

BIRCHCLIFF

ENERGY

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July 28, 2016

BIRCHCLIFF ENERGY LTD. ANNOUNCES CLOSING OF STRATEGIC MONTNEY/DOIG ACQUISITION IN GORDONDALE AND INCREASE OF BORROWING BASE TO \$950 MILLION

Calgary, Alberta – Birchcliff Energy Ltd. (“Birchcliff” or the “Corporation”) (TSX: BIR) is pleased to announce that it has closed its previously announced acquisition (the **“Acquisition”**) of certain petroleum and natural gas properties, interests and related assets primarily located in the Gordondale area of Alberta (the **“Assets”**) from Encana Corporation (the **“Vendor”**). The Assets include high working interest operated production and a large contiguous land base which fits between Birchcliff’s existing Pouce Coupe and Gordondale properties.

The purchase price for the Assets was approximately \$625 million, subject to closing adjustments (the **“Purchase Price”**). The Purchase Price was funded through a bought deal financing of 107,520,000 subscription receipts of the Corporation (**“Subscription Receipts”**) at a price of \$6.25 per Subscription Receipt (the **“Offering”**) and a private placement of 3,000,000 Subscription Receipts to an entity controlled by Mr. Seymour Schulich at a price of \$6.25 per Subscription Receipt (the **“Concurrent Private Placement”**). The Offering and the Concurrent Private Placement closed concurrently on July 13, 2016 and the aggregate gross proceeds of \$690.8 million were held in escrow pending completion of the Acquisition.

In accordance with their terms, each Subscription Receipt was deemed exchanged for one common share of the Corporation (an **“Underlying Share”**) on July 28, 2016 and the gross proceeds of \$690.8 million from the Offering and the Concurrent Private Placement were released from escrow in order for Birchcliff to complete the Acquisition. The Underlying Shares were issued effective at the time of the delivery to Computershare Trust Company of Canada (the escrow agent for the Subscription Receipts) of notice from the Corporation advising that all material conditions (other than the payment of the Purchase Price) necessary to complete the Acquisition had been satisfied or waived. Holders of Subscription Receipts are not required to take any action in order to receive the Underlying Shares.

Birchcliff has been advised by the Toronto Stock Exchange (the **“TSX”**) that the Subscription Receipts will be delisted by the TSX after the close of trading on July 28, 2016 and the Underlying Shares will begin trading on the TSX today.

Increased Guidance

Birchcliff has increased its 2016 annual average production guidance to 49,000 to 51,000 boe/d from 40,000 to 41,000 boe/d, of which approximately 17% will be oil and NGL (up from 11%), and expects that its net capital expenditures for 2016 will be increased by approximately \$36.5 million to approximately \$140 million. Details of Birchcliff’s updated capital expenditure program for 2016 are expected to be released on August 10, 2016, at which time the Corporation will update its 2016 guidance.

The table below sets forth Birchcliff’s increased guidance for 2016 as a result of the completion of the Acquisition, the Offering and the Concurrent Private Placement:

2016 Guidance	Pre-Acquisition	Post-Acquisition	% Change
Annual average production (boe/d) ⁽¹⁾	40,000 – 41,000 boe/d	49,000 – 51,000 boe/d	25%
% oil and NGL	11%	17%	53%
<i>Pro forma</i> common shares (basic) ⁽²⁾	152,350,906	262,870,906	73%
Net capital expenditures (MM) ⁽³⁾	\$103.5	\$140.0	35%
Total debt at December 31, 2016 (MM) ⁽³⁾⁽⁴⁾	\$656	\$615	(6)%

Notes:

- (1) Forecast average production from the Assets for the first half of 2016 is approximately 26,000 boe/d. The impact on 2016 is based on the closing date of the Acquisition of July 28, 2016 and therefore 2016 numbers do not represent full year 2016 average production.
- (2) Based on 152,350,906 common shares issued and outstanding as at the close of business on July 27, 2016 and 110,520,000 Underlying Shares that were issued in exchange for the 110,520,000 Subscription Receipts that were issued pursuant to the Offering and the Concurrent Private Placement.
- (3) After taking into account proceeds in the amount of \$19.0 million received by the Corporation from a disposition completed in the Progress area on April 28, 2016. Forecast capital expenditures assume Birchcliff achieves its 2016 production targets. The Corporation's 2016 capital expenditure program assumes an annual average WTI price of US\$45.00 per barrel of oil (revised from US\$43.00 as announced on May 11, 2016), an AECO price of CDN\$1.90 per GJ of natural gas and an exchange rate of CDN\$/US\$ of 1.29 during 2016.
- (4) Assuming an annual average WTI price of US\$45.00 per bbl of oil and an AECO price of CDN\$1.90 per GJ of natural gas during 2016, and based on the completion of the Offering and the Concurrent Private Placement (after giving effect to the estimated expenses of the Offering and the Concurrent Private Placement) and the Acquisition (prior to giving effect to closing adjustments and costs of the Acquisition). Total debt is a non-GAAP measure. See "Advisories – Non-GAAP Measures".

