Mcf	43	35	5.60/Mcf
NYMEX HH(1)(4)	69,988	29	136,689 Mcf	35	29	5.69/Mcf
Total natural gas(1)	**168,292**	**70**	**382,224 Mcf**	**100**	**82**	**4.89/Mcf**
Light oil	15,391	6	1,795 bbls		2	95.27/bbl
Condensate	37,371	16	4,238 bbls		6	97.98/bbl
NGLs	19,183	8	7,626 bbls		10	27.95/bbl
Total liquids	**17,945**	**30**	**13,659 bbls**		**18**	**58.52/bbl**
Total corporate(1)	**240,237**	**100**	**77,363 boe**		**100**	**34.50/boe**

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

(2) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q1 2025 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

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

(4) NYMEX HH effective sales and production include financial NYMEX HH/AECO 7A basis swap contracts for an aggregate of 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.088/MMBtu during Q1 2025.

Birchcliff's effective average realized sales price for NYMEX HH of CDN$5.69/Mcf (US$3.65/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.70/Mcf (US$1.088/MMBtu) and includes any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q1 2025.

After giving effect to the NYMEX HH/AECO 7A fixed contract basis differential price and including any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q1 2025, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$3.99/Mcf (US$2.56/MMBtu) in Q1 2025.

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

Three months ended March 31, 2025							
Natural gas market	**Natural gas sales** *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price** *(CDN$/Mcf)*	**Natural gas transportation costs[1]** *(CDN$/Mcf)*	**Natural gas sales netback[2]** *(CDN$/Mcf)*
AECO	42,368	34	215,026	56	2.19	0.46	1.73
Dawn	82,094	65	162,982	43	5.60	1.55	4.05
Alliance[3]	769	1	4,216	1	2.03	-	2.03
Total	**125,231**	**100**	**382,224**	**100**	**3.64**	**0.92**	**2.72**
Three months ended March 31, 2024							
Natural gas market	**Natural gas sales** *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price** *(CDN$/Mcf)*	**Natural gas transportation costs[1]** *(CDN$/Mcf)*	**Natural gas sales netback[2]** *(CDN$/Mcf)*
AECO	38,639	44	195,141	53	2.19	0.40	1.79
Dawn	45,198	51	161,667	44	3.07	1.41	1.66
Alliance[3]	4,185	5	13,480	3	3.41	-	3.41
Total	**88,022**	**100**	**370,288**	**100**	**2.61**	**0.83**	**1.78**

(1) Reflects costs to transport natural gas from the field receipt point to the delivery sales trading hub.

(2) Natural gas sales netback denotes the average realized natural gas sales price less natural gas transportation costs.

(3) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. Alliance sales are indexed to the AECO 5A benchmark index price and are recorded net of transportation tolls.

OPERATIONAL UPDATE

- Birchcliff's 2025 capital budget of $260 million to $300 million includes the drilling of 25 (25.0 net) wells and the bringing on production of 26 (26.0 net) wells in 2025. Year-to-date, the Corporation has drilled 15 (15.0 net) wells and brought 12 (12.0 net) wells on production.
- In the first quarter of 2025, Birchcliff delivered strong execution metrics, building on the operational momentum and key learnings from a successful capital program in 2024. Birchcliff's teams continue to demonstrate a steadfast focus on execution, operational efficiency and disciplined cost management. Birchcliff's purposeful execution is helping to strengthen its performance and position the business for sustainable growth through the remainder of the year and in the long-term.

Pouce Coupe

- Birchcliff completed the drilling of its 5-well 04-05 pad in December 2024 and the wells were turned over to production through Birchcliff's permanent facilities in early March 2025. This pad targeted high-rate natural gas wells in the Lower Montney. The wells have shown strong production rates exhibiting low declines as highlighted in the table below, which summarizes the aggregate and average production rates for the wells from the pad:

5-Well 04-05 Pad IP Rates

	Wells: IP 30[1]	**Wells: IP 60[1]**
Aggregate production rate *(boe/d)*	**6,130**	**5,578**
Aggregate natural gas production rate *(Mcf/d)*	34,691	31,864
Aggregate condensate production rate *(bbls/d)*	348	267
Average per well production rate *(boe/d)*	**1,226**	**1,116**
Average per well natural gas production rate *(Mcf/d)*	6,938	6,373
Average per well condensate production rate *(bbls/d)*	70	53
Condensate-to-gas ratio *(bbls/MMcf)*	**10**	**8**

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

- Completions operations on Birchcliff's 3-well 07-10 pad were finished in March 2025 and the wells were turned over to production through the Corporation's permanent facilities in April 2025. This pad targeted condensate-rich natural gas wells in the Lower Montney.
- Completions operations on Birchcliff's 4-well 05-19 pad were finished in April 2025 and flowback operations were recently completed. The wells are currently scheduled to be turned over to production through the Corporation's permanent facilities later in May 2025. This pad targeted condensate-rich natural gas wells in the Lower Montney.
- Completions operations are underway on Birchcliff's 4-well 03-06 pad and the wells are currently scheduled to be turned over to production through the Corporation's permanent facilities in June 2025. This pad targeted condensate-rich natural gas wells in the Lower Montney.
- In the second half of April 2025, Birchcliff successfully completed the first phase of its planned turnaround at its Pouce Coupe gas plant. The second phase of the turnaround is well underway and is expected to be completed shortly.

Gordondale

- Completions operations on Birchcliff's 4-well 02-27 pad were finished in March 2025 and the wells were turned over to production through the Corporation's permanent facilities in May 2025. This pad targeted condensate-rich natural gas wells in the Lower Montney.

Elmworth

- As previously disclosed in its March 12, 2025 press release, Birchcliff completed a horizontal Montney land retention well in February 2025 and performed a 10.5 day flow test on the well.
- Birchcliff continues to progress the formal planning for the construction of a proposed 100% owned and operated 80 MMcf/d natural gas processing plant in Elmworth. In the second half of March 2025, Birchcliff held an open house in the area to discuss its proposed plans for the area with community residents.

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

Adjusted Funds Flow and 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. 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 value and 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.

The most directly comparable GAAP financial measure to adjusted funds flow and 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 and free funds flow for the periods indicated:

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2025**	**2024**	**2024**
Cash flow from operating activities	**126,097**	**65,255**	**203,710**
Change in non-cash operating working capital	(2,194)	(13,163)	17,269
Decommissioning expenditures	510	138	1,964
Retirement benefit payments	-	13,851	13,851
Adjusted funds flow	**124,413**	**66,081**	**236,794**
F&D capital expenditures	(111,819)	(102,773)	(273,084)
Free funds flow	**12,594**	**(36,692)**	**(36,290)**

Birchcliff has disclosed in this press release forecasts of adjusted funds flow and free funds flow for 2025, which are forward-looking non-GAAP financial measures. See *"2025 Guidance"*. The equivalent historical non-GAAP financial measures are adjusted funds flow and free funds flow for the twelve months ended December 31, 2024. 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 natural gas prices in 2025 as compared to 2024. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading *"2025 Guidance"*.

Transportation and Other Expense

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

	Three months ended March 31,		**Twelve months ended December 31,**
($000s)	**2025**	**2024**	**2024**
Transportation expense	**37,519**	**36,625**	**149,534**
Marketing purchases	14,910	7,111	51,496
Marketing revenue	(14,748)	(9,468)	(54,069)
Transportation and other expense	**37,681**	**34,268**	**146,961**

Operating Netback

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

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**
P&NG revenue	197,188	163,304
Royalty expense	(15,039)	(14,467)
Operating expense	(21,133)	(26,427)
Transportation and other expense	(37,681)	(34,268)
Operating netback	**123,335**	**88,142**

Total Capital Expenditures

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

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**
Exploration and development expenditures(1)	**111,819**	**102,773**
Dispositions	-	(109)
Administrative assets	654	820
Total capital expenditures	**112,473**	**103,484**

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

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

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

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**
Natural gas sales	**125,231**	**88,022**
Realized gain (loss) on financial instruments	22,167	(5,628)
Notional fixed basis costs(1)	20,894	18,477
Effective total natural gas sales	**168,292**	**100,871**
Light oil sales	15,391	13,219
Condensate sales	37,371	43,477
NGLs sales	19,183	18,568
Effective total corporate sales	**240,237**	**176,135**

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

Non-GAAP Ratios

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

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

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

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

Free Funds Flow Per Basic Common Share

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

Transportation and Other Expense Per Boe

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

Operating Netback Per Boe

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

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

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

Capital Management Measures

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

Total Debt

Birchcliff calculates "total debt" at the end of the period as the amount outstanding under the Corporation's Credit Facilities plus working capital deficit (less working capital surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less the current portion of other liabilities discounted to the end of the period. The current portion of other liabilities has been excluded from total debt as these amounts have not been incurred and reflect future commitments in the normal course of operations. Management believes that total debt assists management and investors in assessing Birchcliff's overall liquidity and financial position at the end of the period. The following table provides a reconciliation of the amount outstanding under the Corporation's Credit Facilities, as determined in accordance with GAAP, to total debt for the periods indicated:

As at *($000s)*	**March 31, 2025**	**December 31, 2024**	**March 31, 2024**
Revolving term credit facilities	**518,581**	**566,857**	**428,566**
Working capital (surplus) deficit(1)	(67,109)	(88,953)	34,261
Fair value of financial instruments – asset(2)	96,623	71,038	240
Fair value of financial instruments – liability(2)	-	-	(14,550)
Other liabilities(2)	(13,385)	(13,385)	(5,137)
Total debt	**534,710**	**535,557**	**443,380**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three months ended March 31, 2025 and 2024 is unaudited.

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

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

Production

With respect to the disclosure of Birchcliff's production contained in this press release: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in 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.

With respect to the disclosure of Birchcliff's production contained in this press release, all production volumes have been disclosed on a "gross" basis as such term is defined in NI 51-101, meaning Birchcliff's working interest (operating or non-operating) share before the deduction of royalties and without including any royalty interests of Birchcliff.

Initial Production Rates

Any references in this press release to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or the ultimate recovery of such wells. In addition, such rates may also include recovered "load oil" or "load water" fluids used in well completion stimulation. Readers are cautioned not to place undue reliance on such rates in calculating the aggregate production for Birchcliff. Such rates are based on field estimates and may be based on limited data available at this time.

