BIRCHCLIFF
ENERGY

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BIRCHCLIFF ENERGY LTD. ANNOUNCES 2016 YEAR-END RESULTS, MATERIAL RESERVES ADDITIONS, 2017 CAPITAL PROGRAM AND STRONG GORDONDALE DRILLING RESULTS

Calgary, Alberta – Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to announce its unaudited 2016 year-end and fourth quarter financial and operational results, highlights from its independent reserves evaluations effective December 31, 2016 and its 2017 capital expenditure program. Birchcliff is also pleased to provide an operational update and the results of its recent drilling in Pouce Coupe and Gordondale.

Jeff Tonken, President and Chief Executive Officer of Birchcliff, stated: "Our 2016 results showcase Birchcliff as one of the industry leading low-cost producers and finders of natural gas, oil and liquids in the Peace River Arch of Alberta. We are focused on achieving production in excess of 100,000 boe/d by the end of 2018, an estimated 61% production growth from our current production of 62,000 boe/d. We believe that we have the people, the assets, the forecast funds flow and the balance sheet to execute on our forecasted growth plan.

I am very pleased to announce that our test rates and early production rates from our new Gordondale oil and liquids-rich natural gas wells drilled in the fourth quarter of 2016 are meeting or exceeding our expectations, confirming our confidence in the Gordondale acquisition that was completed in July 2016. In addition, the two recent Montney horizontal natural gas wells drilled in Pouce Coupe appear to be among the best that Birchcliff has drilled in Pouce Coupe.

We have hedged approximately 50% of our 2017 natural gas production at an estimated average wellhead price of $3.46/Mcf. We expect that we can fully fund our $355 million 2017 capital program out of funds flow and grow Birchcliff's average annual production in 2017 by an estimated 42% to 50%, with fourth quarter average production estimated to be greater than 80,000 boe/d."

2016 Year-End Highlights

- Completed the acquisition (the "**Gordondale Acquisition**") of significant petroleum and natural gas properties and related assets located in the Gordondale area of Alberta immediately adjacent to Birchcliff's Pouce Coupe area (the "**Gordondale Assets**") for a purchase price of $613.5 million, after closing adjustments. In connection with the Gordondale Acquisition, Birchcliff completed equity financings for gross proceeds of $690.8 million.
- Record annual average production of 49,236 boe/d, a 26% increase from 2015 annual average production of 38,950 boe/d.

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 where applicable, please see "Non-GAAP Measures". All financial and operating information for the fourth quarter and year ended December 31, 2016 is unaudited. See "Advisories – Unaudited Information".

- Funds flow of $147.4 million ($0.74/basic common share), an 8% decrease from $160.8 million ($1.06/basic common share) in 2015.
- Net loss to common shareholders of $28.3 million ($0.14/basic common share), as compared to the net loss to common shareholders of $16.2 million ($0.11/basic common share) in 2015.
- Operating costs of $4.18/boe, an 8% decrease from $4.54/boe in 2015.
- Long-term bank debt at December 31, 2016 was $572.5 million, an 8% decrease from $622.1 million at December 31, 2015. Total debt at December 31, 2016 was $600.0 million, a 7% decrease from $643.6 million at December 31, 2015.
- Net capital expenditures of $148.5 million, excluding the Gordondale Acquisition, and net capital expenditures of $762.0 million, including the Gordondale Acquisition. Birchcliff drilled a total of 22 (22.0 net) wells in 2016, consisting of 14 (14.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe, 6 (6.0 net) Montney horizontal oil and natural gas wells in Gordondale, 1 (1.0 net) Charlie Lake horizontal light oil well in Worsley and 1 (1.0 net) water disposal well in Gordondale.

2016 Fourth Quarter Highlights

- Record quarterly average production of 60,750 boe/d, an 11% increase from 54,538 boe/d in the third quarter of 2016 and a 50% increase from 40,445 boe/d in the fourth quarter of 2015.
- Funds flow of $71.8 million ($0.27/basic common share), a 72% increase from $41.7 million ($0.18/basic common share) in the third quarter of 2016 and a 113% increase from $33.7 million ($0.22/basic common share) in the fourth quarter of 2015.
- Net income to common shareholders of $11.1 million ($0.04/basic common share), as compared to the net loss to common shareholders of $2.1 million ($0.01/basic common share) in the third quarter of 2016 and the net loss to common shareholders of $10.3 million ($0.07/ basic common share) in the fourth quarter of 2015.
- Operating costs of $4.54/boe, a 2% decrease from $4.65/boe in the third quarter of 2016 and a 9% increase from $4.16/boe in the fourth quarter of 2015.
- Net capital expenditures of $62.5 million. Birchcliff drilled a total of 9 (9.0 net) wells in the fourth quarter of 2016, consisting of 2 (2.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe, 6 (6.0 net) Montney horizontal oil and natural gas wells in Gordondale and 1 (1.0 net) water disposal well in Gordondale.

2016 Year-End Reserves Highlights

- Birchcliff added 81.4 MMboe of proved developed producing reserves during 2016, an 80% increase over Birchcliff's proved developed producing reserves at December 31, 2015 after adding back 2016 production of 18.0 MMboe.
- Proved developed producing reserves of 165.5 MMboe at December 31, 2016, a 62% increase from 102.1 MMboe at December 31, 2015. Birchcliff added 4.5 boe of proved developed producing reserves for each boe that was produced in 2016.
- Proved reserves of 548.5 MMboe at December 31, 2016, a 56% increase from 351.2 MMboe at December 31, 2015.
- Proved plus probable reserves of 880.5 MMboe at December 31, 2016, a 54% increase from 572.9 MMboe at December 31, 2015. Birchcliff added 18.1 boe of proved plus probable reserves for each boe that was produced in 2016.
- The increase in Birchcliff's reserves at December 31, 2016 is largely attributable to positive technical revisions and extensions in all categories of reserves and the reserves acquired pursuant to the Gordondale Acquisition.

- The estimated net present value of Birchcliff's proved plus probable reserves (before taxes, discounted at 10%) at December 31, 2016 increased to $5.8 billion, as compared to $3.9 billion at December 31, 2015.
- Reserves life index of 6.3 years on a proved developed producing basis, 20.9 years on a proved basis and 33.5 years on a proved plus probable basis, based on a forecast production rate of 72,000 boe/d (which represents the mid-point of Birchcliff's annual average production guidance range for 2017).

2016 F&D Costs, FD&A Costs and Recycle Ratios

- The following table sets forth Birchcliff's 2016 F&D and FD&A costs for proved developed producing, proved and proved plus probable reserves:

Excluding FDC *($/boe)* (1)	**2016**
F&D – Proved Developed Producing	$6.42
F&D – Proved	$1.57
F&D – Proved Plus Probable	$1.25
FD&A – Proved Developed Producing	$9.32
FD&A – Proved	$3.53
FD&A – Proved Plus Probable	$2.33
Including FDC (1)(2)	
F&D – Proved	$4.89
F&D – Proved Plus Probable	$4.43
FD&A – Proved	$6.73
FD&A – Proved Plus Probable	$5.58

(1) Please see *"Advisories – Oil and Gas Metrics"* for a description of the methodology used to calculate F&D and FD&A costs.

(2) Includes the 2016 increase in FDC from 2015 of $690.0 million on a proved basis and $1,059.0 million on a proved plus probable basis.