Increased Reserves

The following is a summary of selected reserves information for the Assets and for the Corporation on a *pro forma* basis after giving effect to the Acquisition. The *pro forma* reserves information is not necessarily indicative of the results of operations that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results that may be obtained in the future.

	Birchcliff	Assets	Pro Forma
Gross Proved Reserves⁽¹⁾⁽³⁾			
Light Crude Oil and Medium Crude Oil (Mbbbls)	18,534	13,049	31,583
Shale Gas (MMcf) ⁽²⁾	1,898,461	386,828	2,285,289
NGL (Mbbbls)	16,301	28,141	44,442
Total (Mboe)	351,246	105,661	456,907
Gross Proved Plus Probable Reserves⁽¹⁾⁽³⁾			
Light Crude Oil and Medium Crude Oil (Mbbbls)	36,002	24,988	60,990
Shale Gas (MMcf) ⁽²⁾	3,057,108	694,098	3,751,206
NGL (Mbbbls)	27,419	50,462	77,881
Total (Mboe)	572,939	191,133	764,072

Notes:

- (1) For the historical periods presented, the predecessor product types included conventional natural gas, tight oil and NGL.
- (2) Shale gas includes conventional natural gas classified wells, the production volumes of which are not material.
- (3) As at December 31, 2015 in the case of the Corporation and as at March 31, 2016 in the case of the Assets and based on forecast prices and costs. Reserves presented for the Corporation are based on the reserves estimation and economic evaluation prepared by Deloitte LLP ("Deloitte") effective December 31, 2015 in respect of Birchcliff's oil and natural gas properties (the "2015 Reserves Evaluation"). Reserves presented for the Assets are derived from the independent engineering evaluation of the oil, natural gas and NGL reserves attributable to the Assets prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") effective March 31, 2016 (the "Birchcliff Report"). Readers should be cautioned that the price forecast schedule of Deloitte used in the 2015 Reserves Evaluation and the price forecast schedule of McDaniel used in the Birchcliff Report are different. Since the estimates of the Corporation's reserves and the estimates of the reserves associated with the Assets were estimated as at different dates, they have

been generated based on different assumptions in respect of commodity pricing, among other metrics. As a result, the presentation of the Corporation's reserves on a consolidated *pro forma* basis for the Acquisition would not reflect the actual combined estimate of the Corporation's reserves and those of the Assets as at December 31, 2015 and should not necessarily be viewed as predictive of the Corporation's reserves and future production on the completion of the Acquisition.

All information regarding the Assets contained herein, including all reserves and related information, financial information and all *pro forma* information reflecting the *pro forma* effects of the Acquisition, has been derived in part from information provided by the Vendor, including in connection with the Corporation's due diligence investigation, and other third parties.

Increase to Credit Facilities

The Corporation is also pleased to announce that, in connection with the closing of the Acquisition, its extendible revolving credit facilities (the "**Credit Facilities**") have been amended to increase the borrowing base to \$950 million from \$750 million. After giving effect to the increase in the borrowing base, the Credit Facilities are comprised of: (i) an extendible revolving syndicated term credit facility of \$900 million (increased from \$710 million); and (ii) an extendible revolving working capital credit facility of \$50 million (increased from \$40 million).

In conjunction with the increase to the borrowing base, the lenders also agreed to waive the requirement to redetermine the borrowing base limit in connection with the delivery of the Corporation's next in-house engineering report which is required to be delivered by November 15, 2016.

ABBREVIATIONS

AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system which is the delivery point for various benchmark Alberta index prices
bbl	barrel
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
GAAP	generally accepted accounting principles
GJ	gigajoule
Mbbls	thousand barrels
Mboe	thousand barrels of oil equivalent
Mcf	thousand cubic feet
MM	millions
MMcf	million cubic feet
NGL	natural gas liquids
WTI	West Texas Intermediate oil at Cushing, Oklahoma, the benchmark for North American crude oil pricing

ADVISORIES

Forward-Looking Information

This press release contains forward-looking statements and information (collectively referred to as **“forward-looking information”**) within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon Birchcliff’s current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact may be forward-looking information. Information relating to reserves is forward-looking as it involves 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. Words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “estimated”, “forecast”, “may”, “will”, “potential”, “proposed” and other similar words that convey certain events or conditions “may” or “will” occur are intended to identify forward-looking information.

In particular, this press release contains forward-looking information relating to: the delisting of the Subscription Receipts on the TSX and the listing of the Underlying Shares on the TSX and the timing thereof; the impact of the Acquisition on the Corporation, including on its operations, production, reserves and financial condition; the production and oil and natural gas reserves of the Corporation and those associated with the Assets; the Corporation’s 2016 guidance and other financial results before and after giving effect to the Offering, the Concurrent Private Placement and the Acquisition; and the expected release of the details of the Corporation’s revised 2016 capital expenditure program and updated 2016 guidance and the timing thereof.