With respect to the production rates for the Corporation's 5-well 04-05 pad disclosed herein, such rates represent the cumulative volumes for each well measured at the wellhead separator for the 30 and 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable, divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 5-well pad and then divided by 5 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

Finding and Development (F&D) Capital Expenditures

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

Forward-Looking Statements

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

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

In particular, this press release contains forward-looking statements relating to:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including: Birchcliff's continued focus on operational excellence; that with a substantial portion of its capital program behind it, Birchcliff expects to generate significant free funds flow during the remainder of the year, which will be allocated primarily towards reducing its total debt by approximately 28% from year end 2024, after the payment of its base dividend; that Birchcliff's 2025 production guidance and capital program are unchanged and it remains focused on capital efficiency improvements, driving down its costs and strengthening its balance sheet; and that Birchcliff looks forward to a promising future, leveraging its strengths to navigate the evolving market, drive profitable growth and deliver long-term shareholder value;
- the information set forth under the heading *"2025 Guidance"* and elsewhere in this press release as it relates to Birchcliff's guidance for 2025, including: that as a result of the continued volatility in commodity prices driven by the uncertainties surrounding tariffs, global trade tensions and OPEC+ production increases, Birchcliff has lowered its commodity price assumptions for the remainder of 2025; that lower oil prices are forecasted for the remainder of the year; that Birchcliff expects to significantly strengthen its balance sheet in 2025, with free funds flow (after the payment of dividends) anticipated to be allocated primarily towards debt reduction; that based on its current commodity price assumptions, Birchcliff expects to exit 2025 with total debt of $365 million to $405 million, which represents a 28% reduction from its total debt at year end 2024 of $535.6 million; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt at year end, natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow; and that Birchcliff currently anticipates that U.S. tariffs will not have a material impact on its business;
- the information set forth under the heading *"Operational Update"* and elsewhere in this press release regarding Birchcliff's 2025 capital program and its exploration, production and development activities and plans (including its

plans for Elmworth) and the timing thereof, including: that Birchcliff's 2025 capital budget of $260 million to $300 million includes the drilling of 25 (25.0 net) wells and the bringing on production of 26 (26.0 net) wells in 2025; that Birchcliff's teams continue to demonstrate a steadfast focus on execution, operational efficiency and disciplined cost management; that Birchcliff's purposeful execution is helping to strengthen its performance and position the business for sustainable growth through the remainder of the year and in the long-term; the expected timing for wells to be brought on production and the completion of the turnaround at Birchcliff's Pouce Coupe gas plant; targeted product types; and that Birchcliff is progressing the formal planning for the construction of a proposed 100% owned and operated 80 MMcf/d natural gas processing plant in Elmworth; 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 natural gas prices in 2025 as compared to 2024.

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

- With respect to Birchcliff's 2025 guidance (as updated on May 14, 2025), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"2025 Guidance"*. In addition:
    - Birchcliff's production guidance assumes that: the 2025 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 2025 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 2025 capital program will be carried out as currently contemplated and the level of capital spending for 2025 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 May 5, 2025 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 2025 met and the payment of an annual base dividend of approximately $33 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; and (iii) there are no buybacks of common shares, no equity issuances, no further exercises of stock options and no significant acquisitions or dispositions completed by the Corporation during 2025. 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 US$1.088/MMBtu; and (iii) 1,200 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 financial basis swap contracts outstanding as at May 5, 2025.

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

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in commodity prices and exchange, interest and inflation rates; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; an inability of Birchcliff to generate sufficient cash flow from operations to meet its current and future obligations; 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 risk that weather events such as wildfires, flooding, droughts or extreme hot or cold temperatures forces the Corporation to shut-in production or otherwise adversely affects the Corporation's operations; the occurrence of unexpected events such as fires, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; the risks associated with supply chain disruptions; 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; 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; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production, revenue, costs and reserves; 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; the risks posed by pandemics, epidemics, geopolitical events and global conflict and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major oil producers and the impact such actions may have on supply and demand and commodity prices; stock market volatility; loss of market demand; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental and climate change laws (including emissions and "greenwashing"), 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; the risk that: (i) the U.S. tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased or new tariffs are imposed, including on oil and natural gas; (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas; and (iii) the tariffs imposed or threatened to be imposed by the U.S. on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the U.S. will trigger a broader global trade war, which could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Corporation, including by decreasing the demand for (and the price of) oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets and limiting access to financing; 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; 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 artificial intelligence; risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and 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 2025).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect Birchcliff's results of operations, financial performance or financial results are included in the Corporation's annual information form and annual management's discussion and analysis for the financial year ended December 31, 2024 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

This press release 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 press release in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that this information may not be appropriate for other purposes.

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

ABOUT BIRCHCLIFF:

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

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Chris Carlsen – President and Chief Executive Officer

Bruno Geremia – Executive Vice President and Chief Financial Officer

MANAGEMENT’S DISCUSSION AND ANALYSIS

GENERAL

This Management’s Discussion and Analysis (“**MD&A**”) for Birchcliff Energy Ltd. (“**Birchcliff**” or the “**Corporation**”) dated May 14, 2025 is with respect to the three months ended March 31, 2025 (the “**Reporting Period**”) as compared to the three months ended March 31, 2024 (the “**Comparable Prior Period**”). This MD&A has been prepared by management and approved by the Corporation’s audit committee and board of directors (the “**Board**”) and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the Reporting Period (the “**financial statements**”) and the audited annual financial statements of the Corporation and related notes for the year ended December 31, 2024, 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. In accordance with Canadian practice, production volumes and revenue are reported on a company gross basis, before the deduction of Crown and other royalties and without including any royalty interests of Birchcliff.

ABOUT BIRCHCLIFF

Birchcliff is an intermediate oil and natural gas company based in Calgary, Alberta with operations focused on the exploration and development of 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, 2024 (the “**AIF**”), is available on the SEDAR+ website at www.sedarplus.ca and on the Corporation’s website at www.birchcliffenergy.com.

Q1 2025 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Delivered average production of 77,363 boe/d (82% natural gas, 10% NGLs, 6% condensate and 2% light oil) in the Reporting Period, a 3% increase from the Comparable Prior Period.
- Generated adjusted funds flow(1) of $124.4 million, or $0.46 per basic common share(2), an 88% and 84% increase, respectively, from the Comparable Prior Period. Cash flow from operating activities was $126.1 million in the Reporting Period, a 93% increase from the Comparable Prior Period.
- Reported net income to common shareholders of $65.7 million, or $0.24 per basic common share, in the Reporting Period, as compared to a net loss to common shareholders of $15.0 million and $0.06 per basic common share in the Comparable Prior Period.
- Birchcliff's market diversification contributed to an effective average realized natural gas sales price(2) of $4.89/Mcf in the Reporting Period, which represents a 142% premium to the average benchmark AECO 7A Monthly Index price in the Reporting Period.
- Achieved an operating netback(2) of $17.71/boe in the Reporting Period, a 38% increase from the Comparable Prior Period.
- Birchcliff had a very active first quarter capital program, drilling 14 (14.0 net) wells and bringing 8 (8.0 net) wells on production, with F&D capital expenditures totalling $111.8 million in the Reporting Period.

2025 GUIDANCE

Birchcliff is reaffirming its 2025 annual average production guidance of 76,000 to 79,000 boe/d and F&D capital expenditures guidance of $260 million to $300 million.

As a result of the continued volatility in commodity prices driven by the uncertainties surrounding tariffs, global trade tensions and OPEC+ production increases, Birchcliff has lowered its commodity price assumptions for the remainder of 2025 and revised its guidance for adjusted funds flow, free funds flow and total debt accordingly. In addition, the Corporation has lowered its royalty expense guidance for 2025, primarily due to lower oil prices forecasted for the remainder of the year.

Birchcliff expects to significantly strengthen its balance sheet in 2025, with free funds flow (after the payment of dividends) anticipated to be allocated primarily towards debt reduction. Based on its current commodity price assumptions, Birchcliff expects to exit 2025 with total debt(3) of $365 million to $405 million, which represents a 28%(4) reduction from its total debt at year end 2024 of $535.6 million.

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

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

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

(4) Based on the mid-point of Birchcliff's total debt guidance range at year end 2025.

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2025, as well as its free funds flow sensitivity:

	Updated 2025 guidance and assumptions – May 14, 2025[(1)]	Previous 2025 guidance and assumptions – March 12, 2025
Production		
Annual average production *(boe/d)*	76,000 – 79,000	76,000 – 79,000
% Light oil	3%	3%
% Condensate	6%	6%
% NGLs	9%	9%
% Natural gas	82%	82%
Average Expenses *($/boe)*		
Royalty	$1.90 – $2.10	$2.10 – $2.30
Operating	$2.90 – $3.10	$2.90 – $3.10
Transportation and other[(2)]	$5.55 – $5.75	$5.55 – $5.75
Adjusted Funds Flow *(millions)*[(3)]	$480	$580
F&D Capital Expenditures *(millions)*	$260 – $300	$260 – $300
Free Funds Flow *(millions)*[(3)]	$180 – $220	$280 – $320
Total Debt at Year End *(millions)*[(4)]	$365 – $405	$265 – $305
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	23%	23%
Dawn exposure as a % of total natural gas production	41%	41%
NYMEX HH exposure as a % of total natural gas production	35%	35%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price *(US$/bbl)*	$61.75[(5)]	$67.00
Average WTI-MSW differential *(CDN$/bbl)*	$5.60[(5)]	$8.80
Average AECO price *(CDN$/GJ)*	$2.30[(5)]	$2.20
Average Dawn price *(US$/MMBtu)*	$3.65[(5)]	$4.20
Average NYMEX HH price *(US$/MMBtu)*	$3.95[(5)]	$4.50
Exchange rate *(CDN$ to US$1)*	1.41[(5)]	1.44

Forward eight months' free funds flow sensitivity[(5)(6)]	Estimated change to 2025 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$2.6
Change in NYMEX HH US$0.10/MMBtu	$4.5
Change in Dawn US$0.10/MMBtu	$5.5
Change in AECO CDN$0.10/GJ	$2.4
Change in CDN/US exchange rate CDN$0.01	$3.5

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2025 is based on an annual average production rate of 77,500 boe/d in 2025, which is the mid-point of Birchcliff's annual average production guidance range for 2025. Changes in assumed commodity prices and variances in production forecasts can have an impact on the Corporation's forecasts of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact could be material. In addition, any acquisitions or dispositions completed over the course of 2025 could have an impact on Birchcliff's 2025 guidance and assumptions set forth herein, which impact could be material. 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) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(5) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2025 are based on anticipated full-year averages using the Corporation's anticipated forward benchmark commodity prices and the CDN/US exchange rate as of May 5, 2025, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2025 to April 30, 2025.