- The following table sets forth Birchcliff's 2016 operating netback and funds flow netback recycle ratios for proved developed producing, proved and proved plus probable reserves:

	Operating Netback Recycle Ratio (1)	**Funds Flow Netback Recycle Ratio** (1)
Excluding FDC		
F&D – Proved Developed Producing	1.7	1.3
FD&A – Proved Developed Producing	1.2	0.9
F&D – Proved	7.0	5.2
FD&A – Proved	3.1	2.3
F&D – Proved Plus Probable	8.8	6.6
FD&A – Proved Plus Probable	4.7	3.5
Including FDC		
F&D – Proved	2.3	1.7
FD&A – Proved	1.6	1.2
F&D – Proved Plus Probable	2.5	1.8
FD&A – Proved Plus Probable	2.0	1.5

(1) Birchcliff's operating netback and funds flow netback for 2016 was $11.01/boe and $8.18/boe, respectively. Please see *"Advisories – Oil and Gas Metrics"* for a description of the methodology used to calculate F&D costs, FD&A costs and recycle ratios.

2017 Capital Expenditure Program and Guidance Highlights

- Birchcliff's board of directors has approved a capital budget for 2017 of approximately $355 million. The capital expenditure program contemplates the drilling of 46 (46.0 net) wells in 2017.
- Birchcliff expects its annual average production in 2017 to be in the range of 70,000 to 74,000 boe/d and its exit production to be in the range of 78,000 to 82,000 boe/d.
- Estimated current production is approximately 62,000 boe/d.

2017 Hedging Highlights

- Birchcliff has entered into natural gas hedging contracts for 187,600 GJ/d (163,600 Mcf/d) at an average AECO price of CDN$3.02/GJ ($3.46/Mcf) for the period from January 1, 2017 to December 31, 2017. This represents approximately 50% of Birchcliff's estimated annual average natural gas production for 2017.
- Birchcliff has also entered into financial swaps for 1,500 bbls/d of crude oil at an average price of CDN$69.90/bbl for the period from January 1, 2017 to December 31, 2017.

Montney/Doig Recent Well Update

- Shortly after the completion of the Gordondale Acquisition, Birchcliff announced an expansion to its 2016 capital expenditure program, which included the drilling of eight 100% wells, six at Gordondale (three Montney D2 horizontal oil wells and three Montney D1 horizontal liquids-rich natural gas wells) and two Pouce Coupe Montney D1 horizontal liquids-rich natural gas wells. These eight wells were drilled and cased in the fourth quarter of 2016 and were recently completed and tested inline.
- Birchcliff is pleased to announce that all eight of these wells are meeting or exceeding its expectations. These results support Birchcliff's optimistic view of the Gordondale Assets that it acquired in July 2016 and more importantly, these results increase Birchcliff's confidence in the future drilling opportunities, production additions and low-cost repeatability of its Montney/Doig Resource Play in the Peace River Arch of Alberta.
- Testing details for the three Gordondale Montney D2 oil wells are as follows:
    - 102/03-15-78-11 W6: Averaged 820 boe/d (628 bbls/d of 44° API oil and 1.1 MMcf/d of natural gas) with 254 bbls/d of load water still being recovered over the last 2 days of a 9 day test, with a flowing tubing pressure of 2.3 MPa and a casing pressure of 8.0 MPa.
    - 100/02-15-78-11 W6: Averaged 878 boe/d (619 bbls/d of 44° API oil and 1.6 MMcf/d of natural gas) with 208 bbls/d of load water still being recovered over the last 2 days of a 12 day test, with a flowing tubing pressure of 2.7 MPa and a casing pressure of 8.6 MPa.
    - 102/01-15-78-11 W6: Averaged 1,157 boe/d (862 bbls/d of 44° API oil and 1.8 MMcf/d of natural gas) with 246 bbls/d of load water still being recovered over the last 2 days of an 11 day test, with a flowing tubing pressure of 3.4 MPa and a casing pressure of 9.6 MPa.
- Testing details for the three Gordondale Montney D1 liquids-rich natural gas wells are as follows:
    - 100/06-13-79-12 W6: Averaged 1,495 boe/d (7.5 MMcf/d of natural gas and 249 bbls/d of 54° API condensate) with 424 bbls/d of load water still being recovered over the last 2 days of an 11 day test, with a flowing casing pressure of 12.7 MPa.
    - 100/03-13-79-12 W6: Averaged 1,611 boe/d (7.9 MMcf/d of natural gas and 293 bbls/d of 54° API condensate) with 429 bbls/d of load water still being recovered over the last 2 days of an 8 day test, with a flowing casing pressure of 12.9 MPa.
    - 102/04-13-79-12 W6: Averaged 1,299 boe/d (6.3 MMcf/d of natural gas and 254 bbls/d of 54° API condensate) with 391 bbls/d of load water still being recovered over the last 2 days of a 4 day test, with a flowing casing pressure of 9.5 MPa.
- Testing details for the two Pouce Coupe Montney D1 liquids-rich natural gas wells are as follows:
    - 100/15-05-79-12 W6: Averaged 1,297 boe/d (6.0 MMcf/d of natural gas and 291 bbls/d of 54° API condensate) with 231 bbls/d of load water still being recovered over the last 2 days of an 18 day test, with a flowing casing pressure of 9.8 MPa.

    - 100/16-05-79-12 W6: Averaged 2,098 boe/d (10.0 MMcf/d of natural gas and 430 bbls/d of 54° API condensate) with 838 bbls/d of load water still being recovered over the last 2 days of a 9 day test, with a flowing casing pressure of 8.4 MPa.
- The natural gas volumes recovered from the tests represent raw gas volumes as opposed to sales gas volumes and include NGLs which were not recovered separately.

Quarterly Dividend to Common Shareholders

- Birchcliff's board of directors has approved a quarterly dividend policy in respect of its common shares.
- Subject to the approval of the board, it is currently anticipated that the first dividend payable under this policy will be in respect of the quarter ending March 31, 2017 and will be in the amount of $0.025/common share.

