BIRCHCLIFF ENERGY

16-13 August 10, 2016

BIRCHCLIFF ENERGY LTD. ANNOUNCES 2016 SECOND QUARTER RESULTS, UPDATE ON GORDONDALE ACQUISITION AND APPOINTMENT OF NEW DIRECTOR

Calgary, Alberta – **Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR)** is pleased to announce its 2016 second quarter results, with strong quarterly average production of 39,513 boe/d and record low operating costs of $3.45 per boe.

The second quarter marked the announcement of a transformational transaction whereby Birchcliff entered into a definitive agreement to purchase certain oil and natural gas properties in Gordondale, Alberta for approximately $625 million, which closed on July 28, 2016. In connection with the acquisition, Birchcliff completed equity financings for aggregate gross proceeds of approximately $690.8 million, which financings closed on July 13, 2016. As a result of the completion of the acquisition and the financings, Birchcliff's current production has materially increased to approximately 65,000 boe/d, its future opportunities have increased and it has materially improved its financial strength. Accordingly, Birchcliff's financial strength, current production and future opportunities will be significantly different when compared to its 2016 second quarter results.

The full text of Birchcliff's Second Quarter Report containing the unaudited interim condensed financial statements for the three and six month periods ended June 30, 2016 and the related management's discussion and analysis will be available on Birchcliff's website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

Jeff Tonken, President and Chief Executive Officer of Birchcliff, stated:

"The $625 million Gordondale asset acquisition and equity financings of $690.8 million have transformed Birchcliff into one of the most focused, high working interest Montney/Doig producers on the Montney/Doig Resource Play (one of the premier resource plays in North America), matched with a very strong balance sheet. The opportunity to purchase high working interest Montney/Doig production with numerous potential future drilling opportunities, immediately adjacent to our own Pouce Coupe Montney/Doig production, at a reasonable price was extremely attractive. The equity financings completed in connection with the acquisition allowed us to raise enough equity to not only pay for the assets but also to reduce our indebtedness by approximately $50 million, which has resulted in Birchcliff having a de-levered balance sheet.

As a result of the acquisition and the financings, we are bigger, more focused and better financed. Our potential future drilling opportunities have materially increased. The acquisition provides for numerous operational synergies and we believe that there is ample opportunity to further drive down costs in the future."

This press release contains forward-looking information within the meaning of applicable securities laws. Such forward-looking information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, please see "Advisories – Forward-Looking Information". In addition, this press release contains references to "funds flow", "funds flow from operations", "funds flow per common share", "netback", "operating netback", "estimated operating netback", "funds flow netback", "operating margin", "total cash costs", "adjusted working capital deficit" and "total debt", which do not have standardized meanings prescribed by GAAP. For further information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measure, please see "Non-GAAP Measures".

2016 Guidance and Selected *Pro Forma* Attributes

2016 Guidance and Selected *Pro Forma* Information	**Birchcliff Post-Acquisition and Financings**
Current production as at August 9, 2016	65,000 boe/d
Estimated 2016 Q4 average production	62,000 – 63,000 boe/d
% oil and NGL	21%
Estimated 2016 Q3 average production	55,000 – 56,000 boe/d
% oil and NGL	20%
Estimated 2016 annual average production	49,000 – 51,000 boe/d
% oil and NGL	17%
Estimated 2016 net capital expenditures (millions)	$145
Estimated total debt at December 31, 2016 (millions)	$607
Estimated total debt as at July 31, 2016 (millions)	$638
Credit facilities limit as at August 9, 2016 (millions)	$950
Common shares (basic) as at August 9, 2016	262,870,906
Market capitalization as at August 9, 2016 (billions)	$2.4
Enterprise value as at August 9, 2016 (billions)	$3.1
Montney/Doig land position as at August 9, 2016	
Gross sections	416.2
Net sections	406.9
Montney/Doig potential net future HZ drilling locations as at August 9, 2016	4,558.2
Pro forma gross proved reserves	456,907 Mboe
Pro forma gross proved plus probable reserves	764,072 Mboe

For further information, including the assumptions in respect of Birchcliff's 2016 guidance, see *"2016 Guidance and Selected Pro Forma Attributes"* in the President's Message from the 2016 Second Quarter Report attached.

Second Quarter Highlights

- Strong quarterly average production of 39,513 boe/d in the second quarter of 2016, a 3% increase from 38,489 boe/d in the second quarter of 2015.
- Funds flow of $13.3 million ($0.09 per basic common share) in the second quarter of 2016, a decrease from $45.8 million ($0.30 per basic common share) in the second quarter of 2015.
- Net loss to common shareholders of $24.3 million ($0.16 per basic common share) in the second quarter of 2016, as compared to the net loss to common shareholders of $5.2 million ($0.03 per basic common share) in the second quarter of 2015.
- Record low operating costs of $3.45 per boe in the second quarter of 2016, a 24% decrease from $4.53 per boe in the second quarter of 2015.
- Birchcliff drilled 4 (4.0 net) wells in the second quarter of 2016, all of which were Montney/Doig horizontal natural gas wells in the Pouce Coupe area.

Appointment of New Director

- Effective August 10, 2016, Ms. Rebecca Morley joined the board of directors of Birchcliff.