The forward-looking information contained in this press release is based upon certain expectations and assumptions, including: the Corporation’s ability to develop the Assets and obtain the anticipated benefits therefrom; prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy and the exploration and production business; the economic and political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes and environmental laws; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures to carry out planned operations; results of operations; operating, transportation, marketing and general and administrative costs; the performance of existing and future wells, well production rates and well decline rates; well drainage areas; success rates for future drilling; reserves volumes and Birchcliff’s ability to replace and expand oil and gas reserves through acquisition, development or exploration; the impact of competition; the availability of, demand for and cost of labour, services and materials; Birchcliff’s ability to access capital; the ability to obtain financing on acceptable terms; the ability to obtain any necessary regulatory approvals in a timely manner; the ability of Birchcliff to secure adequate transportation for its products; Birchcliff’s ability to market oil and gas; and Birchcliff’s ability to efficiently integrate assets and employees acquired through acquisitions, including the Acquisition.

In addition, the Corporation’s guidance for its annual average production for 2016, before and after giving effect to the Acquisition, assumes that the Corporation’s capital expenditure program is carried out as contemplated, that 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.

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions, expectations or assumptions upon which it is based will occur. Although Birchcliff believes that the expectations and assumptions reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

Forward-looking information necessarily involves both known and unknown risks and uncertainties that could cause actual results to differ materially from those anticipated, including, but not limited to: failure to realize the anticipated benefits of the Acquisition; unforeseen difficulties in integrating the Assets into the Corporation's operations; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency and interest rates; operational risks and liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; the accuracy of oil and natural gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; changes in tax laws, crown royalty rates, environmental laws and incentive programs relating to the oil and natural gas industry and other actions by government authorities, including changes to the royalty and carbon tax regimes and the imposition or reassessment of taxes; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the inability to secure adequate production transportation for Birchcliff's products; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; stock market volatility; loss of market demand; environmental risks, claims and liabilities; incorrect assessments of the value of acquisitions and exploration and development programs; shortages in equipment and skilled personnel; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; expectations that the development activities in connection with the Assets will be economical; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; and uncertainties associated with credit facilities and counterparty credit risk.

Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Corporation nor any other person assumes responsibility for the accuracy and completeness of the forward-looking information. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide readers with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this press release is expressly qualified by this cautionary statement. Additional information on these and other factors that could affect the Corporation's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking information contained in this press release is made as of the date of this press release. The Corporation is not under any duty to update or revise any of the forward-looking information except as expressly required by applicable securities laws.

Future-orientated financial information and financial outlook information (collectively, “FOFI”) contained in this press release, as such terms are defined by applicable securities laws, is provided for the purpose of providing information about management’s current expectations and plans relating to the future. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of describing the anticipated effects of the Offering, the Concurrent Private Placement and the Acquisition on the Corporation’s business. FOFI is based on assumptions about future events, including economic conditions and proposed courses of action, based on management’s assessment of the relevant information currently available. The Corporation disclaims any intention or obligations to update or revise any FOFI contained in this press release unless required by applicable law. Readers are cautioned that reliance on such information may not be appropriate for other purposes and any such financial outlook information should not be used for purposes other than for which it has been disclosed.

Non-GAAP Measures

This press release uses “total debt”, which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. “Total debt” is calculated as the outstanding indebtedness under the Credit Facilities plus working capital deficit. Management believes that total debt assists management and investors in assessing Birchcliff’s liquidity. For a reconciliation of “total debt”, see the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2015 and the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the three months ended March 31, 2016.

Oil and Gas Advisories

Caution Respecting Reserves Information

The reserves information contained herein in respect of the Assets is based upon the Birchcliff Report with an effective date of March 31, 2016. The reserves information contained herein in respect of Birchcliff’s reserves is based upon the 2015 Reserves Evaluation.

There are numerous uncertainties inherent in estimating the quantities of reserves and the future net revenues attributed to those reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserves estimates of reserves provided in this press release are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein and variances could be material.

Definitions

Certain terms used herein are defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”), CSA Staff Notice 51-324 – *Revised Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* (“**CSA Staff Notice 51-324**”) and/or the Canadian Oil and Gas Evaluation Handbook (the “**COGE Handbook**”) and, unless the context otherwise requires, shall have the same meanings in this press release as in NI 51-101, CSA Staff Notice 51-324 or the COGE Handbook, as the case may be.

Production Forecast

The production forecast for the Assets for the first half of 2016 is based upon actual production for the period from January 1, 2016 to April 30, 2016 and the field production estimates for the months of May and June 2016.

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 to 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.

Reserves for Portion of Properties

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

Gross Volumes of Reserves

Unless otherwise indicated, all reserves volumes presented herein are on a “gross” basis, meaning the total working interest share before the deduction of royalties and without including any royalty interests.

About Birchcliff:

Birchcliff is a Calgary, Alberta based intermediate oil and gas Corporation with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff’s Common Shares and Cumulative Redeemable Preferred Shares, Series A and Series C are listed for trading on the Toronto Stock Exchange under the symbols “BIR”, “BIR.PR.A” and “BIR.PR.C”, respectively.

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