2016 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended December 31,		Twelve months ended December 31,	
	2016	**2015**	**2016**	**2015**
OPERATING				
Average daily production				
Light oil – *(bbls)*	4,656	3,530	3,729	3,707
Natural gas – *(Mcf)*	289,587	211,127	247,373	201,418
NGLs – *(bbls)*	7,830	1,727	4,279	1,673
Total – boe *(6:1)*	**60,750**	**40,445**	**49,236**	**38,950**
Average sales price *($ CDN)*(1)				
Light oil – *(per bbl)*	60.75	49.36	51.40	53.68
Natural gas – *(per Mcf)*	3.31	2.67	2.41	2.90
NGLs – *(per bbl)*	29.50	47.98	31.23	50.76
Total – boe *(6:1)*	**24.23**	**20.28**	**18.73**	**22.31**
NETBACK AND COST *($/boe at 6:1)*				
Petroleum and natural gas revenue(1)	24.24	20.28	18.73	22.32
Royalty expense	(1.82)	(0.94)	(1.16)	(0.81)
Operating expense	(4.54)	(4.16)	(4.18)	(4.54)
Transportation and marketing expense	(2.42)	(2.31)	(2.38)	(2.45)
Netback	**15.46**	**12.87**	**11.01**	**14.52**
General & administrative expense, net	(1.19)	(2.01)	(1.19)	(1.61)
Interest expense	(1.40)	(1.80)	(1.68)	(1.60)
Realized gain (loss) on financial instruments	(0.02)	-	0.04	-
Funds flow netback	**12.85**	**9.06**	**8.18**	**11.31**
Stock-based compensation expense, net	(0.12)	(0.21)	(0.14)	(0.23)
Depletion and depreciation expense	(7.73)	(9.66)	(8.29)	(10.35)
Accretion expense	(0.15)	(0.15)	(0.14)	(0.16)
Amortization of deferred financing fees	(0.06)	(0.06)	(0.06)	(0.06)
Gain (loss) on sale of assets	0.17	1.80	(0.53)	0.52
Unrealized loss on financial instruments	(1.72)	-	(0.52)	-
Dividends on Series C preferred shares	(0.16)	(0.24)	(0.19)	(0.25)
Income tax recovery (expense)	(0.92)	(3.05)	0.34	(1.64)
Net income (loss)	**2.16**	**(2.51)**	**(1.35)**	**(0.86)**
Dividends on Series A preferred shares	(0.18)	(0.26)	(0.22)	(0.28)
Net income (loss) to common shareholders	**1.98**	**(2.77)**	**(1.57)**	**(1.14)**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*(1)	135,457	75,476	337,586	317,304
Funds flow from operations *($000s)*	71,806	33,697	147,443	160,756
Per common share – basic *($)*	0.27	0.22	0.74	1.06
Per common share – diluted *($)*	0.27	0.22	0.73	1.04
Net income (loss) *($000s)*	12,085	(9,322)	(24,335)	(12,160)
Net income (loss) to common shareholders *($000s)*	11,085	(10,322)	(28,335)	(16,160)
Per common share – basic *($)*	0.04	(0.07)	(0.14)	(0.11)
Per common share – diluted *($)*	0.04	(0.07)	(0.14)	(0.11)
Common shares outstanding *(000s)*				
End of period – basic	264,042	152,308	264,042	152,308
End of period – diluted	279,881	167,817	279,881	167,817
Weighted average common shares for period – basic	263,396	152,308	199,581	152,286
Weighted average common shares for period – diluted	268,974	153,627	202,686	154,078
Dividends on Series A preferred shares *($000s)*	1,000	1,000	4,000	4,000
Dividends on Series C preferred shares *($000s)*	875	875	3,500	3,500
Capital expenditures, net *($000s)*	62,482	33,533	762,030	247,207
Revolving term credit facilities *($000s)*	572,517	622,074	572,517	622,074
Adj. working capital deficit *($000s)*	27,495	21,538	27,495	21,538
Total debt *($000s)*	600,012	643,612	600,012	643,612

(1) Excludes the effect of hedges using financial instruments.

2016 UNAUDITED YEAR-END FINANCIAL AND OPERATIONAL RESULTS

2016 Production

Birchcliff achieved record annual average production in 2016 of 49,236 boe/d, which is within its previous guidance of 49,000 to 51,000 boe/d. This annual average production represents a 26% increase from its 2015 annual average production of 38,950 boe/d. The increase in production from 2015 is largely due to the production volumes acquired pursuant to the Gordondale Acquisition, as well as incremental production added from new Montney/Doig horizontal natural gas wells that were tied into Birchcliff's 100% owned and operated natural gas plant located in the Pouce Coupe area of Alberta (the "**PC Gas Plant**"), partially offset by natural well production declines. In addition, Birchcliff's production was adversely impacted by transportation service curtailments on TransCanada's NGTL System and by unplanned downtime and maintenance activities in its Worsley area during the fourth quarter of 2016.

Production consisted of approximately 84% natural gas, 8% light oil and 8% NGLs in 2016, which is in line with Birchcliff's previous guidance of 83% natural gas and 17% oil/NGLs. This compares to 86% natural gas, 10% light oil and 4% NGLs in 2015. The increase in oil and NGLs weighting in 2016 is due to the more heavily-weighted oil and NGLs production that was acquired pursuant to the Gordondale Acquisition.

The following table highlights Birchcliff's annual average production per day per basic common share since 2012:

	2012	2013	2014	2015	2016	CAGR[(2)]
Annual average production *(boe/d)*	22,802	25,829	33,734	38,950	49,236	21%
Production per day per million common shares[(1)] *(boe)*	**166.3**	**181.4**	**228.3**	**255.8**	**246.7**	**10%**

(1) Calculated by dividing the annual average daily production by the millions of basic common shares outstanding in the respective year on a weighted average basis.

(2) Represents the compound annual growth rate since 2012.

2016 Funds Flow

Funds flow in 2016 was $147.4 million ($0.74/basic common share), an 8% decrease from $160.8 million ($1.06/basic common share) in 2015. The decrease from 2015 was largely due to lower realized commodity prices and higher interest costs, partially offset by the funds flow attributable to the production volumes acquired pursuant to the Gordondale Acquisition.

2016 Net Loss to Common Shareholders

Birchcliff had a net loss of $24.3 million in 2016, as compared to the net loss of $12.2 million in 2015. Birchcliff recorded a net loss to common shareholders of $28.3 million ($0.14/basic common share), as compared to the net loss to common shareholders of $16.2 million ($0.11/basic common share) in 2015. The increases in the net losses were mainly attributable to: (i) lower funds flow from operations; (ii) a $9.5 million non-cash loss on the sale of assets in the Progress area in the second quarter of 2016; and (iii) a $9.4 million non-cash "marked to market" unrealized loss on risk management contracts that relate to 2017 but were in place at December 31, 2016. These losses were partially offset by the funds flow attributable to the production volumes acquired pursuant to the Gordondale Acquisition.

2016 Operating Costs and General and Administrative Expense

Operating costs in 2016 were $4.18/boe, an 8% decrease from $4.54/boe in 2015. Operating costs per boe decreased from 2015 largely due to the continued cost benefits achieved from processing incremental volumes of natural gas at the PC Gas Plant, lower service costs resulting from reduced industry activity and various cost reductions and infrastructure optimization initiatives implemented by Birchcliff, and were partially offset by the higher operating cost structure associated with the liquids-rich Gordondale Assets.

General and administrative expense in 2016 was $1.19/boe, a 26% decrease from $1.61/boe in 2015. The decrease is largely due to the increase in production volumes as a result of the Gordondale Acquisition.

2016 PC Gas Plant Netbacks

During 2016, Birchcliff processed approximately 68% of its total corporate natural gas production and 59% of its total corporate production through the PC Gas Plant, with an average plant and field operating cost of $0.25/Mcfe ($1.49/boe). The estimated operating netback at the PC Gas Plant was $1.90/Mcfe ($11.38/boe), resulting in an operating margin of 75% in 2016.

The following table details Birchcliff's annual net production and estimated operating netback for wells producing to the PC Gas Plant, on a production month basis:

	Twelve months ended December 31, 2016		Twelve months ended December 31, 2015		Twelve months ended December 31, 2014		Twelve months ended December 31, 2013	
Average daily production, net to Birchcliff:								
Natural gas *(Mcf)*		168,444		163,641		132,808		91,666
Oil & NGLs *(bbls)*		960		1,287		1,065		527
Total boe *(6:1)*		**29,034**		**28,560**		**23,200**		**15,805**
Sales liquids yield (bbls/MMcf)		*5.7*		*7.9*		*8.0*		*5.7*
% of corporate natural gas production		*68%*		*81%*		*78%*		*73%*
% of corporate production		*59%*		*73%*		*69%*		*61%*
AECO – C daily ($/Mcf)	**$2.16**		**$2.69**		**$4.50**		**$3.17**	
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[(1)]	2.54	15.21	3.17	19.03	5.17	31.02	3.77	22.64
Royalty expense	(0.06)	(0.38)	(0.11)	(0.63)	(0.24)	(1.42)	(0.16)	(0.93)
Operating expense[(2)]	(0.25)	(1.49)	(0.31)	(1.90)	(0.42)	(2.52)	(0.37)	(2.24)
Transportation and marketing expense	(0.33)	(1.96)	(0.31)	(1.88)	(0.30)	(1.81)	(0.25)	(1.55)
Estimated operating netback	**$1.90**	**$11.38**	**$2.44**	**$14.62**	**$4.21**	**$25.27**	**$2.99**	**$17.92**
Operating margin	**75%**	**75%**	**77%**	**77%**	**81%**	**81%**	**79%**	**79%**

(1) Excludes the effect of hedges using financial instruments.