2016 SECOND QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
OPERATING				
Average daily production				
Light oil – *(barrels)*	2,504	3,736	2,868	3,876
Natural gas – *(thousands of cubic feet)*	213,130	198,714	217,804	197,332
NGL – *(barrels)*	1,488	1,634	1,567	1,688
Total – barrels of oil equivalent *(6:1)*[(1)]	**39,513**	**38,489**	**40,736**	**38,453**
Average sales price *($ CDN)*[(2)]				
Light oil – *(per barrel)*	51.20	64.93	43.16	56.03
Natural gas – *(per thousand cubic feet)*	1.48	2.86	1.74	2.92
NGL – *(per barrel)*	50.77	59.57	46.19	52.84
Total – barrels of oil equivalent *(6:1)*[(1)]	**13.13**	**23.62**	**14.12**	**22.95**
NETBACK AND COST *($ per barrel of oil equivalent at 6:1)*[(1)]				
Petroleum and natural gas revenue[(2)]	13.14	23.64	14.13	22.96
Royalty expense	(0.25)	(0.61)	(0.46)	(0.72)
Operating expense	(3.45)	(4.53)	(3.58)	(4.82)
Transportation and marketing expense	(2.35)	(2.46)	(2.30)	(2.52)
Netback	**7.09**	**16.04**	**7.79**	**14.90**
General & administrative expense, net	(1.24)	(1.50)	(1.28)	(1.60)
Interest expense	(2.18)	(1.48)	(1.94)	(1.45)
Realized gain on financial instruments	0.02	-	0.01	-
Funds flow netback	**3.69**	**13.06**	**4.58**	**11.85**
Stock-based compensation expense, net	(0.15)	(0.25)	(0.16)	(0.23)
Depletion and depreciation expense	(8.75)	(10.75)	(8.85)	(10.99)
Accretion expense	(0.16)	(0.15)	(0.15)	(0.16)
Amortization of deferred financing fees	(0.06)	(0.07)	(0.06)	(0.06)
Gain (loss) on sale of assets	(3.03)	-	(1.47)	0.09
Unrealized gain on financial instruments	0.03	-	0.02	-
Dividends on Series C preferred shares	(0.24)	(0.25)	(0.24)	(0.25)
Income tax recovery (expense)	2.18	(2.78)	1.56	(1.35)
Net loss	**(6.49)**	**(1.19)**	**(4.77)**	**(1.10)**
Dividends on Series A preferred shares	(0.27)	(0.29)	(0.27)	(0.29)
Net loss to common shareholders	**(6.76)**	**(1.48)**	**(5.04)**	**(1.39)**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*[(2)]	47,261	82,791	104,764	159,817
Funds flow from operations *($000s)*	13,267	45,752	33,962	82,472
Per common share – basic *($)*	0.09	0.30	0.22	0.54
Per common share – diluted *($)*	0.09	0.30	0.22	0.53
Net loss *($000s)*	(23,321)	(4,174)	(35,356)	(7,653)
Net loss to common shareholders *($000s)*	(24,321)	(5,174)	(37,356)	(9,653)
Per common share – basic *($)*	(0.16)	(0.03)	(0.25)	(0.06)
Per common share – diluted *($)*	(0.16)	(0.03)	(0.25)	(0.06)
Common shares outstanding *(000s)*				
End of period – basic	152,308	152,294	152,308	152,294
End of period – diluted	169,089	168,181	169,089	168,181
Weighted average common shares for period – basic	152,308	152,289	152,308	152,266
Weighted average common shares for period – diluted	154,279	154,650	153,869	154,422
Dividends on Series A preferred shares *($000s)*	1,000	1,000	2,000	2,000
Dividends on Series C preferred shares *($000s)*	875	875	1,750	1,750
Capital expenditures, net *($000s)*	4,722	65,122	68,582	163,661
Revolving term credit facilities *($000s)*	709,510	599,998	709,510	599,998
Adj. working capital deficit *($000s)*	6,141	32,308	6,141	32,308
Total debt *($000s)*	715,651	632,306	715,651	632,306

(1) See *"Advisories"* in this press release.
(2) Excludes the effect of hedges using financial instruments.

PRESIDENT'S MESSAGE FROM THE 2016 SECOND QUARTER REPORT

August 10, 2016

Fellow Shareholders,

We are pleased to report the second quarter financial and operational results for Birchcliff Energy Ltd. ("**Birchcliff**") for the three and six month periods ended June 30, 2016.

Highlights for the 2016 Second Quarter

Birchcliff's production continues to be strong, with low declines, which is reflected by the minimal capital we have spent on production additions to keep our 100% owned and operated natural gas plant located in the Pouce Coupe area (the "**PCS Gas Plant**") at capacity. Our costs, both operating and capital, continue to fall as a result of more efficient project execution, the implementation of operating and capital cost reduction initiatives and an intense focus on all aspects of our business. We had strong quarterly average production of 39,513 boe/d during the second quarter of 2016. Production consisted of 90% natural gas, 6% light oil and 4% NGL. Production was approximately 3% above the average production in the second quarter of 2015, which was 38,489 boe/d.

Notwithstanding the fact that we had strong production and record low operating costs, Birchcliff had funds flow of $13.3 million ($0.09 per basic common share), a decrease from $45.8 million ($0.30 per basic common share) in the second quarter of 2015, primarily as a result of weak commodity prices. We recorded a net loss to common shareholders of $24.3 million ($0.16 per basic common share), as compared to the net loss to common shareholders of $5.2 million ($0.03 per basic common share) in the second quarter of 2015.

Our operating costs were $3.45 per boe, a 24% decrease from $4.53 per boe in the second quarter of 2015 and a new record low for Birchcliff. Our general and administrative expense was $1.24 per boe, a 17% decrease from $1.50 per boe in the second quarter of 2015.

Strategic Montney/Doig Acquisition in the Gordondale Area

On July 28, 2016, we completed the acquisition (the "**Gordondale Acquisition**") of certain petroleum and natural gas properties, interests and related assets primarily located in the Gordondale area of Alberta (the "**Assets**"). The purchase price for the Assets was approximately $625 million, prior to closing adjustments and costs of the Gordondale Acquisition. 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 Gordondale Acquisition has an effective date of January 1, 2016. After giving effect to the Gordondale Acquisition, we now have a Montney/Doig land position of 261 contiguous sections of land and a total of 416.2 (406.9 net) Montney/Doig sections.

In connection with the announcement of the Gordondale Acquisition, Birchcliff launched a bought deal financing and concurrent private placement for aggregate gross proceeds of approximately $690.8 million (the "**Financings**"), which closed concurrently on July 13, 2016. On the closing of the Gordondale Acquisition, the aggregate gross proceeds were released from escrow in order for Birchcliff to complete the Gordondale Acquisition and the balance of the aggregate net proceeds was used to reduce indebtedness under our credit facilities by approximately $50 million. As a result, we have now significantly de-levered our balance sheet, while at the same time adding material low decline production of approximately 20%, material reserves and high quality development opportunities.

We have not left our map sheet, our eye is on the same ball, in the same area, on the same plays using the same people and services.

Increase to Credit Facilities

In connection with the closing of the Gordondale Acquisition, our extendible revolving credit facilities (the "**Credit Facilities**") were 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). The maturity dates of the Credit Facilities remain at May 11, 2018 and they do not contain any financial covenants.

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 our next in-house engineering report which is required to be delivered by November 15, 2016.

Increased 2016 Capital Program

As a result of the closing of the Gordondale Acquisition, our board of directors has approved a revised capital budget for 2016 of $163.7 million, up from the $122.5 million that was previously announced on May 11, 2016.

Our revised 2016 capital expenditure program (the "**Revised 2016 Capital Program**") contemplates the drilling of a total of 23 (23.0 net) wells, an increase from the 13 (13.0 net) wells under our original capital expenditure program, and continues the funding of key infrastructure required for future growth, including our PCS Gas Plant.

We will direct additional funds towards the development of certain properties that we recently acquired in the Gordondale area pursuant to the Gordondale Acquisition, as well as additional funds towards the development of our existing properties in the Pouce Coupe area. The expanded portion of the Revised 2016 Capital Program contemplates the drilling of an additional 10 (10.0 net) wells, consisting of 4 (4.0 net) wells in the Pouce Coupe area and 6 (6.0 net) wells in the Gordondale area. These additional wells are expected to be completed, equipped and brought on production in 2017. As a result, the expanded portion of our Revised 2016 Capital Program is not expected to add any production in 2016, but is designed to achieve significant production growth in 2017.