(6) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2025, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

The oil and natural gas industry in Canada, along with other industries, has faced considerable uncertainty in respect of the United States' evolving trade policy. Although Birchcliff currently anticipates that U.S. tariffs will not have a material impact on its business, this considerable uncertainty makes it impossible to predict what, if any, impacts there might be on the Corporation's business. Birchcliff will continue to monitor developments in U.S. trade policy, assess any potential impacts on the Corporation's business and will update its guidance if, as and when appropriate.

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	March 31, 2025	March 31, 2024	% Change
Cash flow from operating activities *($000s)*	**126,097**	**65,255**	**93**
Adjusted funds flow *($000s)*(1)	**124,413**	**66,081**	**88**
Per basic common share *($)*(2)	0.46	0.25	84
Per diluted common share *($)*(2)	0.46	0.25	84
Per boe *($)*(2)	17.87	9.63	86

(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 and adjusted funds flow increased by 93% and 88% from the Comparable Prior Period, respectively. The increases were primarily due to higher natural gas revenue, which largely resulted from higher natural gas production in the Reporting Period and a 39% increase in the average realized natural gas sales price Birchcliff received for such production as compared to the Comparable Prior Period. Cash flow from operating activities and adjusted funds flow were also positively impacted by a realized gain on financial instruments of $22.2 million in the Reporting Period as compared to a realized loss on financial instruments of $5.6 million in the Comparable Prior Period.

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

NET INCOME (LOSS) TO COMMON SHAREHOLDERS

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

Three months ended	March 31, 2025	March 31, 2024	% Change
Net income (loss) to common shareholders *($000s)*	**65,727**	**(15,035)**	**537**
Per basic common share *($)*	0.24	(0.06)	500
Per diluted common share *($)*	0.24	(0.06)	500
Per boe *($)*	9.44	(2.19)	531

Birchcliff earned net income to common shareholders of $65.7 million in the Reporting Period as compared to a net loss to common shareholders of $15.0 million in the Comparable Prior Period. The change to a net income position was primarily due to higher adjusted funds flow and an unrealized gain on financial instruments of $24.6 million in the Reporting Period as compared to an unrealized loss on financial instruments of $22.5 million in the Comparable Prior Period, partially offset by a deferred income tax expense of $17.3 million in the Reporting Period as compared to a deferred income tax recovery of $3.7 million in the Comparable Prior Period.

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 *($000s)*	March 31, 2025	March 31, 2024	% Change
Light oil	15,391	13,219	16
Condensate	37,371	43,477	(14)
NGLs	19,183	18,568	3
Natural gas	125,231	88,022	42
P&NG sales	197,176	163,286	21
Royalty income	12	18	(33)
P&NG revenue	**197,188**	**163,304**	**21**

P&NG revenue increased by 21% from the Comparable Prior Period, primarily due to a 42% increase in natural gas revenue in the Reporting Period, which largely resulted from increased natural gas production and a higher average realized natural gas sales price Birchcliff received for such production in the Reporting Period.

P&NG revenue was also positively impacted by a 16% increase in light oil revenue in the Reporting Period as a result of increased light oil production and negatively impacted by a 14% decrease in condensate revenue in the Reporting Period as a result of lower condensate production and a lower average realized sales price received for such production.

Production

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

Three months ended	March 31, 2025	March 31, 2024	% Change
Light oil *(bbls/d)*	1,795	1,525	18
Condensate *(bbls/d)*	4,238	4,765	(11)
NGLs *(bbls/d)*	7,626	7,397	3
Natural gas *(Mcf/d)*	382,224	370,288	3
Production *(boe/d)*	**77,363**	**75,402**	**3**
Liquids-to-gas ratio *(bbls/MMcf)*	**35.7**	**37.0**	**(4)**

Birchcliff's production increased by 3% from the Comparable Prior Period. The increase was primarily due to the strong performance of the Corporation's capital program and the successful drilling of new Montney/Doig wells brought on production since the Comparable Prior Period, specifically high-rate natural gas wells in liquids-rich zones in Pouce Coupe and light oil and liquids-rich natural gas wells in Gordondale, partially offset by natural production declines.

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

Three months ended	March 31, 2025	March 31, 2024
% Light oil production	2	2
% Condensate production	6	6
% NGLs production	10	10
% Natural gas production	82	82

Liquids accounted for 18% of Birchcliff's total production in both the Reporting Period and the Comparable Prior Period.

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	March 31, 2025	March 31, 2024	% Change
Light oil – WTI Cushing *(US$/bbl)*	71.42	76.96	(7)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	95.94	92.24	4
Natural gas – NYMEX HH *(US$/MMBtu)*	3.65	2.24	63
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.05	2.36	(13)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.40	1.53	(8)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	3.87	2.26	71
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	1.61	2.60	(38)
Exchange rate *(CDN$ to US$1)*	1.4440	1.3498	7
Exchange rate *(US$ to CDN$1)*	0.6925	0.7409	(7)

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, 2031. 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$1.088/MMBtu during the Reporting Period and US$1.120/MMBtu during the Comparable Prior Period.

AECO natural gas benchmark prices decreased from the Comparable Prior Period, largely due to an oversupply of natural gas in Western Canada in anticipation of the startup of LNG Canada and limited export capacity. NYMEX HH and Dawn natural gas benchmark prices improved significantly from the Comparable Prior Period, primarily due to weather-related demand resulting from cold winter temperatures and record levels of LNG exports.

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark oil price, which generally trades at a discount to the WTI benchmark oil price. In the Reporting Period, the MSW benchmark oil price was positively impacted by a higher U.S. to Canadian dollar exchange rate and negatively impacted by uncertainties surrounding tariffs, global trade tensions and OPEC+ production increases.

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 or 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	**March 31, 2025**	**March 31, 2024**	**% Change**
Light oil *($/bbl)*	95.27	95.24	-
Condensate *($/bbl)*	97.98	100.26	(2)
NGLs *($/bbl)*	27.95	27.59	1
Natural gas *($/Mcf)*	3.64	2.61	39
Average realized sales price *($/boe)*	**28.32**	**23.80**	**19**

The Corporation's average realized sales price increased by 19% from the Comparable Prior Period, primarily due to higher Dawn benchmark natural gas prices, which positively impacted the Corporation's P&NG revenue in the Reporting Period. Birchcliff is fully exposed to increases and decreases in benchmark commodity prices as it has no fixed price commodity hedges in place.

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

The average realized sales prices that the Corporation receives from physical natural gas deliveries in each natural gas market depend 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 storage 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 March 31, 2025					**Three months ended March 31, 2024**
Natural gas market	**Natural gas sales** *($000s)*	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*	**Natural gas sales** *($000s)*	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*
AECO	42,368	34	215,026	56	2.19	38,639	44	195,141	53	2.19
Dawn	82,094	65	162,982	43	5.60	45,198	51	161,667	44	3.07
Alliance(1)	769	1	4,216	1	2.03	4,185	5	13,480	3	3.41
Total	**125,231**	**100**	**382,224**	**100**	**3.64**	**88,022**	**100**	**370,288**	**100**	**2.61**

(1) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. Alliance sales are indexed to the AECO 5A benchmark index price and are recorded net of transportation tolls.

The average realized sales price in the Dawn natural gas market improved significantly from the Comparable Prior Period, primarily due to higher weather-related demand resulting from cold winter temperatures and record levels of LNG exports.

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 of its 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 March 31, 2025, 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	Apr. 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
Natural gas	AECO 7A basis swap(2)	25,000 MMBtu/d	Jan. 1, 2030 – Dec. 31, 2031	NYMEX HH less US$1.090/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 March 31, 2025 to manage commodity price risk.

Realized Gains and Losses on Financial Instruments

The following table sets forth Birchcliff's realized gains and losses on financial instruments for the periods indicated:

Three months ended	March 31, 2025	March 31, 2024	% Change
Realized gain (loss) *($000s)*	22,167	(5,628)	494
Realized gain (loss) *($/boe)*	3.18	(0.82)	488

Birchcliff recorded a realized gain on financial instruments of $22.2 million in the Reporting Period as compared to a realized loss on financial instruments of $5.6 million in the Comparable Prior Period.

Birchcliff's realized gains and losses on financial instruments are primarily impacted by the settlement of its NYMEX HH/AECO 7A basis swap contracts in the period. 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$1.088/MMBtu during the Reporting Period and 147,500 MMBtu/d and US$1.120/MMBtu during the Comparable Prior Period. The average realized settlement price of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the Reporting Period was US$2.25/MMBtu as compared to US$0.71/MMBtu during the Comparable Prior Period.

Unrealized Gains and Losses on Financial Instruments

The following table sets forth Birchcliff's unrealized gains and losses on financial instruments for the periods indicated:

Three months ended	March 31, 2025	March 31, 2024	% Change
Unrealized gain (loss) *($000s)*	24,576	(22,524)	209
Unrealized gain (loss) *($/boe)*	3.53	(3.28)	208

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 gain on financial instruments of $24.6 million in the Reporting Period resulted from an increase in the fair value net asset position to $132.2 million at March 31, 2025 from $107.7 million at December 31, 2024. The increase in the net fair value of the Corporation's financial instruments was primarily due to: (i) the increase (or widening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at March 31, 2025 as compared to the net fair value previously assessed at December 31, 2024; and (ii) the settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the Reporting Period.

Royalty Expense

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

Three months ended	March 31, 2025	March 31, 2024	% Change
Royalty expense *($000s)*[1]	15,039	14,467	4
Royalty expense *($/boe)*	2.16	2.11	2
Effective royalty rate *(%)*[2]	8	9	(1)

(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.

The Corporation's aggregate royalty expense increased by 4% from the Comparable Prior Period, primarily due to increased light oil production, which generally attracts higher royalty rates, partially offset by lower natural gas royalties in the Reporting Period.