(2) Represents plant and field operating costs.

2016 Total Cash Costs and Funds Flow Netbacks

During 2016, Birchcliff had total cash costs of $10.59/boe, a 4% decrease from $11.01/boe in 2015. The decrease from 2015 was primarily driven by lower per unit operating costs in the Pouce Coupe area and lower general and administrative costs and partially offset by a higher operating cost structure attributable to the Gordondale Assets.

During 2016, Birchcliff had funds flow netback of $8.18/boe, a 28% decrease from $11.31/boe in 2015. The decrease was primarily driven by lower average realized oil and natural gas prices and partially offset by lower per unit total cash costs in 2016.

2016 Debt

At December 31, 2016, Birchcliff's long-term bank debt was $572.5 million (December 31, 2015: $622.1 million) from available credit facilities of approximately $950 million[1] (December 31, 2015: $800 million), leaving $356.9 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at December 31, 2016 was $600.0 million, which is below Birchcliff's previous guidance of $607 million. This compares to total debt of $643.6 million at December 31, 2015. The decreases in long-term debt and total debt from December 31, 2015 is largely due to the fact that the remaining net proceeds from the equity financings completed in July 2016 (after the payment of the balance of the purchase price for the Gordondale Assets) were used to reduce Birchcliff's indebtedness under its credit facilities.

Birchcliff has extendible revolving credit facilities in the aggregate principal amount of $950 million (the "**Credit Facilities**") with maturity dates of May 11, 2018, which are comprised of an extendible revolving syndicated term credit facility of $900 million (the "**Syndicated Credit Facility**") and an extendible revolving working capital facility of $50 million (the "**Working Capital Facility**"). The Credit Facilities contain no financial maintenance covenants.

The Credit Facilities are subject to a semi-annual review of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil and natural gas reserves. Birchcliff may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made.

Risk Management

Included in the net loss to common shareholders in 2016 was a realized gain and an unrealized loss on commodity risk management contracts of $0.8 million and $9.4 million, respectively. There were no commodity risk management contracts outstanding during the period ended December 31, 2015.

The 2016 calendar year unrealized loss of $9.4 million on commodity risk management contracts relates primarily to Birchcliff's natural gas financial swap contracts for 2017 which were "marked to market" at December 31, 2016, when the forward calendar 2017 AECO price was above Birchcliff's average 2017 hedge contract price of $3.02/GJ. At the date of this press release, the forward AECO price for calendar 2017 has now fallen below Birchcliff's average 2017 natural gas hedge contract price of $3.02/GJ which would result in the reversal of the unrealized loss relating to the natural gas contracts at December 31,

[1] In connection with the closing of the Gordondale Acquisition, the Credit Facilities were amended to increase the borrowing base from $750 million (December 31, 2015: $800 million) to $950 million.

2016 and the additional recording of an unrealized gain to income for the amount it has fallen below the average contract price. The volatility in the daily AECO prices and the accounting requirements to record these contracts at the end of each quarter may result in material changes in net income from quarter to quarter which are unrealized and thus have no cash consequence.

2016 Capital Expenditures

In 2016, Birchcliff had total capital expenditures of $168.5 million and net capital expenditures of $148.5 million (net of acquisitions and dispositions), in each case excluding the Gordondale Acquisition, which is slightly above Birchcliff's previous guidance of $164 million total capital expenditures and $145 million net capital expenditures. Including the Gordondale Acquisition, Birchcliff had net capital expenditures of $762.0 million during 2016. See *"Advisories – Capital Expenditures".*

Birchcliff's total finding and development capital during 2016 (which excludes acquisitions, dispositions and administrative expenses) was $165.5 million, which consists of $5.7 million on land and seismic, $76.2 million on drilling and completions, $66.8 million on facilities and infrastructure and $16.8 million on other capital expenditures attributed to execution of Birchcliff's capital program. Of the $66.8 million spent on facilities and infrastructure, approximately $27.6 million was spent on Birchcliff's Phase V expansion of the PC Gas Plant. The capital for the Phase V expansion was primarily for the completion of the engineering, procurement and fabrication work required for the expansion.

2016 Drilling Program

Birchcliff's 2016 drilling program was focused on capital efficiencies and land retention on its two proven resource plays, the Montney/Doig Resource Play and the Charlie Lake Light Oil Resource Play. Birchcliff actively employed the evolving technology utilized by the industry regarding horizontal well drilling and the related multi-stage fracture stimulation ("**MSF**") technology.

Birchcliff drilled a total of 22 (22.0 net) wells during 2016, consisting of 14 (14.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 6.0 (6.0 net) Montney horizontal oil and natural gas wells in the Gordondale area, 1 (1.0 net) water disposal well in the Gordondale area and 1 (1.0 net) Charlie Lake horizontal light oil well in the Worsley area. All of the horizontal wells drilled in 2016 utilized MSF technology. For further information regarding Birchcliff's drilling activities during 2016, please see *"Operations Overview and Update"* in this press release.

2016 Land

Birchcliff's land base primarily consists of large contiguous blocks of high working interest acreage located near facilities owned and/or operated by Birchcliff or near third party infrastructure.

Birchcliff's land activities during 2016 included: (i) the acquisition of 265.7 (225.3 net) sections, including 143.5 (84.7 net) sections pursuant to the Gordondale Acquisition; and (ii) the disposition of 22.8 (12.5 net) sections, including 6.5 (4.1 net) sections of land pursuant to a disposition in the Progress area in April 2016.

Birchcliff's undeveloped land base at December 31, 2016 was 709.6 (658.2 net) sections, with a 93% average working interest.

The following table summarizes Birchcliff's land holdings on the following resource plays at December 31, 2016:

Resource Play	Working Interest	Gross (sections)	Net (sections)
Montney/Doig Resource Play			
Basal Doig/Upper Montney Interval	93.7%	433.9	406.6
Montney D4 Interval	97.1%	328.1	319.3
Montney D2 Interval	97.1%	399.9	388.4
Montney D1 Interval	97.1%	395.4	383.9
Montney C Interval	97.1%	395.4	383.9
Charlie Lake Light Oil Resource Play	92.7%	242.5	224.7
Duvernay Resource Play	100%	59.3	59.3
Nordegg Resource Play	83.5%	687.3	573.6
Banff/Exshaw Resource Play	98.8%	326.0	322.2

2016 FOURTH QUARTER FINANCIAL AND OPERATIONAL RESULTS

2016 Q4 Production

Birchcliff achieved record quarterly average production of 60,750 boe/d, which represents an 11% increase from production of 54,538 boe/d in the third quarter of 2016 and a 50% increase from 40,445 boe/d in the fourth quarter of 2015. This quarterly average production is slightly below Birchcliff's previous guidance of 62,000 to 63,000 boe/d. Birchcliff's production was impacted by transportation service curtailments on TransCanada's NGTL System and by unplanned downtime and maintenance activities in its Worsley area during the fourth quarter of 2016.