The following table provides details of the Revised 2016 Capital Program, including a comparison to our original 2016 capital expenditure program:

Revised 2016 Capital Program[1]

	Gross Wells		Net Wells		Capital *(millions of dollars)*[1]		Difference in Capital *(millions of dollars)*[1]
	New	**Old**	**New**	**Old**	**New**	**Old**	
Drilling & Development[2]							
Montney D1 Horizontal Wells	15.0	8.0	15.0	8.0	46.8	30.9	15.9
Montney D2 Horizontal Oil Wells	3.0	0.0	3.0	0.0	7.7	0.0	7.7
Montney D4 Horizontal Gas Wells	2.0	2.0	2.0	2.0	7.0	4.7	2.3[3]
Basal Doig/Upper Montney Horizontal Gas Wells	2.0	2.0	2.0	2.0	8.5	8.0	0.5
Charlie Lake Horizontal Light Oil Well	1.0	1.0	1.0	1.0	2.7	2.7	0.0
2015 Carry Forward Capital[4]	-	-	-	-	4.5	4.9	(0.4)
2017 Pre-Spend Capital[5]	-	-	-	-	7.5	0.0	7.5
Total Drilling & Development	**23.0**	**13.0**	**23.0**	**13.0**	**84.8**	**51.3**	**33.6**
Facilities & Infrastructure[6]					41.4	37.0	4.4
Production Optimization					17.1	15.0	2.2
Land & Seismic					5.1	5.1	0.0
Other					15.4	14.2	1.1
Total Capital					**163.7**	**122.5**	**41.2**
Acquisitions & Dispositions[7]					(18.7)[8]	(19.0)	0.3
TOTAL NET CAPITAL					**145.0**	**103.5**	**41.5**

(1) Numbers may not add due to rounding.
(2) All drilling and development costs have been presented on a drill, case, complete, equip and tie-in basis, except for two Montney D4 horizontal natural gas wells that are expected to be equipped and tied-in in 2017 and the additional 10 wells to be drilled under the Revised 2016 Capital Program which are expected to be completed, equipped and tied-in in 2017.
(3) The difference in capital relates to two completions that have been brought forward into 2016.
(4) Primarily completion, equipping and tie-in costs associated with 2 (2.0 net) wells rig released at the end of 2015.
(5) Primarily costs relating to 2017 multi-well pad construction being spent in 2016 and preliminary frac water costs.
(6) Includes approximately $27.1 million of capital in 2016 for the PCS Gas Plant Phase V expansion.
(7) Does not include the costs associated with the Gordondale Acquisition.
(8) After taking into account proceeds in the amount of $19.0 million received by Birchcliff from a disposition completed in the Progress area on April 28, 2016 and disbursements in the amount of $0.3 million from minor acquisitions.

We currently expect that our net capital expenditures for 2016 (net of acquisitions and dispositions, but excluding the Gordondale Acquisition) will approximate our funds flow during 2016, based on the assumptions set forth herein.

Based on recent commodity prices and exchange rates, we have revised our commodity price and exchange rate assumptions underlying the Revised 2016 Capital Program. The Revised 2016 Capital Program now assumes an annual average WTI price of approximately US$40.50 per barrel of oil (revised from US$43.00), an AECO price of approximately CDN$2.00 per GJ of natural gas (revised from CDN$1.90) and an exchange rate of CDN$/US$ of 1.33 (revised from 1.29) during 2016.

We currently have crude oil hedges in place for 1,500 bbls/d which expire December 31, 2016. We are currently reviewing our hedging strategy and intend to adopt an ongoing hedging strategy. For further information regarding our hedges, please see our management’s discussion and analysis for the three and six month periods ended June 30, 2016.

The Revised 2016 Capital Program is flexible and we have the ability to defer capital expenditures in the event that actual commodity prices are materially less than what we have forecast. We have been closely monitoring commodity prices and our capital spending. We continue to find opportunities to reduce costs and defer certain capital expenditures, while still pursuing our objectives of production growth and the funding of key infrastructure to pave the way for future growth. We will continue to monitor commodity prices and economic conditions and may further adjust the Revised 2016 Capital

Program to respond to changes in commodity prices and other material changes in the assumptions underlying the Revised 2016 Capital Program.

2016 Guidance and Selected *Pro Forma* Attributes

The following table sets forth: (i) Birchcliff's increased guidance for 2016 as a result of the completion of the Gordondale Acquisition and the Financings; and (ii) certain *pro forma* information after giving effect to the Gordondale Acquisition and the Financings:

2016 Guidance and Selected *Pro Forma* Information	Birchcliff Post-Acquisition and Financings
Current production as at August 9, 2016	65,000 boe/d
Estimated 2016 Q4 average production	62,000 – 63,000 boe/d
% oil and NGL	21%
Estimated 2016 Q3 average production(1)	55,000 – 56,000 boe/d
% oil and NGL	20%
Estimated 2016 annual average production(1)	49,000 – 51,000 boe/d
% oil and NGL	17%
Estimated 2016 net capital expenditures (millions)(2)	$145
Estimated total debt at December 31, 2016 (millions)(3)	$607
Estimated total debt as at July 31, 2016 (millions)(3)	$638
Credit facilities limit as at August 9, 2016 (millions)(4)	$950
Common shares (basic) as at August 9, 2016	262,870,906
Market capitalization as at August 9, 2016 (billions)	$2.4
Enterprise value as at August 9, 2016 (billions)(5)	$3.1
Montney/Doig land position as at August 9, 2016	
Gross sections	416.2
Net sections	406.9
Montney/Doig potential net future HZ drilling locations as at August 9, 2016(6)	4,558.2
Pro forma gross proved reserves(7)	456,907 Mboe
Pro forma gross proved plus probable reserves(7)	764,072 Mboe

(1) The impact of the Gordondale Acquisition on Birchcliff's production guidance for 2016 is based on the closing date of the Gordondale Acquisition from July 28, 2016 onwards. Therefore, Birchcliff's annual average production guidance for 2016 does not include the full year 2016 average production from the Assets and Birchcliff's third quarter average production guidance for 2016 does not include the full third quarter average production from the Assets. The estimated average production for the Assets for the first half of 2016 is approximately 26,000 boe/d.