The effective royalty rate decreased by 1% from the Comparable Prior Period. The decrease was primarily due to: (i) higher natural gas revenue in the Reporting Period, which benefitted significantly from higher Dawn benchmark natural gas prices; and (ii) a lower natural gas royalty expense, largely due to a decrease in the AECO benchmark natural gas prices in the Reporting Period as compared to the Comparable Prior Period. Birchcliff's natural gas royalties are calculated based on the Government of Alberta's market reference price for natural gas delivered in Alberta, which primarily takes into account the AECO benchmark natural gas prices and excludes the effects of Birchcliff's market diversification initiatives. Also offsetting natural gas royalties were credits received for the Drilling and Completion Cost Allowance (C*) and gas cost allowance, which reduced royalties to reflect the expenses incurred by Birchcliff to process and transport the Crown's share of natural gas production.

Operating Expense

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

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**	**% Change**
Field operating expense	22,313	27,548	(19)
Recoveries	(1,180)	(1,121)	5
Operating expense	**21,133**	**26,427**	**(20)**
Operating expense *($/boe)*	**3.04**	**3.85**	**(21)**

Operating expense per boe decreased by 21% from the Comparable Prior Period. Effective July 1, 2024, Birchcliff assumed operatorship of a third-party natural gas processing facility that resulted in the take-or-pay commitment associated with the underlying processing arrangement (the "**Gas Processing Lease**") being classified as a lease under IFRS Accounting Standards, which resulted in a $4.4 million reclassification of the take-or-pay commitment with respect to the Gas Processing Lease in the Reporting Period.

Operating expense per boe was also positively impacted by lower power and fuel prices, which decreased by 19% on a per boe basis in the Reporting Period, partially offset by higher property taxes, regulatory fees and employee field labour costs as compared to the Comparable Prior Period.

Transportation and Other Expense

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

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**	**% Change**
Natural gas transportation	31,483	26,942	17
Liquids transportation	4,679	7,940	(41)
Fractionation	1,351	1,743	(22)
Other fees	6	-	-
Transportation expense	37,519	36,625	2
Transportation expense (*$/boe*)	5.39	5.33	1
Marketing purchases(1)	14,910	7,111	110
Marketing revenue(1)	(14,748)	(9,468)	56
Marketing loss (gain)(2)	162	(2,357)	(107)
Marketing loss (gain) (*$/boe*)(3)	0.02	(0.34)	(106)
Transportation and other expense(2)	**37,681**	**34,268**	**10**
Transportation and other expense (*$/boe*)(3)	**5.41**	**4.99**	**8**

(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.

On a per boe basis, transportation and other expense increased by 8% from the Comparable Prior Period due to a higher transportation expense and a marketing loss recorded in the Reporting Period as compared to a marketing gain in the Comparable Prior Period.

The increase in transportation expense per boe was primarily due to Birchcliff obtaining additional AECO firm service and increased natural gas transportation tolling charges since the Comparable Prior Period, partially offset by lower liquids transportation costs associated with a prior period rate adjustment on pipeline tariffs with a third-party processor.

The marketing loss per boe in the Reporting Period primarily resulted from losses on a propane supply arrangement with a third-party polypropylene producer and a lower marketing gain recorded on commodity purchase and sale arrangements that were entered into to mitigate Birchcliff's take-or-pay obligations with third-party processors.

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	March 31, 2025	March 31, 2024	% Change
Pouce Coupe assets			
Average production			
Light oil *(bbls/d)*	51	48	6
Condensate *(bbls/d)*	3,030	3,281	(8)
NGLs *(bbls/d)*	1,778	2,024	(12)
Natural gas *(Mcf/d)*	305,517	287,608	6
Production *(boe/d)*	**55,779**	**53,287**	**5**
Liquids-to-gas ratio *(bbls/MMcf)*	**15.9**	**18.6**	**(15)**
% of corporate production	**72%**	**71%**	**1**
Netback and cost ($/boe)			
P&NG revenue	26.88	21.76	24
Royalty expense	(1.40)	(1.56)	(10)
Operating expense	(2.65)(1)	(3.13)	(15)
Transportation and other expense(2)	(5.64)	(5.03)	12
Operating netback(2)	**17.19**	**12.04**	**43**
Gordondale assets			
Average production			
Light oil *(bbls/d)*	1,742	1,477	18
Condensate *(bbls/d)*	1,196	1,478	(19)
NGLs *(bbls/d)*	5,844	5,369	9
Natural gas *(Mcf/d)*	76,386	82,272	(7)
Production *(boe/d)*	**21,514**	**22,036**	**(2)**
Liquids-to-gas ratio *(bbls/MMcf)*	**115.0**	**101.2**	**14**
% of corporate production	**28%**	**29%**	**(3)**
Netback and cost ($/boe)			
P&NG revenue	32.01	28.72	11
Royalty expense	(4.11)	(3.44)	19
Operating expense	(3.99)(1)	(5.55)	(28)
Transportation and other expense(2)	(4.83)	(4.90)	(1)
Operating netback(2)	**19.08**	**14.83**	**29**
Corporate(3)			
Netback and cost ($/boe)			
P&NG revenue	28.32	23.80	19
Royalty expense	(2.16)	(2.11)	2
Operating expense	(3.04)(1)	(3.85)	(21)
Transportation and other expense(2)	(5.41)	(4.99)	8
Operating netback(2)	**17.71**	**12.85**	**38**

(1) Includes the financial effects of the Gas Processing Lease recorded in the Reporting Period.

(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 5% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the new Montney/Doig wells brought on production in Pouce Coupe since the Comparable Prior Period, partially offset by natural production declines.

The liquids-to-gas ratio for the Pouce Coupe assets decreased by 15% from the Comparable Prior Period. The decrease was primarily due to the Corporation continuing to target high-rate natural gas wells in liquids-rich zones in the Pouce Coupe area and natural production declines from liquids-rich natural gas wells producing in Pouce Coupe since the

Comparable Prior Period.

Birchcliff's operating netback for the Pouce Coupe assets increased by 43% from the Comparable Prior Period. The increase was primarily due to higher per boe P&NG revenue, which was largely impacted by a higher average realized natural gas sales price received for Birchcliff's natural gas production in Pouce Coupe during the Reporting Period.

Gordondale Assets

Birchcliff's production from the Gordondale assets decreased by 2% from the Comparable Prior Period. The decrease was primarily due to natural production declines, partially offset by incremental production from new Montney/Doig wells brought on production in Gordondale since the Comparable Prior Period.

The liquids-to-gas ratio for the Gordondale assets increased by 14% from the Comparable Prior Period. The increase was primarily due to incremental production from new light oil and liquids-rich natural gas wells brought on production in Gordondale since the Comparable Prior Period.

Birchcliff's operating netback for the Gordondale assets increased by 29% from the Comparable Prior Period. The increase was primarily due to higher per boe P&NG revenue, which was largely impacted by a higher average realized natural gas sales price received for Birchcliff's natural gas production in Gordondale, and a lower per boe operating expense in the Reporting Period, primarily due to the reclassification of the take-or-pay commitment with respect to the Gas Processing Lease.

Administrative Expense

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

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**	**% Change**
Cash:			
Salaries and benefits(1)	8,532	7,418	15
Other(2)	5,289	4,458	19
G&A expense, gross	13,821	11,876	16
Operating overhead recoveries	(29)	(25)	16
Capitalized overhead(3)	(3,916)	(3,083)	27
G&A expense, net	9,876	8,768	13
G&A expense, net (*$/boe*)	1.42	1.28	11
Non-cash:			
Other compensation	1,925	2,712	(29)
Capitalized compensation(3)	(910)	(1,219)	(25)
Other compensation, net	1,015	1,493	(32)
Other compensation, net (*$/boe*)	0.15	0.22	(32)
Administrative expense, net	**10,891**	**10,261**	**6**
Administrative expense, net (*$/boe*)	**1.57**	**1.50**	**5**

(1) Includes salaries and benefits 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.

On an aggregate basis, net administrative expense increased by 6% from the Comparable Prior Period, primarily due to higher net G&A expense, partially offset by lower net other compensation expense.

Net G&A expense increased by 13% from the Comparable Prior Period, primarily due to higher employee incentive costs and general business expenditures.

Net other compensation expense decreased by 32% from the Comparable Prior Period, primarily due to a decrease in the Black-Scholes fair value expense associated with Birchcliff's annual stock option grants.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved and probable reserves at the end of the period, 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	March 31, 2025	March 31, 2024	% Change
Depletion and depreciation expense *($000s)*	62,598	58,717	7
Depletion and depreciation expense (*$/boe*)	8.99	8.56	5

D&D expense per boe increased by 5% from the Comparable Prior Period, primarily due to: (i) a $3.1 million depreciation charge on the lease asset recorded in the Reporting Period with respect to the Gas Processing Lease; and (ii) a higher depletion rate on the Corporation's developed and proved assets. The depletion rate was negatively impacted by lower proved plus probable reserves and positively impacted by a decrease in FDC to bring the proved plus probable reserves on production. FDC for proved plus probable reserves decreased to $4.84 billion at March 31, 2025 from $4.96 billion at March 31, 2024.

Finance Expense

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

Three months ended *($000s)*	March 31, 2025	March 31, 2024	% Change
Cash:			
Interest expense[(1)]	8,937	7,720	16
Interest expense (*$/boe*)[(1)]	1.27	1.13	12
Lease interest expense[(2)]	2,296	-	-
Lease interest expense (*$/boe*)[(2)]	0.33	-	-
Non-cash:			
Accretion[(3)]	1,368	1,020	34
Amortization of deferred financing fees	319	425	(25)
Other finance expenses	1,687	1,445	17
Other finance expenses (*$/boe*)	0.25	0.21	19
Finance expense	**12,920**	**9,165**	**41**
Finance expense (*$/boe*)	**1.85**	**1.34**	**38**

(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) Reflects the lease interest expense associated with the Corporation's Gas Processing Lease.

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

On an aggregate basis, finance expense increased by 41% from the Comparable Prior Period, primarily due to: (i) a higher interest expense associated with the Corporation's borrowings under its Credit Facilities in the Reporting Period; and (ii) a lease interest expense recognized in the Reporting Period with respect to the Gas Processing Lease.

Birchcliff's interest expense increased from the Comparable Prior Period, primarily due to a higher average outstanding balance under its Syndicated Credit Facility (as defined herein), partially offset by lower average effective interest rates under its Credit Facilities. The average outstanding balance under the Syndicated Credit Facility was approximately $530.4 million in the Reporting Period, as compared to $384.0 million in the Comparable Prior Period, calculated as the simple average of the month-end amounts.