Production per basic common share decreased by 3% from the third quarter of 2016 and 13% from the fourth quarter of 2015.

Production consisted of approximately 79% natural gas, 8% light oil and 13% NGLs in the fourth quarter of 2016, which is in line with Birchcliff's previous guidance of 79% natural gas and 21% oil/NGLs. This compares to 87% natural gas, 9% light oil and 4% NGLs in the fourth quarter of 2015. The increase in oil and NGLs weighting is due to the more heavily-weighted oil and NGLs production that was acquired pursuant to the Gordondale Acquisition.

2016 Q4 Funds Flow

Funds flow was $71.8 million ($0.27/basic common share), a 72% increase from $41.7 million ($0.18/basic common share) in the third quarter of 2016 and a 113% increase from $33.7 million ($0.22/basic common share) in the fourth quarter of 2015. The increases were largely due to increased funds flow attributable to the production volumes acquired pursuant to the Gordondale Acquisition and higher realized oil and natural gas prices in the fourth quarter of 2016.

2016 Q4 Income to Common Shareholders

Birchcliff had net income of $12.1 million, as compared to the net loss of $1.1 million in the third quarter of 2016 and the net loss of $9.3 million in the fourth quarter of 2015. Birchcliff recorded net income to common shareholders of $11.1 million ($0.04/basic common share), as compared to net loss to common shareholders of $2.1 million ($0.01/basic common share) in the third quarter of 2016 and the net loss to common shareholders of $10.3 million ($0.07/basic common share) in the fourth quarter of 2015. The change to net income positions was largely due to increased funds flow attributable to the production volumes acquired pursuant to the Gordondale Acquisition and higher realized oil and natural gas prices in the fourth quarter of 2016 and offset by an unrealized loss of $9.6 million recorded in the fourth quarter of 2016 in respect of Birchcliff's commodity risk management contracts outstanding at December 31, 2016.

2016 Q4 Operating Costs and General and Administrative Expense

Operating costs were $4.54/boe, a 2% decrease from $4.65/boe in the third quarter of 2016 and a 9% increase from $4.16/boe in the fourth quarter of 2015.

General and administrative expense was $1.19/boe, an 11% increase from $1.07/boe in the third quarter of 2016 and a 41% decrease from $2.01/boe in the fourth quarter of 2015.

2016 Q4 Capital Expenditures

Net capital expenditures in the fourth quarter were $62.5 million. Of these capital expenditures, approximately $34.7 million was incurred on drilling and completions and $17.6 million on facilities and infrastructure.

2016 Q4 Drilling

Drilling activities during the fourth quarter of 2016 were focused on Birchcliff's Montney/Doig Resource Play. During the fourth quarter, Birchcliff drilled 9 (9.0 net) wells, consisting of 2 (2.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 6 (6.0 net) Montney horizontal oil and natural gas wells in the Gordondale area and 1 (1.0 net) water disposal well in the Gordondale area. For further information regarding Birchcliff's drilling activities during 2016, please see *"Operations Overview and Update"* in this press release.

2016 YEAR-END RESERVES

Birchcliff retained two independent qualified reserves evaluators, Deloitte LLP ("**Deloitte**") and McDaniel & Associates Consultants Ltd. ("**McDaniel**"), to evaluate and prepare reports on 100% of Birchcliff's light crude oil and medium crude oil (combined), conventional natural gas, shale gas and NGLs reserves. Deloitte evaluated all of Birchcliff's properties other than the Gordondale Assets, representing approximately 76% of the assigned total proved plus probable reserves and 73% of the total proved plus probable future net revenue discounted at 10%. McDaniel evaluated the reserves attributable to the Gordondale Assets, representing approximately 24% of the assigned total proved plus probable reserves and 27% of the total proved plus probable future net revenue discounted at 10%.

The reserves data set forth below at December 31, 2016 is based upon the evaluation by Deloitte with an effective date of December 31, 2016 as contained in the report of Deloitte dated February 3, 2017 (the "**2016 Deloitte Reserves Report**") and the evaluation by McDaniel with an effective date of December 31, 2016 as contained in the report of McDaniel dated February 8, 2017 (the "**2016 McDaniel Reserves Report**"), which are contained in the consolidated report of Deloitte with an effective date of December 31, 2016 (the "**2016 Consolidated Reserves Report**"). Deloitte prepared the 2016 Consolidated Reserves Report by consolidating the properties evaluated by Deloitte in the 2016 Deloitte Reserves Report with the properties evaluated by McDaniel in the 2016 McDaniel Reserves Report, in each case using Deloitte's forecast price and cost assumptions effective December 31, 2016 (the "**2016 Deloitte Price Forecast**"). Hedging gains and losses have been incorporated into the Consolidated Reserves Report.

Deloitte also prepared an evaluation of Birchcliff's reserves effective December 31, 2015 (the "**2015 Deloitte Reserves Report**") and reserves data contained herein at December 31, 2015 is based upon such report. The price forecast used in such evaluation was Deloitte's forecast price and cost assumptions effective December 31, 2015 (the "**2015 Deloitte Price Forecast**").

The 2016 Deloitte Reserves Report, the 2016 McDaniel Reserves Report, the 2016 Consolidated Reserves Report and the 2015 Deloitte Reserves Report were prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") in effect at the relevant time.

Numbers presented in the tables below may not total due to rounding.

For additional information regarding the presentation of Birchcliff's reserves disclosure contained herein, please see *"Presentation of Oil and Gas Reserves"* and *"Advisories"* in this press release. The reserves data provided in this press release presents only a portion of the disclosure required under NI 51-101. The disclosure required under NI 51-101 will be contained in Birchcliff's Annual Information Form for the year ended December 31, 2016, which is expected to be filed on the System for Electronic Document Analysis and Retrieval (www.sedar.com) on March 15, 2017.

Reserves Summary

The following table summarizes the estimates of Birchcliff's gross reserves at December 31, 2016 and December 31, 2015, using the forecast price and cost assumptions in effect at the applicable reserves evaluation date:

Summary of Gross Reserves
(Forecast Prices and Costs)

Reserves Category	**Dec 31, 2016** ***(MMboe)***	**Dec 31, 2015** ***(MMboe)***	**Increase from Dec 31, 2015**
Proved Developed Producing	165.5	102.1	62%
Total Proved	548.5	351.2	56%
Probable	331.9	221.7	50%
Total Proved Plus Probable	880.5	572.9	54%

The following table sets forth Birchcliff's light crude oil and medium crude oil, conventional natural gas, shale gas and NGLs reserves at December 31, 2016, using the 2016 Deloitte Price Forecast:

Summary of Reserves at December 31, 2016
(Forecast Prices and Costs)[1]

	Light Crude Oil and Medium Crude Oil		Conventional Natural Gas		Shale Gas		NGLs		Total Boe	
Reserves Category	***Gross (Mbbls)***	***Net (Mbbls)***	***Gross (MMcf)***	***Net (MMcf)***	***Gross (MMcf)***	***Net (MMcf)***	***Gross (Mbbls)***	***Net (Mbbls)***	***Gross (Mboe)***	***Net (Mboe)***
Proved										
Developed Producing	12,618.3	10,722.4	28,107.7	25,546.5	772,961.6	707,425.5	19,377.2	14,467.0	165,507.0	147,351.4
Developed Non-Producing	1,971.0	1,736.4	11,328.6	10,400.4	16,276.5	14,898.2	286.7	195.1	6,858.5	6,148.0
Undeveloped	17,202.7	14,796.2	19,957.5	18,478.0	1,952,217.2	1,744,899.5	30,259.7	24,396.4	376,158.3	333,088.8
Total Proved	31,791.9	27,255.0	59,393.8	54,424.9	2,741,455.3	2,467,223.2	49,923.6	39,058.5	548,523.8	486,588.1
Probable	26,655.8	22,186.7	62,289.1	56,862.9	1,532,149.2	1,321,933.2	39,544.5	30,455.0	331,940.0	282,441.0
Total Proved Plus Probable	58,447.7	49,441.7	121,682.9	111,287.8	4,273,604.6	3,789,156.4	89,468.2	69,513.5	880,463.8	769,029.2

(1) "Gross" means Birchcliff's working interest (operating or non-operating) share before the deduction of royalties and without including any royalty interests of Birchcliff. "Net" means Birchcliff's working interest (operating or non-operating) share after the deduction of royalty obligations, plus Birchcliff's royalty interests in reserves.