(2) After taking into account proceeds in the amount of $19 million received by Birchcliff from a disposition completed in the Progress area on April 28, 2016 and disbursements in the amount of $0.3 million from minor acquisitions. Forecast capital expenditures assume Birchcliff achieves its 2016 production targets. Birchcliff's Revised 2016 Capital Program assumes an annual average WTI price of approximately US$40.50 per barrel of oil (revised from US$43.00), an AECO price of approximately CDN$2.00 per GJ of natural gas (revised from $1.90) and an exchange rate of CDN$/US$ of 1.33 (revised from 1.29) during 2016. See *"Increased 2016 Capital Program"*.

(3) Estimated total debt at December 31, 2016 assumes net capital expenditures for 2016 of $145 million and an annual average WTI price of approximately US$40.50 per bbl of oil and an AECO price of approximately CDN$2.00 per GJ of natural gas during 2016. In addition, estimated total debt at December 31, 2016 and estimated total debt at July 31, 2016 are based on a purchase price for the Gordondale Acquisition of $625 million, less estimated interim closing adjustments and costs of the Gordondale Acquisition, which are subject to final adjustment.

(4) As at June 30, 2016, the borrowing base under Birchcliff's credit facilities was $750 million.

(5) Enterprise value is calculated by multiplying the closing price of the common shares on the TSX as at August 9, 2016 by the total number of common shares outstanding as at August 9, 2016 and adding estimated total debt as at July 31, 2016, including the face value of the Series A Preferred Shares and Series C Preferred Shares.

(6) See *"Advisories – Drilling Locations"*.

(7) As at December 31, 2015 in the case of Birchcliff and as at March 31, 2016 in the case of the Assets and based on forecast prices and costs. The information presented is on a *pro forma* basis after giving effect to the Gordondale 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. Reserves presented for Birchcliff 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 Birchcliff'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 Birchcliff's reserves on a consolidated *pro forma* basis for the Gordondale Acquisition would not reflect the actual combined estimate of Birchcliff's reserves and those of the Assets as at December 31, 2015 and should not necessarily be viewed as predictive of Birchcliff's reserves and future production on the completion of the Gordondale Acquisition.

Update on the PCS Gas Plant

A large portion of the capital spent on infrastructure in the first half of 2016 was to progress the Phase V expansion of the PCS Gas Plant, which will increase the processing capacity to 260 MMcf/d from the current processing capacity of 180 MMcf/d. The fabrication work for the Phase V expansion is essentially complete and the finished components are being stored until field construction commences. It is currently estimated that an additional $30 million will be required to complete the field construction. We currently expect that the Phase V expansion will be completed in 2017. The completion of Phase V of the PCS Gas Plant will be timed to coincide with the drilling of additional Montney/Doig horizontal natural gas wells to fill or partially fill the expanded PCS Gas Plant, so that operational momentum will not be lost and ensuring capital is only spent when required.

Natural Gas Transportation Capacity

Virtually all of our natural gas production is transported on TransCanada's NGTL System in Alberta pursuant to both firm and interruptible service agreements. We currently have in place firm service contracts that in the aggregate provide transportation capacity slightly above the processing capacity of our own processing facilities and sufficient transportation capacity to meet our processing commitments at third party processing facilities.

2016 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

Second quarter production averaged 39,513 boe/d, a 3% increase from production of 38,489 boe/d in the second quarter of 2015. Production per basic common share increased 3% from the second quarter of 2015. This production growth from the second quarter of 2015 was largely due to incremental production added from new Montney/Doig horizontal natural gas wells.

Production consisted of approximately 90% natural gas, 6% light oil and 4% NGL in the second quarter. Approximately 79% of our total corporate natural gas production and 73% of our total corporate production was processed at the PCS Gas Plant in the first half of 2016.

We have consistently demonstrated growth in second quarter production per common share. The following table highlights our year-over-year second quarter production per basic common share growth since 2012:

	Q2 2012	**Q2 2013**	**Q2 2014**	**Q2 2015**	**Q2 2016**	**Change Since 2012** *(%)*	**Average Annual Growth** *(%)*
Quarterly average production *(boe/d)*	22,039	24,141	31,178	38,489	39,513	79	20
Production per day per million common shares *(boe)*[(1)]	**159.2**	**169.7**	**214.8**	**252.7**	**259.4**	**63**	**16**

(1) Based on quarterly average daily production and weighted average basic common shares outstanding in the respective quarter.

Funds Flow and Net Loss

Funds flow was $13.3 million ($0.09 per basic common share), a 71% decrease from $45.8 million ($0.30 per basic common share) in the second quarter of 2015. This decrease was largely due to a 21% and 48% decrease, respectively, in the average realized oil and natural gas wellhead price.

We had a net loss of $23.3 million, as compared to the net loss of $4.2 million in the second quarter of 2015. We recorded a net loss to common shareholders of $24.3 million ($0.16 per basic common share) in the second quarter of 2016, as compared to the net loss to common shareholders of $5.2 million ($0.03 per basic common share) in the second quarter of 2015. These decreases were mainly attributable to lower funds flow as a result of the decrease in commodity prices and a loss on the sale of assets of $10.9 million ($8.0 million, net of tax), offset by lower depletion.

Operating Costs and General and Administrative Expense

We continue to focus on reducing our operating costs and general and administrative expense on a per boe basis. Operating costs in the second quarter of 2016 were $3.45 per boe, a 24% decrease from $4.53 per boe in the second quarter of 2015 and a new record low. Operating costs per boe decreased from the second quarter of 2015 largely due to the continued cost benefits achieved from processing incremental volumes of natural gas through the PCS Gas Plant and lower service costs resulting from reduced industry activity, as well as various cost reduction and infrastructure optimization initiatives that we have implemented. General and administrative expense in the second quarter of 2016 was $1.24 per boe, a 17% decrease from $1.50 per boe in the second quarter of 2015.

PCS Gas Plant Netbacks

Since the PCS Gas Plant first became operational in March 2010, we have seen a significant reduction in our corporate operating costs on a per boe basis. During the first half of 2016, we processed approximately 79% of our total corporate natural gas production through the PCS Gas Plant with an average plant and field operating cost of $0.25 per Mcfe ($1.47 per boe). The estimated operating netback at the PCS Gas Plant was $1.33 per Mcfe ($7.96 per boe), resulting in an operating margin of 69% in the first half of 2016.