The following table sets forth the Corporation's average effective interest rate under its Working Capital Facility (as defined herein) and Syndicated Credit Facility for the periods indicated:

Three months ended	March 31, 2025	March 31, 2024
Working Capital Facility *(%)*[(1)]	7.2	8.2
Syndicated Credit Facility *(%)*[(2)]	6.1	7.1

(1) The average effective interest rate under the Working Capital Facility is determined primarily based on the policy interest rate set by the Bank of Canada, which in turn affects the banks' prime lending rates.

(2) The average effective interest rate under the Syndicated Credit Facility was determined primarily based on: (i) the market interest rate applicable to 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.

Income Taxes

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

Three months ended	March 31, 2025	March 31, 2024	% Change
Deferred income tax expense (recovery) *($000s)*	17,314	(3,714)	(566)
Deferred income tax expense (recovery) (*$/boe*)	2.49	(0.54)	(561)

Birchcliff incurred an income tax expense of $17.3 million in the Reporting Period as compared to an income tax recovery of $3.7 million in the Comparable Prior Period, primarily due to before-tax net income recorded in the Reporting Period as compared to a before-tax net loss in the Comparable Prior Period.

The Corporation's estimated income tax pools were $1.4 billion at March 31, 2025. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

As at *($000s)*	March 31, 2025
Canadian oil and gas property expense	253,410
Canadian development expense	369,062
Canadian exploration expense(1)	299,138
Undepreciated capital costs	192,716
Non-capital losses(1)	215,882
Scientific research and experimental development expenditures(1)	38,195
Investment tax credits(2)	5,323
Financing costs and other	3,620
Estimated income tax pools	**1,377,346**

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

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

CAPITAL EXPENDITURES

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

Three months ended *($000s)*	March 31, 2025	March 31, 2024	% Change
Land	248	8,220	(97)
Seismic	23	97	(76)
Workovers	4,127	755	447
Drilling and completions	85,299	87,276	(2)
Well equipment and facilities	22,122	6,425	244
F&D capital expenditures(1)	111,819	102,773	9
Dispositions	-	(109)	-
FD&A capital expenditures(2)	111,819	102,664	9
Administrative assets	654	820	(20)
Total capital expenditures(2)	**112,473**	**103,484**	**9**

(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 Reporting Period, Birchcliff's F&D capital expenditures were $111.8 million, which primarily included $58.7 million (53%) for the drilling and completions of wells in Pouce Coupe, $19.6 million (18%) for the drilling and completions of wells in Gordondale, $6.6 million (6%) for the completion of a well in Elmworth and $21.0 million (19%) for gas gathering and infrastructure projects in Pouce Coupe. During the Reporting Period, Birchcliff drilled 14 (14.0 net) wells and brought 8 (8.0 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 2025 and available Credit Facilities will be sufficient to fund its ongoing capital requirements in 2025, 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 Total Debt

At March 31, 2025, the Corporation's Credit Facilities were comprised of a syndicated extendible revolving 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 agreement governing the Credit Facilities allows for prime rate loans, U.S. base rate loans, SOFR loans, Canadian Overnight Repo Rate Average (CORRA) loans and, in the case of the Working Capital Facility only, letters of credit. The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. The agreement governing the Credit Facilities also contains provisions that give the lenders the right to redetermine the borrowing base in certain circumstances. The Credit Facilities do not contain any financial maintenance covenants.

The maturity date of the Credit Facilities may, at the request of the Corporation and with consent of the lenders, be extended on an annual basis, for an additional period of up to three years from May 11 of the year in which the extension request is made. Effective May 7, 2025, the agreement governing the Credit Facilities was amended to extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2027 to May 11, 2028. In addition, the lenders confirmed the borrowing base limit at $850.0 million.

At March 31, 2025, Birchcliff had a balance outstanding under its Credit Facilities of $522.3 million from available Credit Facilities of $850.0 million, leaving the Corporation with $327.7 million (39%) 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(5) at March 31, 2025 was $534.7 million, a slight decrease from $535.6 million at December 31, 2024. The decrease was primarily due to adjusted funds flow exceeding the aggregate of the Corporation's F&D capital expenditures and dividends paid to common shareholders in the Reporting Period. During the Reporting Period, Birchcliff generated $124.4 million in adjusted funds flow, incurred $111.8 million in F&D capital expenditures and paid approximately $8.2 million in common share dividends.

Birchcliff's capital allocation strategy prioritizes maintaining a strong balance sheet by targeting a total debt to annual adjusted funds flow ratio of less than 1.0 times. This target allows the Corporation to monitor its liquidity in light of operating and capital budgeting decisions, withstand price volatility and capitalize on opportunities throughout the commodity price cycle.

Adjusted 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 other liabilities which are due and payable and excludes the current portion of financial instruments and other liabilities discounted to the end of the period. 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(5) was $16.1 million at March 31, 2025 as compared to a surplus of $31.3 million at December 31, 2024. The change to a deficit position was primarily due to an increase in accounts payable and accrued liabilities associated with increased F&D capital expenditures in the Reporting Period, partially offset by an increase in accounts receivable arising from higher P&NG revenue.

At March 31, 2025, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of March 2025 production (36%), which was subsequently received in April 2025. 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 March 31, 2025 primarily consisted of accounts payables and accrued liabilities for capital and operating expenses incurred in the Reporting Period.

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Corporation enters into various contractual obligations and commitments in the normal course of operations. The following table lists Birchcliff's estimated undiscounted material contractual obligations and commitments at March 31, 2025:

($000s)	2025	2026	2027-2029	Thereafter
Accounts payable and accrued liabilities	116,383	-	-	-
Drawn revolving term credit facilities	-	-	522,087	-
Firm transportation and fractionation[1]	141,145	173,198	298,907	114,746
Natural gas processing[2]	14,562	19,143	51,512	51,512
Capital commitments[3]	5,127	3,624	-	-
Other lease commitments[4]	2,514	3,352	8,405	12,656
Operating commitments[5]	1,631	2,174	6,523	11,053
Estimated contractual obligations and commitments[6]	**281,362**	**201,491**	**887,434**	**189,967**

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

(2) Comprised of natural gas processing commitments at third-party facilities, which includes the undiscounted take-or-pay commitment associated with the Gas Processing Lease.

(3) Includes drilling commitments.

(4) Includes the Corporation's head office lease and other minor lease arrangements.

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

(6) 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 March 31, 2025 to be approximately $279.6 million and are estimated to be incurred as follows: 2025 – $2.4 million, 2026 – $2.7 million and $274.5 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

The Corporation does not believe it has any material 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 May 13, 2025, there were 272,248,031 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, 2024	271,303,507
Issuance of common shares[1]	767,840
Balance at March 31, 2025	**272,071,347**
Issuance of common shares[1]	176,684
Balance at May 13, 2025	**272,248,031**

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

At May 13, 2025, the Corporation also had 22,430,476 stock options outstanding to purchase an equivalent number of common shares.

During the Reporting Period, Birchcliff issued 767,840 common shares pursuant to its stock option plan at an average exercise price of $2.27 for aggregate proceeds of approximately $1.7 million. During the Reporting Period, Birchcliff repurchased the 404,967 performance warrants that were outstanding for a total cash cost of $1.1 million.

Subsequent to March 31, 2025, Birchcliff issued 176,684 common shares pursuant to its stock option plan at an average exercise price of $1.82 for aggregate proceeds of approximately $0.3 million.

Normal Course Issuer Bid

On November 21, 2024, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,489,975 of its outstanding common shares over a period of twelve months commencing on November 27, 2024 and terminating no later than November 26, 2025. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. 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 276,992 common shares. All common shares purchased under the NCIB will be cancelled. During the Reporting Period, Birchcliff did not purchase any common shares pursuant to the NCIB.

DIVIDENDS

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

Three months ended	March 31, 2025	March 31, 2024
Dividends on common shares *($000s)*	8,151	26,857
Per common share *($)*	0.03	0.10

On January 22, 2025, the Board declared a quarterly cash dividend of $0.03 per common share for the quarter ended March 31, 2025. The dividend was paid on March 31, 2025 to shareholders of record at the close of business on March 14, 2025.

On May 14, 2025, the Board declared a quarterly cash dividend of $0.03 per common share for the quarter ending June 30, 2025. The dividend will be payable on June 30, 2025 to shareholders of record at the close of business on June 13, 2025.

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	Mar. 31, 2025	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023
Average light oil production *(bbls/d)*	1,795	1,993	2,129	2,419	1,525	1,649	1,728	1,936
Average condensate production *(bbls/d)*	4,238	4,310	4,161	4,467	4,765	5,145	4,850	5,462
Average NGLs production *(bbls/d)*	7,626	7,748	6,541	6,634	7,397	7,653	7,412	6,811
Average natural gas production *(Mcf/d)*	382,224	381,433	375,428	389,026	370,288	372,594	360,924	379,807
Average production *(boe/d)*	77,363	77,623	75,403	78,358	75,402	76,546	74,143	77,510
Average realized light oil sales price *($/bbl)*	95.27	95.18	98.47	104.70	95.24	100.07	100.46	89.89
Average realized condensate sales price *($/bbl)*	97.98	95.79	95.66	106.56	100.26	103.80	107.67	98.18
Average realized NGLs sales price *($/bbl)*	27.95	26.20	25.02	26.56	27.59	26.95	26.35	22.86
Average realized natural gas sales price *($/Mcf)*	3.64	2.27	1.50	1.82	2.61	2.92	2.86	2.67
Average realized sales price *($/boe)*	28.32	21.53	17.71	20.61	23.80	26.02	25.96	24.28
P&NG revenue *($000s)*	197,188	153,741	122,835	146,976	163,304	183,295	177,126	171,291
F&D capital expenditures *($000s)*(1)	111,819	58,310	63,620	48,381	102,773	58,166	66,677	64,755
Total capital expenditures *($000s)*(2)	112,473	66,673	63,886	48,702	103,484	59,541	67,475	65,241
Cash flow from operating activities *($000s)*	126,097	45,641	65,943	26,871	65,255	79,006	67,840	62,353
Adjusted funds flow *($000s)*(2)	124,413	71,838	45,211	53,664	66,081	76,215	72,225	69,650
Per basic common share *($)*(3)	0.46	0.27	0.17	0.20	0.25	0.29	0.27	0.26
Per diluted common share *($)*(3)	0.46	0.26	0.17	0.20	0.25	0.29	0.27	0.26
Free funds flow *($000s)*(2)	12,594	13,528	(18,409)	5,283	(36,692)	18,049	5,548	4,895
Per basic common share *($)*(3)	0.05	0.05	(0.07)	0.02	(0.14)	0.07	0.02	0.02
Net income (loss) to common shareholders	65,727	35,216	(10,461)	46,380	(15,035)	(5,533)	15,108	42,753
Per basic common share *($)*	0.24	0.13	(0.04)	0.17	(0.06)	(0.02)	0.06	0.16
Per diluted common share *($)*	0.24	0.13	(0.04)	0.17	(0.06)	(0.02)	0.06	0.16
Total assets *($ millions)*	3,515	3,433	3,350	3,244	3,206	3,177	3,175	3,165
Total liabilities *($ millions)*	1,260	1,238	1,170	1,030	1,016	951	897	856
Revolving term credit facilities *($000s)*	518,581	566,857	489,413	481,163	428,566	372,097	318,711	281,354
Total debt *($000s)*(4)	534,710	535,557	513,553	465,195	443,380	382,306	327,655	278,521
Dividends on common shares *($000s)*	8,151	27,126	26,943	26,907	26,857	53,390	53,321	53,241
Weighted average common shares outstanding								
Basic *(000s)*	271,614	270,185	269,342	268,878	267,905	266,667	266,390	266,354
Diluted *(000s)*	273,092	272,552	269,342	272,224	267,905	266,667	272,447	272,365

(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.