Net Present Value of Future Net Revenue

The following table sets forth the net present value of future net revenue attributable to Birchcliff's reserves at December 31, 2016, using the 2016 Deloitte Price Forecast, before deducting future income tax expenses and calculated at various discount rates:

Summary of Net Present Value of Future Net Revenue at December 31, 2016
(Forecast Prices and Costs)

	Net Present Value of Future Net Revenue Before Income Taxes Discounted At (%/year)					
Reserves Category	**0** ***(MM$)***	**5** ***(MM$)***	**10** ***(MM$)***	**15** ***(MM$)***	**20** ***(MM$)***	**Unit Value Discounted at 10%/year** ***($/boe)***
Proved						
Developed Producing	3,503.2	2,457.0	1,877.4	1,521.6	1,284.7	12.74
Developed Non-Producing	176.2	121.8	91.5	72.5	59.4	14.89
Undeveloped	6,659.1	3,593.3	2,085.6	1,255.3	758.6	6.26
Total Proved	10,338.4	6,172.1	4,054.5	2,849.3	2,102.7	8.33
Probable	7,488.7	3,364.7	1,756.4	1,011.5	622.0	6.22
Total Proved Plus Probable	17,827.2	9,536.8	5,810.8	3,860.7	2,724.7	7.56

Pricing Assumptions

The following table sets forth the forecast price and cost assumptions used in the 2016 Consolidated Reserves Report:

2016 Deloitte Price Forecast

	Crude Oil		Natural Gas	NGLs					
Year	**WTI at Cushing Oklahoma *($US/bbl)***	**Edmonton City Gate *($CDN/bbl)***	**Natural Gas at AECO *($CDN/Mcf)***	**Edmonton Ethane *($CDN/bbl)***	**Edmonton Propane *($CDN/bbl)***	**Edmonton Butane *($CDN/bbl)***	**Edmonton Pentanes + Condensate *($CDN/bbl)***	**Currency Exchange Rate *($CDN/$US)***	**Price and Cost Inflation Rates *(%)***
2017	55.00	68.90	3.25	9.10	13.80	41.35	68.90	0.740	0.0
2018	58.15	71.15	3.35	9.45	21.35	42.70	71.15	0.760	2.0
2019	62.40	74.70	3.50	9.80	29.85	44.85	74.70	0.780	2.0
2020	69.00	79.90	3.55	10.00	31.95	47.95	79.90	0.810	2.0
2021	75.75	84.05	3.70	10.30	33.60	50.45	84.05	0.850	2.0
2022	82.80	92.25	3.90	11.00	36.90	55.35	92.25	0.850	2.0
2023	84.45	94.10	4.15	11.65	37.60	56.50	94.10	0.850	2.0
2024	86.15	95.95	4.50	12.50	38.35	57.60	95.95	0.850	2.0
2025	87.85	97.90	4.70	13.10	39.15	58.75	97.90	0.850	2.0
2026	89.65	99.85	4.85	13.55	39.90	59.95	99.85	0.850	2.0
2027	91.40	101.85	5.00	14.00	40.70	61.15	101.85	0.850	2.0
2028	93.25	103.90	5.10	14.30	41.55	62.35	103.90	0.850	2.0
2029	95.10	105.95	5.20	14.60	42.35	63.60	105.95	0.850	2.0
2030	97.00	108.10	5.30	14.90	43.20	64.85	108.10	0.850	2.0
2031	98.95	110.25	5.40	15.15	44.05	66.15	110.25	0.850	2.0
2032	100.95	112.45	5.50	15.50	44.95	67.50	112.45	0.850	2.0
2033	102.95	114.70	5.65	15.80	45.85	68.85	114.70	0.850	2.0
2034	105.00	117.00	5.75	16.10	46.75	70.20	117.00	0.850	2.0
2035	107.10	119.35	5.85	16.40	47.70	71.65	119.35	0.850	2.0
2036	109.25	121.70	5.95	16.75	48.65	73.05	121.70	0.850	2.0
2036+	2%/yr	2%/yr	2%/yr	2%/yr	2%/yr	2%/yr	2%/yr	0.850	2.0/yr

Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of Birchcliff's gross reserves at December 31, 2016 set forth in the 2016 Consolidated Reserves Report, using the 2016 Deloitte Price Forecast, to Birchcliff's gross reserves at December 31, 2015 set forth in the 2015 Deloitte Reserves Report, using the 2015 Deloitte Price Forecast:

Reconciliation of Gross Reserves from December 31, 2015 to December 31, 2016
(Forecast Prices and Costs)

Factors	Light Crude Oil and Medium Crude Oil *(Mbbls)*	Conventional Natural Gas *(MMcf)*	Shale Gas *(MMcf)*	NGLs *(Mbbls)*	Oil Equivalent *(Mboe)*
GROSS TOTAL PROVED					
Opening balance December 31, 2015	**18,534.0**	**59,094.7**	**1,839,366.7**	**16,301.2**	**351,245.4**
Discoveries	0.0	0.0	0.0	0.0	0.0
Extensions & Improved Recovery	359.3	695.4	413,357.8	2,883.8	72,252.0
Technical Revisions	375.8	(194.9)	195,709.6	996.9	33,958.5
Acquisitions	14,450.5	11,707.8	385,468.9	31,511.3	112,157.9
Dispositions	(474.0)	(5,834.0)	(4,971.4)	(197.5)	(2,472.4)
Economic Factors	(82.2)	(1,140.8)	(1,047.9)	(20.1)	(467.1)
Production(1)	(1,371.4)	(4,934.4)	(86,428.3)	(1,552.0)	(18,150.5)
Closing balance December 31, 2016	**31,792.0**	**59,393.8**	**2,741,455.4**	**49,923.6**	**548,523.8**
GROSS TOTAL PROBABLE					
Opening balance December 31, 2015	**17,468.1**	**64,897.0**	**1,093,750.0**	**11,117.5**	**221,693.4**
Discoveries	0.0	0.0	0.0	0.0	0.0
Extensions & Improved Recovery	268.8	353.0	88,360.9	771.7	15,826.2
Technical Revisions	(1,107.6)	(2,370.3)	63,326.4	2,561.1	11,612.9
Acquisitions	10,527.7	2,566.1	309,674.2	25,705.5	88,273.3
Dispositions	(470.0)	(2,723.9)	(22,749.7)	(603.8)	(5,319.4)
Economic Factors	(31.3)	(432.8)	(212.6)	(7.4)	(146.3)
Production(1)	0.0	0.0	0.0	0.0	0.0
Closing balance December 31, 2016	**26,655.7**	**62,289.1**	**1,532,149.2**	**39,544.6**	**331,940.0**
GROSS TOTAL PROVED PLUS PROBABLE					
Opening balance December 31, 2015	**36,002.1**	**123,991.7**	**2,933,116.7**	**27,418.7**	**572,938.9**
Discoveries	0.0	0.0	0.0	0.0	0.0
Extensions & Improved Recovery	628.1	1,048.4	501,718.7	3,655.5	88,078.1
Technical Revisions	(731.8)	(2,565.2)	259,036.0	3,558.0	45,571.3
Acquisitions	24,978.2	14,273.9	695,143.1	57,216.8	200,431.2
Dispositions	(944.0)	(8,557.9)	(27,721.1)	(801.3)	(7,791.8)
Economic factors	(113.5)	(1,573.6)	(1,260.5)	(27.5)	(613.4)
Production(1)	(1,371.4)	(4,934.4)	(86,428.3)	(1,552.0)	(18,150.5)
Closing balance December 31, 2016	**58,447.7**	**121,682.9**	**4,273,604.6**	**89,468.2**	**880,463.8**