The following table details our net production and estimated operating netback for wells producing to the PCS Gas Plant on a production month basis:

	Six months ended June 30, 2016		**Six months ended June 30, 2015**		**Six months ended June 30, 2014**		**Six months ended June 30, 2013**		**Six months ended June 30, 2012**	
Average daily production, net to Birchcliff:										
Natural gas *(Mcf)*		171,422		157,462		122,277		84,561		57,211
Oil & NGL *(bbls)*		967		1,249		983		375		232
Total boe *(6:1)*		**29,537**		**27,494**		**21,361**		**14,468**		**9,768**
Sales liquids yield (bbls/MMcf)		*5.6*		*7.9*		*8.0*		*4.4*		*4.1*
% of corporate natural gas production		*79%*		*80%*		*78%*		*69%*		*58%*
% of corporate production		*73%*		*72%*		*68%*		*58%*		*45%*
AECO – C daily *($/Mcf)*	**$1.61**		**$2.70**		**$5.20**		**$3.37**		**$2.02**	
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue(1)	1.93	11.61	3.20	19.21	5.93	35.60	3.81	22.88	2.47	14.82
Royalty expense	(0.05)	(0.30)	(0.12)	(0.74)	(0.40)	(2.38)	(0.23)	(1.39)	(0.07)	(0.42)
Operating expense(2)	(0.25)	(1.47)	(0.35)	(2.11)	(0.41)	(2.45)	(0.36)	(2.17)	(0.26)	(1.56)
Transportation and marketing expense	(0.30)	(1.88)	(0.32)	(1.92)	(0.29)	(1.82)	(0.25)	(1.50)	(0.22)	(1.32)
Estimated operating netback	**$1.33**	**$7.96**	**$2.41**	**$14.44**	**$4.83**	**$28.95**	**$2.97**	**$17.82**	**$1.92**	**$11.52**
Operating margin	**69%**	**69%**	**75%**	**75%**	**81%**	**81%**	**78%**	**78%**	**78%**	**78%**

(1) Excludes the effect of hedges using financial instruments.
(2) Represents plant and field operating costs.

Total Cash Costs and Funds Flow Netback

During the second quarter of 2016, we had total cash costs (comprised of royalty, operating, transportation and marketing, general and administrative and interest expenses) of $9.47 per boe, a 10% decrease from $10.58 per boe in the second quarter of 2015, and funds flow netback of $3.69 per boe, a 72% decrease from $13.06 per boe in the second quarter of 2015.

Debt

At June 30, 2016, our long-term bank debt was $709.5 million from available credit facilities aggregating $750 million, leaving $40.5 million of unutilized credit capacity. Subsequent to the end of the quarter, the borrowing base under our Credit Facilities was increased to $950 million.

Total debt at June 30, 2016, including adjusted working capital deficit, was $715.7 million, which included a $31.3 million deposit paid to the vendor in connection with the Gordondale Acquisition. For further details, please see our management's discussion and analysis for the three and six month periods ended June 30, 2016.

Capital Expenditures

During the second quarter of 2016, we had total capital expenditures of $23.4 million ($4.7 million net of acquisitions and dispositions), including approximately $11.0 million on drilling and completions and $10.4 million on infrastructure. For further details regarding the breakdown of our capital expenditures, please see our management's discussion and analysis for the three and six month periods ended June 30, 2016.

Drilling and Completions

We drilled 4 (4.0 net) wells in the second quarter of 2016, all of which were Montney/Doig horizontal natural gas wells in the Pouce Coupe area. The Montney/Doig horizontal natural gas wells consisted of 2 (2.0 net) horizontal wells drilled in the Basal Doig/Upper Montney interval and 2 (2.0 net) horizontal wells drilled in the Montney D1 interval. For further details, please see *"Operations Update".*

From inception to June 30, 2016, we have successfully drilled and cased 200 (199.9 net) Montney/Doig horizontal natural gas wells and 60 (60.0 net) Charlie Lake horizontal light oil wells utilizing multi-stage fracture stimulation technology.

We continue to see the benefits of our technical focus to evaluate and utilize innovative technologies in our drilling and completions. On our Montney/Doig Resource Play in Pouce Coupe, we have drilled approximately 13% faster on a metres per day drilled basis as compared to 2015, which is approximately 3 days faster per well.

Our completions strategy on our Montney/Doig Resource Play continues to build off our success in 2015. We continue to use multi-stage openhole packers with high rate slickwater completions with varied horizontal lateral lengths, number of stages and tonnages, based on our engineered completions mandate, taking into account the area and the Montney/Doig interval being completed.

Land Activities

Our land activities in the second quarter of 2016 included the acquisition of 22.75 sections of land (at 100% working interest) and the disposition of 6.5 (4.1 net) sections of land pursuant to a disposition in the Progress area in April 2016. Subsequent to the end of the quarter, we acquired 142.5 (84.7 net) sections of land pursuant to the Gordondale Acquisition. For further details, please see *"Strategic Montney/Doig Acquisition in the Gordondale Area"*.

As at August 9, 2016, we held 416.2 sections of land that have potential for the Montney/Doig Resource Play. Of these lands, 394.2 (382.7 net) sections have potential for the Basal Doig/Upper Montney interval, 400.5 (391.1 net) sections have potential for the Montney D1 interval, 60.5 (60.5 net) sections have potential for the Montney D2 interval and 382.5 (376.0 net) sections have potential for the Montney D4 interval. As at August 9, 2016, our total land holdings on these four intervals were 1,237.6 (1,210.2 net) sections. Assuming full development of four horizontal wells per section per interval, we have 4,840.6 net existing horizontal wells and potential net future horizontal drilling locations in respect of the Basal Doig/Upper Montney, Montney D1, Montney D2 and Montney D4 intervals as at June 30, 2016. With 287 (282.4 net) horizontal wells drilled as at August 9, 2016, there remain 4,558.2 potential net future horizontal drilling locations. For further information regarding these potential future horizontal drilling locations, please see *"Advisories – Drilling Locations"*.

As at June 30, 2016, our undeveloped land holdings were 422,322 (395,930 net) acres.

OPERATIONS UPDATE

The Revised 2016 Capital Program is focused on our two proven resource plays, the Montney/Doig Resource Play and the Charlie Lake Light Oil Resource Play. The Revised 2016 Capital Program contemplates the drilling of 23 (23.0 net) wells, consisting of 16 (16.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 6 (6.0 net) Montney/Doig horizontal oil and natural gas wells in the Gordondale area and 1 (1.0 net) Charlie Lake horizontal light oil well in the Worsley area.

In the current economic environment, we are focused on maximizing our capital efficiencies and reducing our drilling, casing, completion, equipping and tie-in costs. As a part of this effort, the 22 Montney/Doig horizontal wells are being drilled from multi-well pads ranging from 2-well pads to a 6-well pad. Multi-well pad drilling allows us to drill continuously through spring break-up, improve our drilling and completion capital efficiencies and reduce our per well costs and environmental footprint. The majority of the pads are already tied-in to our infrastructure system, minimizing the equipping and tie-in costs of the wells.