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

(4) 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 natural gas and light oil wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods.

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 current quarter increased from the seven prior quarters, primarily due to improved Dawn benchmark natural gas prices.

Birchcliff's net income and loss to common shareholders 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 seven quarters have trended higher, primarily due to the aggregate of F&D capital expenditures and dividends paid to common shareholders exceeding adjusted funds flow. The Corporation's total debt and amount outstanding under its Credit Facilities decreased slightly in the current quarter, primarily due to adjusted funds flow exceeding the aggregate of F&D capital expenditures and dividends paid to common shareholders.

The Corporation pays dividends on its common shares when declared and approved by the Board. The dividend payments on the Corporation's common shares decreased substantially in the current quarter as a result of a lower quarterly base dividend of $0.03 per common share. The Corporation paid a quarterly base dividend of $0.10 per common share in each quarter of 2024 and a quarterly base dividend of $0.20 per common share in each quarter of 2023.

POTENTIAL TRANSACTIONS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal controls over financial reporting ("**ICFR**") that occurred during the period beginning on January 1, 2025 and ended on March 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of judgments, estimates and assumptions in preparing the unaudited interim condensed financial statements are discussed in Note 3 of the audited annual financial statements for the year ended December 31, 2024.

FUTURE ACCOUNTING POLICIES

A description of the new IFRS Accounting Standards that will be adopted by the Corporation in future periods can be found in Note 3 of the audited annual financial statements for the year ended December 31, 2024.

RISK FACTORS

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. A detailed discussion of the risk factors affecting the Corporation is presented under the heading "*Risk Factors*" in the AIF and MD&A for the year ended December 31, 2024.

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
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
LNG	liquefied natural gas
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NYMEX	New York Mercantile Exchange
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	OPEC plus certain other oil-producing 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 and 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. 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 value and 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.

The most directly comparable GAAP financial measure to adjusted funds flow and 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 and free funds flow for the periods indicated:

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2025**	**2024**	**2024**
Cash flow from operating activities	**126,097**	**65,255**	**203,710**
Change in non-cash operating working capital	(2,194)	(13,163)	17,269
Decommissioning expenditures	510	138	1,964
Retirement benefit payments	-	13,851	13,851
Adjusted funds flow	**124,413**	**66,081**	**236,794**
F&D capital expenditures	(111,819)	(102,773)	(273,084)
Free funds flow	**12,594**	**(36,692)**	**(36,290)**

Birchcliff has disclosed in this MD&A forecasts of adjusted funds flow and free funds flow for 2025, which are forward-looking non-GAAP financial measures. See "*2025 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, 2024. 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 natural gas prices in 2025 as compared to 2024. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading "*2025 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:

Three months ended *($000s)*	March 31, 2025	March 31, 2024
Exploration and development expenditures[1]	**111,819**	**102,773**
Dispositions	-	(109)
FD&A capital expenditures	**111,819**	**102,664**
Administrative assets	654	820
Total capital expenditures	**112,473**	**103,484**

(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 assist management and investors in assessing the success of Birchcliff's marketing arrangements. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to marketing gains and losses and transportation and other expense for the periods indicated:

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2025**	**2024**	**2024**
Transportation expense	**37,519**	**36,625**	**149,534**
Marketing purchases	14,910	7,111	51,496
Marketing revenue	(14,748)	(9,468)	(54,069)
Marketing loss (gain)	**162**	**(2,357)**	**(2,573)**
Transportation and other expense	**37,681**	**34,268**	**146,961**

Effective Total Natural Gas Sales

Birchcliff defines "effective total natural gas sales" as the aggregate of the effective sales amount received in each natural gas market. Management believes that disclosing the effective total natural gas sales assists management and investors in assessing Birchcliff's natural gas diversification and commodity price exposure. The most directly comparable GAAP financial measure to effective total natural gas sales is natural gas sales. The following table provides a reconciliation of natural gas sales to effective total natural gas sales for the periods indicated:

Three months ended *($000s)*	March 31, 2025	March 31, 2024
Natural gas sales	**125,231**	**88,022**
Realized gain (loss) on financial instruments	22,167	(5,628)
Notional fixed basis costs[1]	20,894	18,477
Effective total natural gas sales	**168,292**	**100,871**

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

Operating Netback

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

Three months ended *($000s)*	March 31, 2025	March 31, 2024
P&NG revenue	134,960	105,526
Royalty expense	(7,048)	(7,550)
Operating expense	(13,309)	(15,173)
Transportation and other expense	(28,290)	(24,406)
Operating netback – Pouce Coupe assets	**86,313**	**58,397**
P&NG revenue	61,982	57,588
Royalty expense	(7,964)	(6,907)
Operating expense	(7,728)	(11,133)
Transportation and other expense	(9,347)	(9,815)
Operating netback – Gordondale assets	**36,943**	**29,733**
P&NG revenue	197,188	163,304
Royalty expense	(15,039)	(14,467)
Operating expense	(21,133)	(26,427)
Transportation and other expense	(37,681)	(34,268)
Operating netback – Corporate	**123,335**	**88,142**

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 assist 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.

Effective Average Realized Natural Gas Sales Price

Birchcliff calculates "effective average realized natural gas sales price" as effective total natural gas sales divided by the effective natural gas production during the period. Management believes that disclosing the effective average realized natural gas sales price assists management and investors in comparing Birchcliff's natural gas price realizations on a per unit 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" at the end of the period as the amount outstanding under the Corporation's Credit Facilities plus adjusted working capital deficit (less adjusted working capital surplus) at the end of the period. "Adjusted working capital deficit (surplus)" is calculated as working capital deficit (surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less the current portion of other liabilities discounted to the end of the period. The current portion of other liabilities has been excluded from adjusted working capital and total debt as these amounts have not been incurred and reflect future commitments in the normal course of operations. 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 Credit Facilities and working capital deficit (surplus), as determined in accordance with GAAP, to total debt and adjusted working capital deficit (surplus), respectively, for the periods indicated:

As at *($000s)*	March 31, 2025	December 31, 2024	March 31, 2024
Revolving term credit facilities	**518,581**	**566,857**	**428,566**
Working capital (surplus) deficit(1)	(67,109)	(88,953)	34,261
Fair value of financial instruments – asset(2)	96,623	71,038	240
Fair value of financial instruments – liability(2)	-	-	(14,550)
Other liabilities(2)	(13,385)	(13,385)	(5,137)
Adjusted working capital deficit (surplus)	**16,129**	**(31,300)**	**14,814**
Total debt	**534,710**	**535,557**	**443,380**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

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

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

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

F&D Capital Expenditures

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

Forward-Looking Statements

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

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

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

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- the information set forth under the heading *"2025 Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's guidance for 2025, including: that as a result of the continued volatility in commodity prices driven by the

uncertainties surrounding tariffs, global trade tensions and OPEC+ production increases, Birchcliff has lowered its commodity price assumptions for the remainder of 2025; that lower oil prices are forecasted for the remainder of the year; that Birchcliff expects to significantly strengthen its balance sheet in 2025, with free funds flow (after the payment of dividends) anticipated to be allocated primarily towards debt reduction; that based on its current commodity price assumptions, Birchcliff expects to exit 2025 with total debt of $365 million to $405 million, which represents a 28% reduction from its total debt at year end 2024 of $535.6 million; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt at year end, natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow; and that Birchcliff currently anticipates that U.S. tariffs will not have a material impact on its business;

- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- estimates of 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 in 2025 and available Credit Facilities will be sufficient to fund its ongoing capital requirements in 2025, 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; that Birchcliff's capital allocation strategy prioritizes maintaining a strong balance sheet by targeting a total debt to annual adjusted funds flow ratio of less than 1.0 times; that this target allows the Corporation to monitor its liquidity in light of operating and capital budgeting decisions, withstand price volatility and capitalize on opportunities throughout the commodity price cycle; 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 material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial position, operational results, liquidity or capital expenditures;
- statements relating to the NCIB, including: potential purchases under the NCIB; and the cancellation of common shares under the NCIB;
- statements regarding potential transactions;
- future accounting policies that will be adopted by the Corporation; 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 natural gas prices in 2025 as compared to 2024.

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; tariffs and trade policies; 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 2025 guidance (as updated on May 14, 2025), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"2025 Guidance".* In addition:
  - Birchcliff's production guidance assumes that: the 2025 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 2025 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 2025 capital program will be carried out as currently contemplated and the level of capital spending for 2025 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 May 5, 2025 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 2025 met and the payment of an annual base dividend of approximately $33 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; and (iii) there are no buybacks of common shares, no equity issuances, no further exercises of stock options and no significant acquisitions or dispositions completed by the Corporation during 2025. 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 US$1.088/MMBtu; and (iii) 1,200 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 financial basis swap contracts outstanding as at May 5, 2025.