(1) Represents the independent qualified reserves evaluators' estimates of actual production for the year ended December 31, 2016 before year-end results were available.

Positive technical revisions, which did not require any increase to FDC, can be attributed to Deloitte's assignment of new Montney/Doig terminal declines within Pouce Coupe and Elmworth, which is based on the historical performance of the Birchcliff and industry offsetting Montney/Doig wells and the improved performance of Birchcliff's producing wells. These positive technical revisions accounted for 43% of the proved developed producing reserves additions, 33% of the proved reserves additions, 53% of the probable reserves additions and 36% of the proved plus probable reserves additions, when excluding the reserves additions attributable to the Gordondale Acquisition.

Acquisitions, which was comprised of the Gordondale Acquisition, accounted for 69% of the proved developed producing reserves additions, 52% of the proved reserves additions, 80% of the probable reserves additions and 62% of the proved plus probable reserves additions.

Birchcliff was also able to add significant *"Extensions"* primarily resulting from Montney D1 type curve upgrades in two sub areas and additional locations added in Pouce Coupe due to increased geological confidence and continued delineation on the Montney/Doig Resource Play.

Future Development Costs

Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect the independent reserves evaluators' best estimate of what it will cost to bring the proved and proved plus probable reserves on production.

The following table sets forth the independent reserves evaluators' estimated FDC to bring the proved and proved plus probable reserves on production:

Future Development Costs
(Forecast Prices and Costs)

	Proved *(MM$)*	Proved Plus Probable *(MM$)*
2017	322.7	386.0
2018	527.5	657.7
2019	534.0	709.0
2020	374.2	511.3
2021	491.8	640.6
Thereafter	250.9	1,245.5
Total undiscounted	**2,501.1**	**4,150.1**

FDC for total proved reserves increased to $2.50 billion at December 31, 2016 from $1.81 billion at December 31, 2015. FDC for total proved plus probable reserves increased to $4.15 billion at December 31, 2016 from $3.09 billion at December 31, 2015.

The increases in FDC for both proved and proved plus probable reserves are largely due to the reserves associated with the Gordondale Assets which were acquired pursuant to the Gordondale Acquisition and the associated capital required to develop such reserves ($346 million on a proved basis and $674 million on a proved plus probable basis). In addition, the increases in FDC are also due to the FDC associated with the increase in Montney/Doig potential net future drilling locations in each category of reserves from Birchcliff's 2016 drilling program and additional locations added in Pouce Coupe due to increased geological confidence and continued delineation on the Montney/Doig Resource Play.

The FDC for both proved and proved plus probable reserves are primarily the capital costs required to drill, complete, equip and tie-in undeveloped locations. The estimates of FDC on a proved basis also include approximately $181 million for the expansion of the PC Gas Plant to 420 MMcf/d of total throughput. The estimates of FDC on a proved plus probable basis include approximately $261 million for the expansion of the PC Gas Plant to 500 MMcf/d of total throughput. The FDC for the expansions of the PC Gas Plant also include the costs of the related gathering pipelines, sales pipeline expansion and compression.

The following table sets forth the average cost to drill, complete, equip and tie-in a multistage fractured horizontal well as estimated by Deloitte and McDaniel:

Average Well Cost, as Estimated by Deloitte or McDaniel	December 31, 2016 *(MM$)*	December 31, 2015 *(MM$)*
Pouce Coupe(1)	4.5	4.4
Gordondale(2)	5.7	N/A

(1) Estimated by Deloitte. Up slightly compared to 2015 due to optimized well layouts resulting in more full length wells, as well as an increase in the deeper Montney D1 reserves locations.

(2) Estimated by McDaniel.

Reserves Replacement

The following table sets forth Birchcliff's 2016 reserves replacement ratios:

Reserves Category	2016 Reserves Replacement(1)
Proved Developed Producing	452%
Proved	1,195%
Proved Plus Probable	1,807%

(1) Please see *"Advisories – Oil and Gas Metrics"* for a description of the methodology used to calculate reserves replacement.

Reserves Life Index

The following table sets forth Birchcliff's 2016 reserves life index:

Reserves Category	2016 Reserves Life Index(1)
Proved Developed Producing	6.3 years
Total Proved	20.9 years
Total Proved Plus Probable	33.5 years

(1) Based on a forecast production rate of 72,000 boe/d for 2017, which represents the mid-point of Birchcliff's annual average production guidance range for 2017. Please see *"Advisories – Oil and Gas Metrics"* for a description of the methodology used to calculate reserves life index.

Reserves on the Montney/Doig Resource Play

The following table summarizes the estimates of reserves attributable to Birchcliff's horizontal wells on the Montney/Doig Resource Play as contained in the 2016 Consolidated Reserves Report and the number of horizontal wells to which reserves were attributed:

Montney/Doig Resource Play Reserves Data(1)(2)

	Shale Gas *(Bcf)*		Light Crude Oil and Medium Crude Oil Combined *(Mbbl)*		NGLs *(Mbbl)*		Total *(Mboe)*		Existing Horizontal Wells and Potential Future Horizontal Well Locations *(Gross)*		*(Net)*	
Reserves Category	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Proved Developed Producing	764.1	525.8	6,036.5	597.8	18,572.5	4,154.7	151,964.1	92,379.7	281	185	275.7	184.9
Total Proved	2,734.5	1,842.0	14,400.5	736.1	48,808.2	14,020.3	518,965.8	321,752.4	736	516	721.7	505.2
Total Proved Plus Probable	4,274.8	2,945.7	25,307.2	1,313.8	87,687.7	24,551.9	825,454.6	516,821.4	1,000	723	974.4	698.8

(1) 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.

(2) At December 31, 2016, the estimated FDC for Birchcliff's reserves on its Montney/Doig Resource Play is $0.9 million on a proved developed producing basis (as compared to $0.0 million at December 31, 2015), $2,277.5 million on a proved basis (as compared to

$1,623.7 million at December 31, 2015) and $3,680.9 million on a proved plus probable basis (as compared to $2,667.7 million at December 31, 2015).