We have drilled 13 (13.0 net) wells year-to-date, consisting of 12 (12.0 net) Montney/Doig horizontal natural gas wells and the Charlie Lake horizontal light oil well in the Worsley area. Of the 13 wells drilled to-date, 3 (3.0 net) wells have been completed and brought on production. We currently have 10 wells drilled and cased in inventory and we anticipate that eight of these 10 wells will be equipped and tied-in by the end of 2016, with the last two wells to be equipped and tied-in in the first quarter of 2017. We have 10 Montney/Doig horizontal natural gas and oil wells left to be drilled in order to conclude our planned drilling program for 2016. For further details, please see *"Increased 2016 Capital Program"*.

Montney/Doig Resource Play

Part of our long-term strategy is to continue to explore the Montney/Doig Resource Play, both geographically and stratigraphically. The Montney/Doig Resource Play exists in two geological formations, the Montney and the Doig, and we have divided the geologic column in our area into six drilling intervals from the youngest (top) to the oldest (bottom): (i) the Basal/Doig Upper Montney; (ii) the Montney D4; (iii) the Montney D3; (iv) the Montney D2; (v) the Montney D1; and (vi) the Montney C.

To-date, we have drilled wells in each of the Basal Doig/Upper Montney, the Montney D4, the Montney D1 and the Montney C intervals. The Montney D4 and Montney C intervals are relatively new intervals for Birchcliff as we did not drill any wells in those intervals prior to 2014. In addition, the Revised 2016 Capital Program contemplates the drilling of 3 (3.0 net) Montney D2 horizontal oil wells, all of which will be drilled in Gordondale. The Montney D2 is a new interval for Birchcliff but it has been commercialized by industry in the Gordondale area and on the Montney/Doig fairway.

From inception to August 9, 2016, we have successfully drilled and cased 200 (199.9 net) Montney/Doig horizontal natural gas wells. The Assets acquired pursuant to the Gordondale Acquisition have 87 (82.5 net) Montney/Doig horizontal oil and natural gas producing wells. In total, Birchcliff now owns 287 (282.4 net) Montney/Doig horizontal wells that have been drilled and cased.

APPOINTMENT OF NEW DIRECTOR

We are pleased to announce that Rebecca Morley has joined the board of directors of Birchcliff effective today. Ms. Morley brings a wealth of financial expertise that we feel will be of great value to Birchcliff and its shareholders.

Ms. Morley has 15 years of experience in the capital markets, having worked as an Equity Research Associate at TD Securities and GMP Securities and then as a Partner and Research Analyst at Paradigm Capital. Ms. Morley then moved to Cypress Capital where she worked as a Research Analyst and Associate Portfolio Manager and was most recently Vice President of Corporate Development at Rayne Capital. Ms. Morley is currently the Chair of the Board of Directors of the YWCA of Calgary, was the Chair of the Audit Committee in 2014 and 2015 and has been a director since 2012. Ms. Morley has a Bachelor of Business Administration with a Major in Finance (Honours) from St. Francis Xavier University and is a CFA Charterholder.

SHAREHOLDER SUPPORT

We thank Mr. Seymour Schulich, our largest shareholder, for his leadership, unwavering commitment and his ongoing support. It is this kind of leadership that keeps our staff motivated and focused on the execution of our business plan.

Mr. Schulich was the sole subscriber under the concurrent private placement which closed on July 13, 2016 and currently holds 35 million common shares representing 13% of the current issued and outstanding common shares.

OUTLOOK

We believe that Birchcliff is in its best operating and financial position since its inception and as a result, we are extremely excited about Birchcliff's future. We have increased our future drilling opportunities and materially improved our financial strength, but we have not left the map sheet. We believe that future drilling opportunities in the Montney D2 will result in material production and reserves additions, which will be a major contributor to our future success. We currently expect that our 2016 net capital expenditures will approximate our 2016 funds flow and accordingly, we anticipate that we will not incur additional indebtedness under our Credit Facilities during the remainder of 2016.

We remain focused on our strategy – growth by the drill bit in our core area of the Peace River Arch of Alberta. Our strategy is to continue to develop and expand our two very large resource plays, the Montney/Doig Resource Play and the Charlie Lake Light Oil Resource Play, while maintaining low capital costs and operating costs. These resource plays are large enough to provide us with an extensive inventory of repeatable, consistent, low-cost and low-risk drilling opportunities that we expect will provide production and reserves growth for many years. Our strategy is based on the fact that we operate essentially all of our production, our current ownership of large contiguous blocks of high working interest land in our operating areas and our high working interest or 100% ownership in the majority of our major facilities and infrastructure. We continue to reduce our costs and control our capital expenditures primarily because we control the majority of our infrastructure. We continue to focus on improving our execution, reducing our costs and increasing our reserves, all leading to improved capital efficiency and internal rates of return. Due to the combination of industry conditions, the hard work of our people, various cost reduction initiatives and efficient project execution, we have seen a material reduction in our drilling and completion costs. In the second quarter of 2016, our already low operating costs on a per boe basis have been reduced to record low levels.

In the near-term, we expect that our operating costs will increase going forward due to the oil and liquids assets that we acquired and the infrastructure processing arrangements that we assumed pursuant to the Gordondale Acquisition. However, our revenues are also expected to increase as a result of the liquids content of our production and we believe that our operating costs and netbacks for 2016 will still remain in the top decile of industry. In the longer-term, our goal will be to continue to reduce our operating costs.

Our production remains very strong. Current production is approximately 65,000 boe/d. As a result of the completion of the Gordondale Acquisition, our 2016 fourth quarter average production is estimated to be 62,000 to 63,000 boe/d and we have increased our 2016 annual average production guidance to 49,000 to 51,000 boe/d, representing a range of 26% to 31% growth over our annual average production of 38,950 boe/d in 2015.

In connection with the closing of the Gordondale Acquisition, the borrowing base under the Credit Facilities was increased to $950 million from $750 million. The fact that the borrowing base under the Credit Facilities was increased to $950 million is a good testament to the strength of the reserves that we acquired pursuant to the Gordondale Acquisition.

As a result of these attributes, we believe that Birchcliff is well positioned to withstand the current commodity price environment. The production from the majority of our Montney/Doig horizontal natural gas wells are outperforming our original internal forecasts and we had strong quarterly average production during the second quarter of 2016 **(Strong Production)**. We had record low operating costs and G&A expense per boe during the second quarter of 2016 **(Record Low Operating and G&A Costs per boe)**. In addition to cost reductions resulting from industry conditions, we have also initiated technical and operational advancements that have resulted in sustainable cost reductions **(Cost Reductions)**. We have financial flexibility with our $950 million Credit Facilities that do not contain any financial covenants **(Financial Flexibility)**. We continue to make major investments in our infrastructure, and at the same time, we are attempting to live within our funds flow **(Investment in Infrastructure)**. We have long-term shareholders who continue to support Birchcliff notwithstanding the significant changes in our business environment **(Seymour Schulich)**.

Thank you to all of our shareholders for your support and to our staff who continue to go that extra mile for the benefit of all of us.