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: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in commodity prices and exchange, interest and inflation rates; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; an inability of Birchcliff to generate sufficient cash flow from operations to meet its current and future obligations; 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 risk that weather events such as wildfires, flooding, droughts or extreme hot or cold temperatures forces the Corporation to shut-in production or otherwise adversely affects the Corporation's operations; the occurrence of unexpected events such as fires, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; the risks associated with supply chain disruptions; 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; 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; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production, revenue, costs and reserves; 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; the risks posed by pandemics, epidemics, geopolitical events and global conflict and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major oil producers and the impact such actions may have on supply and demand and commodity prices; stock market volatility; loss of market demand; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental and climate change laws (including emissions and "greenwashing"), 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; the risk that: (i) the U.S. tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, including on oil and natural gas; (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas; and (iii) the tariffs imposed or threatened to be imposed by the U.S. on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the U.S. will trigger a broader global trade war, which could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Corporation, including by decreasing the demand for (and the price of) oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets and limiting access to financing; 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; 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 artificial intelligence; risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and 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 2025).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect Birchcliff's results of operations, financial performance or financial results are included in the AIF and MD&A for the financial year ended December 31, 2024 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.

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at	March 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash	77	50
Accounts receivable	81,615	78,915
Prepaid expenses and deposits	18,562	19,242
Financial instruments *(Note 13)*	96,623	71,038
	196,877	169,245
Non-current assets:		
Investments	8,243	8,869
Property, plant and equipment *(Note 3)*	3,274,047	3,218,506
Financial instruments *(Note 13)*	35,622	36,631
	3,317,912	3,264,006
Total assets	**3,514,789**	**3,433,251**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	116,383	66,907
Other liabilities *(Note 9)*	13,385	13,385
	129,768	80,292
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	518,581	566,857
Decommissioning obligations *(Note 5)*	107,253	101,946
Deferred income taxes	396,670	379,355
Other liabilities *(Note 9)*	107,499	109,786
	1,130,003	1,157,944
Total liabilities	1,259,771	1,238,236
SHAREHOLDERS' EQUITY		
Common share capital *(Note 6)*	1,446,433	1,443,587
Contributed surplus	111,157	111,576
Retained earnings	697,428	639,852
Total shareholders' equity	2,255,018	2,195,015
Total shareholders' equity and liabilities	**3,514,789**	**3,433,251**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

Three months ended	March 31, 2025	March 31, 2024
Petroleum and natural gas revenue *(Note 8)*	197,188	163,304
Marketing revenue *(Note 8)*	14,748	9,468
Royalties	(15,039)	(14,467)
Realized gain (loss) on financial instruments	22,167	(5,628)
Unrealized gain (loss) on financial instruments	24,576	(22,524)
Other income	20	55
	243,660	130,208
EXPENSES		
Operating	21,133	26,427
Transportation	37,519	36,625
Marketing purchases *(Note 8)*	14,910	7,111
Administrative, net	10,891	10,261
Depletion and depreciation *(Note 3)*	62,598	58,717
Finance (*Note 10*)	12,920	9,165
Other loss	648	651
	160,619	148,957
Net income (loss) before taxes	83,041	(18,749)
Deferred income tax (expense) recovery	(17,314)	3,714
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**65,727**	**(15,035)**
Net income (loss) per common share *(Note 7)*		
Basic	**$0.24**	**($0.06)**
Diluted	**$0.24**	**($0.06)**

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

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

Unaudited (Expressed in thousands of Canadian dollars)

	Common Share Capital	Contributed Surplus	Retained Earnings	Total
As at December 31, 2023	1,429,198	104,662	691,585	2,225,445
Issuance of common shares	6,292	(1,603)	-	4,689
Dividends on common shares	-	-	(26,857)	(26,857)
Stock-based compensation	-	2,613	-	2,613
Net loss and comprehensive loss	-	-	(15,035)	(15,035)
As at March 31, 2024	**1,435,490**	**105,672**	**649,693**	**2,190,855**
As at December 31, 2024	1,443,587	111,576	639,852	2,195,015
Issuance of common shares *(Notes 6 & 11)*	2,510	(763)	-	1,747
Dividends on common shares *(Note 6)*	-	-	(8,151)	(8,151)
Purchase of performance warrants (*Note 11*)	336	(1,478)	-	(1,142)
Stock-based compensation *(Note 11)*	-	1,822	-	1,822
Net income and comprehensive income	-	-	65,727	65,727
As at March 31, 2025	**1,446,433**	**111,157**	**697,428**	**2,255,018**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

Three months ended	March 31, 2025	March 31, 2024
Cash provided by (used in):		
OPERATING		
Net income (loss)	65,727	(15,035)
Adjustments for items not affecting operating cash:		
Unrealized (gain) loss on financial instruments *(Note 13)*	(24,576)	22,524
Depletion and depreciation *(Note 3)*	62,598	58,717
Other compensation	1,015	1,493
Accretion *(Note 10)*	1,368	1,020
Amortization of deferred financing fees *(Note 10)*	319	425
Other loss	648	651
Deferred income tax expense (recovery)	17,314	(3,714)
Retirement benefit payments (*Note 9*)	-	(13,851)
Decommissioning expenditures *(Note 5)*	(510)	(138)
Changes in non-cash working capital	2,194	13,163
	126,097	65,255
FINANCING		
Issuance of common shares *(Note 6)*	1,747	4,689
Purchase of performance warrants (*Note 11*)	(1,142)	-
Payment on lease liabilities *(Note 9)*	(2,697)	(614)
Dividends on common shares *(Note 6)*	(8,151)	(26,857)
Net change in revolving term credit facilities *(Note 4)*	(48,595)	56,044
	(58,838)	33,262
INVESTING		
Exploration and development *(Note 3)*	(111,819)	(102,773)
Dispositions *(Note 3)*	-	109
Administrative assets *(Note 3)*	(654)	(820)
Investments	(22)	(326)
Changes in non-cash working capital	45,263	5,281
	(67,232)	(98,529)
Net change in cash	27	(12)
Cash, beginning of period	50	55
CASH, END OF PERIOD	**77**	**43**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2025

Unaudited (Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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

These unaudited interim condensed financial statements were approved and authorized for issuance by Birchcliff's board of directors (the "**Board**") on May 14, 2025.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under IFRS Accounting Standards ("**IFRS**") as at and for the three months ended March 31, 2025, including the 2024 comparative period. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the audited annual financial statements for the year ended December 31, 2024. Certain information and disclosures normally required to be included in the notes to the audited annual financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended December 31, 2024.

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

3. PROPERTY, PLANT AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2023	406	5,015,833	21,029	28,400	5,065,668
Additions	-	283,421	113,541	1,731	398,693
Acquisitions	-	10,760	-	-	10,760
Dispositions	-	(258)	-	-	(258)
As at December 31, 2024	406	5,309,756	134,570	30,131	5,474,863
Additions	-	117,485	-	654	118,139
As at March 31, 2025[1]	406	5,427,241	134,570	30,785	5,593,002
Accumulated depletion and depreciation:					
As at December 31, 2023	-	(1,976,930)	(10,051)	(22,729)	(2,009,710)
Depletion and depreciation expense[2]	-	(236,939)	(7,932)	(1,776)	(246,647)
As at December 31, 2024	-	(2,213,869)	(17,983)	(24,505)	(2,256,357)
Depletion and depreciation expense[2]	-	(58,901)	(3,238)	(459)	(62,598)
As at March 31, 2025	-	(2,272,770)	(21,221)	(24,964)	(2,318,955)
Net book value:					
As at December 31, 2024	**406**	**3,095,887**	**116,587**	**5,626**	**3,218,506**
As at March 31, 2025	**406**	**3,154,471**	**113,349**	**5,821**	**3,274,047**

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

(2) Future development costs required to develop and produce proved and probable oil and gas reserves totalled approximately $4.8 billion at March 31, 2025 (December 31, 2024 – $4.9 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies indicators of impairment at the end of a reporting period. At March 31, 2025, and December 31, 2024, Birchcliff determined that there were no asset impairment indicators present and therefore an impairment test was not required.

4. REVOLVING TERM CREDIT FACILITIES

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

As at *($000s)*	March 31, 2025	December 31, 2024
Syndicated credit facility	517,606	537,183
Working capital facility	4,481	33,499
Drawn revolving term credit facilities	522,087	570,682
Unamortized deferred financing fees	(3,506)	(3,825)
Revolving term credit facilities	**518,581**	**566,857**

At March 31, 2025, the aggregate principal amount of the Corporation's revolving term credit facilities was $850.0 million which were comprised of: (i) a syndicated extendible revolving term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million (collectively, the "**Credit Facilities**"). The Credit Facilities do not contain any financial maintenance covenants. The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. The agreement governing the Credit Facilities also contains provisions that give the lenders the right to redetermine the borrowing base in certain circumstances.

The maturity date of the Credit Facilities may, at the request of the Corporation and with consent of the lenders, be extended on an annual basis, for an additional period of up to three years from May 11 of the year in which the extension request is made. Effective May 7, 2025, the agreement governing the Credit Facilities was amended to extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2027, to May 11, 2028. In addition, the lenders confirmed the borrowing base limit at $850.0 million.

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations to be approximately $279.6 million at March 31, 2025 (December 31, 2024 – $273.4 million). A reconciliation of the decommissioning obligations is set forth below:

As at *($000s)*	**March 31, 2025**	**December 31, 2024**
Balance, beginning	101,946	91,324
Obligations incurred	1,388	2,454
Obligations acquired	-	2,591
Changes in estimated future cash flows(1)	3,368	3,793
Accretion	1,061	3,748
Decommissioning expenditures	(510)	(1,964)
Balance, ending	**107,253**	**101,946**

(1) Primarily relates to changes in the inflation rate and discount nominal risk-free rate used to calculate the present value of the decommissioning obligations. Birchcliff applied an inflation rate of 1.86% and a discount nominal risk-free rate of 3.23% to calculate the present value of the decommissioning obligations at March 31, 2025, and an inflation rate of 1.82% and a discount nominal risk-free rate of 3.33% at December 31, 2024.

6. CAPITAL STOCK

Share Capital

Authorized

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

Number of Common Shares Issued and Outstanding

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

As at *(000s)*	**March 31, 2025**	**December 31, 2024**
Outstanding at beginning of period	271,304	267,156
Issuance of common shares(1)	767	4,148
Outstanding at end of period(2)	**272,071**	**271,304**

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

(2) On November 21, 2024, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,489,975 of its outstanding common shares over a period of twelve months commencing on November 27, 2024 and terminating no later than November 26, 2025. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. The total number of common shares that Birchcliff is permitted to purchase on the TSX during a trading day is subject to a daily purchase limit of 276,992 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the NCIB will be cancelled. During the three months ended March 31, 2025, the Corporation did not purchase any common shares pursuant to the NCIB.