With Respect,

(signed) "*A. Jeffery Tonken*"

President and Chief Executive Officer
Birchcliff Energy Ltd.

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
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrels of oil equivalent per day
GAAP	generally accepted accounting principles
GJ	gigajoule
IFRS	International Financial Reporting Standards
Mboe	thousand barrels of oil equivalent
Mcf	thousand cubic feet
Mcfe	thousand cubic feet of gas equivalent
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGL	natural gas liquids
WTI	West Texas Intermediate oil at Cushing, Oklahoma, the benchmark for North American crude oil pricing
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This press release uses “funds flow”, “funds flow from operations”, “funds flow per common share”, “netback”, “operating netback”, “estimated operating netback”, “funds flow netback”, “operating margin”, “total cash costs”, “adjusted working capital deficit” and “total debt”. These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff’s profitability, efficiency, liquidity and overall performance. Each of these measures is discussed in further detail below.

“Funds flow” and “funds flow from operations” denote cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash working capital. “Funds flow per common share” denotes funds flow divided by the basic or diluted weighted average number of common shares outstanding for the period. Management believes that funds flow, funds flow from operations and funds flow per common share assists management and investors in assessing Birchcliff’s profitability, as well as its ability to generate the cash necessary to fund future growth through capital investments, pay dividends on preferred shares and repay debt. The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with IFRS, to funds flow from operations:

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2016**	**2015**	**2016**	**2015**
Cash flow from operating activities	7,049	23,051	27,796	62,078
Adjustments:				
Decommissioning expenditures	16	48	593	328
Change in non-cash working capital	6,202	22,653	5,573	20,066
Funds flow from operations	**13,267**	**45,752**	**33,962**	**82,472**

"Netback" and "operating netback" denote petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. "Estimated operating netback" of the PCS Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly attributable to the PCS Gas Plant and related wells and infrastructure on a production month basis. "Funds flow netback" denotes petroleum and natural gas revenue less royalties, less operating expenses, less transportation and marketing expenses, less net general and administrative expenses, less interest expenses and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. All netbacks are calculated on a per unit basis. Management believes that netback, operating netback, estimated operating netback and funds flow netback assists management and investors in assessing Birchcliff's profitability and its operating results on a per unit basis to better analyze its performance against prior periods on a comparable basis.

"Operating margin" for the PCS Gas Plant is calculated by dividing the estimated operating netback for the period by the petroleum and natural gas revenue for the period. Management believes that operating margin assists management and investors in assessing the profitability and efficiency of the PCS Gas Plant and Birchcliff's ability to generate operating cash flows (equal to petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses).

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

"Adjusted working capital deficit" is calculated as current assets minus current liabilities excluding the effects of financial instruments. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff's liquidity. The following table reconciles current assets minus current liabilities to adjusted working capital deficit:

As at, *($000s)*	**June 30, 2016**	**December 31, 2015**
Working capital deficit	6,017	21,538
Fair value of financial instruments	124	-
Adjusted working capital deficit	**6,141**	**21,538**

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

As at, *($000s)*	**June 30, 2016**	**December 31, 2015**
Revolving term credit facilities	709,510	622,074
Adjusted working capital deficit	6,141	21,538
Total debt	**715,651**	**643,612**

ADVISORIES

Currency

All amounts in this press release are stated in Canadian dollars unless otherwise specified.

Operating Costs

References in this press release to "operating costs" exclude transportation and marketing costs.

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 with an effective date of December 31, 2015.

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.

Oil and Gas 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.

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.

Mcfe Conversions

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

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.

Drilling Locations

This press release discloses potential net future drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are proposed drilling locations identified in the 2015 Reserves Evaluation or the McDaniel Report that have proved and/or probable reserves, as applicable, attributed to them in the 2015 Reserves Evaluation or the McDaniel Report. Unbooked locations are internal estimates based on Birchcliff’s prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal technical analysis review. Unbooked locations have been identified by management based on evaluation of applicable geologic, seismic, engineering, production and reserves information. Unbooked locations do not have proved or probable reserves attributed to them in the 2015 Reserves Evaluation or the McDaniel Report. Of the 4,840.6 net existing horizontal wells and potential net future horizontal drilling locations identified herein, 653.7 are proved locations, 251.6 are probable locations, 905.3 are proved plus probable locations and 3,935.3 are unbooked locations.

Birchcliff’s ability to drill and develop these locations and the drilling locations on which Birchcliff actually drills wells depends on a number of uncertainties and factors, including, but not limited to, the availability of capital, equipment and personnel, oil and natural gas prices, capital and operating costs, inclement weather, seasonal restrictions, drilling results, additional geological, geophysical and reservoir information that is obtained, production rate recovery, gathering system and transportation constraints, net price received for commodities produced, regulatory approvals and regulatory changes. As a result of these uncertainties, there can be no assurance that the potential future drilling locations Birchcliff has identified will ever be drilled or if Birchcliff will be able to produce oil, NGL or natural gas from these or any other potential drilling locations. As such, Birchcliff’s actual drilling activities may materially differ from those presently identified, which could adversely affect Birchcliff’s business. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional proved or probable reserves, resources or production.

Oil and Gas Metrics

This press release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate Birchcliff’s performance; however, such measures are not reliable indicators of the future performance of Birchcliff and future performance may not compare to its performance in previous periods and therefore such metrics should not be unduly relied upon.

Forward-Looking Information

Certain statements contained in this press release constitute forward-looking statements and information (collectively referred to as "**forward-looking information**") within the meaning of applicable Canadian securities laws. Such forward-looking information relates to future events or Birchcliff's future performance. All information other than historical fact may be forward-looking information. Such forward-looking information is often, but not always, identified by the use of words such as "seek", "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "estimated", "forecast", "potential", "proposed", "predict", "budget", "continue", "forecast", "targeting", "may", "will", "could", "might", "should" and other similar words and expressions. This information involves 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 information. Birchcliff believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this press release should not be unduly relied upon.