Dividends

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

Three months ended	**March 31, 2025**	**March 31, 2024**
Dividends on common shares *($000s)*	8,151	26,857
Per common share *($)*	0.03	0.10

On January 22, 2025, the Board declared a quarterly cash dividend of $0.03 per common share for the quarter ended March 31, 2025. The dividend was paid on March 31, 2025 to shareholders of record at the close of business on March 14, 2025. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

7. EARNINGS PER SHARE

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

Three months ended	March 31, 2025	March 31, 2024
Net income (loss) to common shareholders *($000s)*	65,727	(15,035)
Weighted average basic common shares outstanding *(000s)*	271,614	267,905
Dilutive securities *(000s)*	1,478	-
Weighted average diluted common shares outstanding *(000s)*(1)	273,092	267,905
Per basic common share	**$0.24**	**($0.06)**
Per diluted common share	**$0.24**	**($0.06)**

(1) For the three months ended March 31, 2025, the weighted average diluted common shares outstanding excludes 20,759,384 stock options that were considered anti-dilutive. As the Corporation reported a net loss for the three months ended March 31, 2024, all dilutive securities were considered anti-dilutive and therefore the basic and diluted weighted average common shares outstanding are the same at the end of the period.

8. REVENUE

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

Three months ended *($000s)*	March 31, 2025	March 31, 2024
Light oil sales	15,391	13,219
Condensate(1)	37,371	43,477
NGLs sales(2)	19,183	18,568
Natural gas sales	125,231	88,022
P&NG sales(3)	197,176	163,286
Royalty income	12	18
P&NG revenue	197,188	163,304
Marketing revenue(4)	14,748	9,468
Revenue from contracts with customers	**211,936**	**172,772**

(1) Consists of pentanes plus.

(2) Consists of ethane, propane and butane.

(3) Included in accounts receivable at March 31, 2025, was $71.3 million (March 31, 2024 – $57.8 million) in P&NG sales to be received from its marketers in respect of March 2025 production, which was subsequently received in April 2025.

(4) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain commodity purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. The value of commodities purchased and sold during the period is primarily driven by prevailing commodity prices, the availability of sellers and buyers for fractionated production and fractionation capacity available in the market. The value of commodities purchased and sold to third parties are recorded on a gross basis for financial statement presentation purposes. Marketing revenue also includes a propane supply arrangement with a third-party polypropylene producer, which is recorded net of processing costs and other charges. For the three months ended March 31, 2025, the Corporation had marketing purchases from third parties of $14.9 million (March 31, 2024 – $7.1 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligations

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan was approximately $9.3 million at March 31, 2025 (December 31, 2024 – $9.3 million).

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

As at *($000s)*	March 31, 2025	December 31, 2024
Balance, beginning	3,095	16,465
Obligations incurred(1)	103	403
Accretion	22	78
Retirement benefit payments	-	(13,851)
Balance, ending(2)	**3,220**	**3,095**
Current portion	2,630	2,630
Long-term portion	590	465

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

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligations at March 31, 2025 and December 31, 2024.

Lease Obligations

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations was approximately $164.3 million at March 31, 2025 (December 31, 2024 – $169.2 million) and is expected to be settled no later than 2035.

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

As at *($000s)*	**March 31, 2025**	**December 31, 2024**
Balance, beginning	120,076	12,615
Additions	-	113,878(1)(2)
Lease interest expense	2,296	4,582
Lease payments	(4,993)	(11,225)
Change in estimate	-	(337)
Accretion	285	563
Balance, ending	**117,664**	**120,076**
Current portion	10,755	10,755
Long-term portion	106,909	109,321

(1) Effective July 1, 2024, Birchcliff assumed operatorship of a third-party natural gas processing facility that resulted in the take-or-pay commitment associated with the underlying processing arrangement (the "**Gas Processing Lease**") to be classified as a lease obligation under IFRS Accounting Standards. Birchcliff recognized a lease liability of $104.0 million as a result of the addition of the Gas Processing Lease. The variable lease payments (if any) related to the Gas Processing Lease are recognized as operating expenses in profit or loss.

(2) Effective November 8, 2024, Birchcliff recognized a lease liability of $9.9 million as a result of extending its head office lease term from 2028 to 2035.

10. FINANCE EXPENSE

The components of finance expenses are set forth below:

Three months ended *($000s)*	**March 31, 2025**	**March 31, 2024**
Cash:		
Interest on Credit Facilities	8,937	7,720
Lease interest expense	2,296	-
Non-cash:		
Accretion(1)	1,368	1,020
Amortization of deferred financing fees	319	425
Finance expense	**12,920**	**9,165**

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

11. SHARE-BASED PAYMENT

Stock Options

At March 31, 2025, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 27,207,135 (March 31, 2024 – 26,857,800) common shares. At March 31, 2025, there remained 4,635,607 (March 31, 2024 – 5,847,145) stock options available for issuance. For the stock options exercised during 2025, the weighted average common share trading price on the TSX was $5.85 (March 31, 2024 – $5.35) per common share.

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

Three months ended		**March 31, 2025**		**March 31, 2024**
	Number	**Price** *($)*(1)	**Number**	**Price** *($)*(1)
Outstanding, beginning	23,656,768	6.25	22,779,950	5.95
Granted(2)	10,000	6.33	35,800	5.04
Exercised	(767,840)	(2.27)	(1,422,328)	(3.30)
Forfeited	(207,067)	(6.15)	(182,367)	(7.39)
Expired	(120,333)	(7.37)	(200,400)	(7.93)
Outstanding, ending	**22,571,528**	**6.38**	**21,010,655**	**6.09**

(1) Calculated on a weighted average basis.

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

The weighted average fair value per option granted during the three months ended March 31, 2025 was $2.08 (March 31, 2024 – $1.34). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2025, the Corporation applied a weighted average estimated forfeiture rate of 7.0% (March 31, 2024 – 7.0%).

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

Three months ended	March 31, 2025	March 31, 2024
Risk-free interest rate	2.6%	3.7%
Expected life *(years)*	4.0	4.0
Expected volatility	44.6%	54.7%
Dividend yield	1.9%	7.8%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 2025 is set forth below:

Grant Price *($)*		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*
0.78	3.00	1,711,010	0.69	1.81	1,711,010	0.69	1.81
3.01	6.00	5,900,984	4.65	5.12	31,267	1.66	3.81
6.01	9.00	9,781,034	2.72	6.36	6,357,623	2.19	6.46
9.01	11.65	5,178,500	2.68	9.37	3,656,991	2.67	9.37
		22,571,528	**3.06**	**6.38**	**11,756,891**	**2.12**	**6.68**

Performance Warrants

In January 2025, the Corporation repurchased the 404,967 performance warrants outstanding for a total cash cost of $1.1 million. As at March 31, 2025, there were no performance warrants outstanding (December 31, 2024 – 404,967).

12. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available Credit Facilities and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the three months ended March 31, 2025.

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

As at *($000s)*	March 31, 2025	December 31, 2024
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(518,581)	(566,857)
Unamortized deferred financing fees	(3,506)	(3,825)
Outstanding letters of credit	(185)	(185)
	(522,272)	(570,867)
Unused credit	**327,728**	**279,133**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. See Note 4.

The capital structure of the Corporation is as follows:

As at *($000s)*	March 31, 2025	December 31, 2024	% Change
Total shareholders' equity	**2,255,018**	**2,195,015**	**3%**
Total shareholders' equity as a % of total capital	81%	80%	
Revolving term credit facilities	518,581	566,857	
Working capital surplus(1)	(67,109)	(88,953)	
Fair value of financial instruments - asset(2)	96,623	71,038	
Other liabilities(2)	(13,385)	(13,385)	
Adjusted working capital deficit (surplus)(3)	16,129	(31,300)	
Total debt	**534,710**	**535,557**	**0%**
Total debt as a % of total capital	19%	20%	
Total capital	**2,789,728**	**2,730,572**	**2%**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

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

13. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can materially impact the corporation's financial performance, operating results and financial position. Commodity prices for P&NG are not only influenced by Canadian and the United States supply and demand, but also by world events that dictate the levels of supply and demand globally.

Financial Derivative Contracts

At March 31, 2025, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial instruments as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss and realized upon settlement.

At March 31, 2025, Birchcliff had the following financial derivative contracts in place to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[(1)]	Contract Price	Asset *($000s)*
Natural gas	AECO 7A basis swap[(2)]	12,500 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	7,093
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	5,623
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	5,881
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	2,692
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	5,414
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	2,665
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	16,878
Natural gas	AECO 7A basis swap[(2)]	35,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	20,230
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	3,006
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	12,103
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	3,066
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu	5,729
Natural gas	AECO 7A basis swap[(2)]	40,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.979/MMBtu	21,694
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.960/MMBtu	10,927
Natural gas	AECO 7A basis swap[(2)]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu	9,143
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Jan. 1, 2030 – Dec. 31, 2031	NYMEX HH less US$1.090/MMBtu	78
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2030 – Dec. 31, 2031	NYMEX HH less US$1.090/MMBtu	23
				Fair value	**132,245**

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

(2) Birchcliff sold AECO basis swap.

At March 31, 2025, if the future NYMEX HH/AECO 7A basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in the three months ended March 31, 2025 would have changed by approximately $9.8 million.

There were no financial derivative contracts entered into subsequent to March 31, 2025 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. The corporation had no financial derivative contracts in place to manage interest rate risk as at March 31, 2025.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its P&NG sales. The Corporation had no long-term forward exchange rate contracts in place as at March 31, 2025.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

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Bruno Geremia
Executive Vice President and
Chief Financial Officer

Theo van der Werken
Chief Operating Officer

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

Duane Thompson
Vice President, Operations

Hue Tran
Vice President, Business Development and
Marketing

DIRECTORS

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Calgary, Alberta

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Independent Lead Director
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Debra Gerlach
Independent Director
Calgary, Alberta

Stacey McDonald
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Calgary, Alberta

Cameron Proctor
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

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Jordon Cheung
Drilling Manager

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Lee Grant
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Dan Lundstrom
Health and Safety Manager

Kevin Matiasz
Completions Manager

Paul Messer
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Tyler Murray
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Tam Nguyen
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Landon Poffenroth
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Manager of Geology

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