In particular, this press release contains forward-looking information relating to the following: Birchcliff's plans and other aspects of its anticipated future operations, focus, objectives, strategies, opportunities, priorities and goals; the benefits to be obtained as a result of the completion of the Gordondale Acquisition and the Financings, including that Birchcliff's future opportunities have increased, that its financial strength has improved and the de-levering of its balance sheet; Birchcliff's belief that there is an opportunity to drive down costs in the future; that Birchcliff's financial strength and future opportunities will be significantly different when compared to its 2016 second quarter results; the impact of the Gordondale Acquisition and the Financings on Birchcliff, including on its operations, production, reserves, inventory, opportunities and financial condition; Birchcliff's guidance for 2016, including its production guidance, estimates of net capital expenditures and estimates of total debt; the Revised 2016 Capital Program, including planned capital expenditures, Birchcliff's plan to drill a total of 23 (23.0 net) wells, the objectives of and anticipated results from the Revised 2016 Capital Program, the flexibility of the Revised 2016 Capital Program and Birchcliff's ability to defer capital expenditures in the event that actual commodity prices are materially less than what it has forecast; the sources of funding for Birchcliff's activities; Birchcliff's expectation that its net capital expenditures for 2016 (net of acquisitions and dispositions, but excluding the Gordondale Acquisition) will approximate its funds flow during 2016; that Birchcliff expects to adopt an ongoing hedging strategy; Birchcliff's proposed exploration and development activities and the timing thereof, including wells to be drilled and brought on production; the performance characteristics of Birchcliff's oil and natural gas properties, including the Assets; oil and natural gas reserves of Birchcliff and those associated with the Assets; decline rates; anticipated improvements in capital and operational efficiencies; the proposed expansion of the PCS Gas Plant, including the anticipated processing capacity of the PCS Gas Plant after such expansion, the anticipated timing of such expansion and the estimated cost to achieve such expansion; potential future drilling locations and drilling opportunities and that Birchcliff's inventory of drilling opportunities is expected to provide it with production and reserves growth for many years; Birchcliff's expectation that it will not incur additional indebtedness under its Credit Facilities during the remainder of 2016; Birchcliff's belief that future drilling opportunities in the Montney D2 will result in material production and reserves additions; Birchcliff's belief that its operating costs will increase in the near-term, that its revenues are expected to increase and that its operating costs and netbacks for 2016 will still remain in the top-decile of the industry; and Birchcliff's belief that it is well positioned to withstand the current commodity price environment. In addition, 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.

With respect to forward-looking information contained in this press release, assumptions have been made regarding, among other things: Birchcliff's ability to develop the Assets and obtain the anticipated benefits therefrom; Birchcliff's ability to successfully integrate the Assets; costs and closing adjustments relating to the Gordondale Acquisition; prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; expected funds flow from operations; Birchcliff's future debt levels; 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; sources of funding for Birchcliff's capital programs and other activities; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures to carry out planned operations; Birchcliff's ability to find opportunities to reduce costs and defer certain capital expenditures; 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 and resource volumes and Birchcliff's ability to replace and expand oil and gas reserves through acquisition, development or exploration; the impact of competition on Birchcliff; 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; and Birchcliff's ability to market oil and gas.

In addition to the foregoing assumptions, Birchcliff has made the following key assumptions with respect to certain forward-looking information contained in this press release:

- With respect to Birchcliff's production guidance for 2016, the key assumptions are that: the Revised 2016 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.

- With respect to statements regarding the Revised 2016 Capital Program, the key assumption is that Birchcliff realizes the annual average production target of 49,000 to 51,000 boe/d. In addition, the Revised 2016 Capital Program is based on the following commodity price and exchange rate assumptions during 2016: an annual average WTI price of approximately US$40.50 per barrel of oil; an AECO price of approximately CDN $2.00 per GJ of natural gas; and an exchange rate of CDN$/US$ of 1.33. Birchcliff will continue to monitor economic conditions and commodity prices and may further adjust the Revised 2016 Capital Program to respond to changes in commodity prices and other material changes in the assumptions underlying the Revised 2016 Capital Program. In addition, Birchcliff may make adjustments to its other activities as appropriate. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.

- With respect to statements that Birchcliff expects that its net capital expenditures for 2016 (net of acquisitions and dispositions, but excluding the Gordondale Acquisition) will approximate its funds flow during 2016, the key assumptions are that: the Revised 2016 Capital Program will be carried out as currently contemplated; and Birchcliff realizes the annual average production target of

49,000 to 51,000 boe/d. In addition, the foregoing statements are based on the following commodity price and exchange rate assumptions during 2016: an annual average WTI price of approximately US$40.50 per barrel of oil; an AECO price of approximately CDN$2.00 per GJ of natural gas; and an exchange rate of CDN$/US$ of 1.33.

- With respect to estimates of total debt, estimated total debt at December 31, 2016 assumes net capital expenditures for 2016 of $145 million and an annual average WTI price of approximately US$40.50 per bbl of oil and an AECO price of approximately CDN$2.00 per GJ of natural gas during 2016. In addition, estimated total debt at December 31, 2016 and estimated total debt at July 31, 2016 are based on a purchase price for the Gordondale Acquisition of $625 million, less estimated interim closing adjustments and costs of the Gordondale Acquisition, which are subject to final adjustment.

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

- With respect to statements regarding the proposed expansion of the PCS Gas Plant, including the anticipated processing capacity of the PCS Gas Plant after such expansion and the anticipated timing of such expansion, the key assumptions are that: future drilling is successful; there is sufficient labour, services and equipment available; Birchcliff will have access to sufficient capital to fund those projects; the key components of the plant will operate as designed; and commodity prices and general economic conditions will warrant proceeding with the construction of such facilities and the drilling of associated wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking information as a result of both known and unknown risks and uncertainties including, but not limited to: the possible failure to realize the anticipated benefits of the Gordondale Acquisition; unforeseen difficulties in integrating the Assets into Birchcliff's operations; the materiality of the closing adjustments and costs relating to the Gordondale Acquisition; variances in Birchcliff's actual capital costs, operating costs and economic returns from those anticipated; 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 and resources; 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; uncertainties related to Birchcliff's future potential drilling locations; fluctuations in the costs of borrowing; 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 ability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; 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; the absence or loss of key employees; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; expectations that 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; management of Birchcliff's growth; uncertainties associated with credit facilities; and counterparty credit risk.

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

Any 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. Certain FOFI contained herein was provided for the purpose of describing the anticipated effects of the Financings and the Gordondale Acquisition on Birchcliff's business operations. FOFI contained herein is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was made as of the date of this press release and Birchcliff disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required by applicable law. Readers are cautioned that any FOFI contained herein should not be used for purposes other than for which it has been disclosed herein.

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 Birchcliff's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking information contained in this press release is expressly qualified by this cautionary statement. The forward-looking information contained in this press release is made as of the date of this press release. Birchcliff is not under any duty to update or revise any of the forward-looking information except as expressly required by applicable securities laws.

About Birchcliff:

Birchcliff is a Calgary, Alberta based intermediate oil and gas company 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.

For further information, please contact:

Birchcliff Energy Ltd.
Suite 500, 630 – 4th Avenue S.W.
Calgary, AB T2P 0J9
Tel: (403) 261-6401
Fax: (403) 261-6424
Email: info@birchcliffenergy.com
www.birchcliffenergy.com

Jeff Tonken, *President and Chief Executive Officer*

Bruno Geremia, *Vice-President and Chief Financial Officer*