The following table sets forth the number of existing and potential future drilling locations by drilling interval to which proved plus probable reserves were assigned in the Consolidated Reserves Report:

Existing and Potential Future Drilling Locations by Interval at December 31, 2016

	Gross Number of Horizontal Well Locations		Net Number of Horizontal Well Locations		Average Proved Plus Probable Reserves plus Cumulative Production (Bcfe)	
Interval	**Existing**	**Potential Future**	**Existing**	**Potential Future**	**Existing**	**Potential Future**
Basal Doig / Upper Montney	67	251	65.5	238.9	4.54	4.37
Montney D4	9	42	9.0	42.0	4.69	5.29
Montney D2	1	22	1.0	20.6	6.66	7.58
Montney D1 Gas	152	332	148.2	325.2	6.58	6.11
Montney D1 Oil	57	64	57.0	64.0	6.48	6.52
Montney C	1	2	1.0	2.0	4.12	2.66
Total[1]	**287**	**713**	**281.7**	**692.7**		

(1) At December 31, 2016, Birchcliff had 287 (281.7 net) existing horizontal well locations; proved developed producing reserves were only assigned to 281 (275.7 net) well locations as six wells were not producing at December 31, 2016. In addition, Birchcliff drilled 8 (8.0 net) Montney/Doig wells late in 2016 that had no reserves assigned at December 31, 2016, for a total of 295 (289.7 net) wells drilled and cased as at December 31, 2016.

Reserves on the Charlie Lake Light Oil Resource Play – Worsley Area

At December 31, 2016, Deloitte estimated that in the Worsley Charlie Lake light oil pool, Birchcliff had 7.6 MMboe of proved developed producing reserves, 20.4 MMboe of proved reserves and 38.9 MMboe proved plus probable reserves.

2016 FINDING AND DEVELOPMENT COSTS

During 2016, Birchcliff's F&D costs were $165.5 million and its FD&A costs were $759.0 million.

The following table sets forth Birchcliff's estimates of its F&D costs per boe and FD&A costs per boe for 2016, 2015 and 2014, excluding and including FDC:

Excluding FDC *($/boe)*[1]	**2016**	**2015**	**2014**	**Three Year Average**
F&D – Proved Developed Producing	$6.42	$8.11	$13.40	$9.41
F&D – Proved	$1.57	$3.09	$8.29	$3.46
F&D – Proved Plus Probable	$1.25	$2.06	$5.96	$2.53
FD&A – Proved Developed Producing	$9.32	$7.79	$12.81	$9.82
FD&A – Proved	$3.53	$2.96	$6.03	$3.90
FD&A – Proved Plus Probable	$2.33	$2.02	$4.19	$2.62
Including FDC[2][3][4]				
F&D – Proved	$4.89	$2.41	$13.51	$5.76
F&D – Proved Plus Probable	$4.43	$1.55	$12.57	$5.00
FD&A – Proved	$6.73	$2.28	$11.56	$6.71
FD&A – Proved Plus Probable	$5.58	$1.32	$10.45	$5.59

(1) Please see *"Advisories – Oil and Gas Metrics"* for a description of the methodology used to calculate F&D and FD&A costs.

(2) Includes the 2016 increase in FDC from 2015 of $690.0 million on a proved basis and $1,059.0 million on a proved plus probable basis.

(3) Includes the 2015 decrease in FDC from 2014 of $56.5 million on a proved basis and $85.4 million on a proved plus probable basis.

(4) Includes the 2014 increase in FDC from 2013 of $413.0 million on a proved basis and $671.9 million on a proved plus probable basis.

2016 RECYCLE RATIOS

The following table shows Birchcliff's recycle ratios for operating and funds flow netbacks for 2016 and 2015, excluding and including FDC:

	Operating Netback Recycle Ratio[1]		Funds Flow Netback Recycle Ratio[1]	
	2016	**2015**	**2016**	**2015**
Excluding FDC				
F&D – Proved Developed Producing	1.7	1.8	1.3	1.4
FD&A – Proved Developed Producing	1.2	1.9	0.9	1.5
F&D – Proved	7.0	4.7	5.2	3.7
FD&A – Proved	3.1	4.9	2.3	3.8
F&D – Proved Plus Probable	8.8	7.0	6.6	5.5
FD&A – Proved Plus Probable	4.7	7.2	3.5	5.6
Including FDC				
F&D – Proved	2.3	6.0	1.7	4.7
FD&A – Proved	1.6	6.4	1.2	5.0
F&D – Proved Plus Probable	2.5	9.3	1.8	7.3
FD&A – Proved Plus Probable	2.0	11.0	1.5	8.6

(1) Please see *"Advisories"* for a description of the methodology used to calculate F&D costs, FD&A costs and recycle ratios.

During 2016, the average WTI price of crude oil was US$43.32/bbl and the average price of natural gas at AECO was CDN$2.16/Mcf.

The operating netback was $11.01/boe in 2016, as compared to $14.52/boe in 2015. Funds flow netback was $8.18/boe in 2016, as compared to $11.31/boe in 2015.

2017 CAPITAL PROGRAM

Birchcliff's board of directors has approved a capital expenditure budget of approximately $355 million, which represents an increase of 139% over Birchcliff's net capital expenditures during 2016 of $148.5 million (excluding the Gordondale Acquisition). Given Birchcliff's hedging program for 2017 and the recent modest improvement in commodity prices and Birchcliff's outlook for such prices, Birchcliff has significantly increased its planned capital spending and activities for 2017.

Details on the expected capital spending allocation are set forth in the table below:

	Gross Wells	Net Wells	Capital (MM)
Drilling & Development			
Pouce Coupe – Montney D1 Horizontal Gas Wells	22	22.0	$86.1
Pouce Coupe – Basal Doig/Upper Montney Horizontal Gas Wells	7	7.0	$30.2
Pouce Coupe – Montney D4 Horizontal Gas Wells	3	3.0	$12.9
Gordondale – Montney D2 Horizontal Oil Wells	7	7.0	$40.7
Gordondale – Montney D1 Horizontal Oil Wells	5	5.0	$28.9
Gordondale – Montney D1 Horizontal Gas Wells	2	2.0	$11.6
2016 Carry Forward Capital[1]	-	-	$19.4
Total Drilling & Development[2]	46	46.0	$229.8
Facilities & Infrastructure[3]			$85.6
Production Optimization[4]			$19.4
Land & Seismic			$4.6
Acquisitions & Dispositions[5]			$(0.2)
Other			$15.4
TOTAL NET CAPITAL[5]			**$355.0**

(1) Primarily completion, equipping and tie-in costs associated with 10 (10.0 net) wells rig released in 2016.

(2) On a drill, case, complete, equip and tie-in basis.

(3) Includes approximately $27.3 million of capital in 2017 for the Phase V expansion and $26.0 million of capital in 2017 for the Phase VI expansion.

(4) Includes $13.6 million of sustaining capital.

(5) The 2017 Capital Program has been presented on a net basis, meaning net of acquisitions and dispositions. Certain dispositions that have been completed at the date of this press release have been accounted for in the table above. See *"Advisories – Capital Expenditures"*.

Highlights of the 2017 Capital Program

The 2017 Capital Program is focused on the continued exploration and development of Birchcliff's low-cost natural gas, crude oil and liquids-rich assets on its Montney/Doig Resource Play and achieving controlled growth, maintaining balance sheet strength and the payment of a sustainable quarterly dividend to common shareholders. The 2017 Capital Program directs capital investment to those projects with the most favourable rates of return, including a mix of crude oil, liquids-rich natural gas and natural gas development opportunities. In addition, the 2017 Capital Program contemplates continued investment in the PC Gas Plant and other strategic infrastructure to provide for future growth. Highlights of the 2017 Capital Program include the following:

- The 2017 Capital Program reflects Birchcliff's long-term plan of the continued exploration and development of Birchcliff's low-cost natural gas, crude oil and liquids-rich assets on the Montney/Doig Resource Play and achieving controlled growth, maintaining balance sheet strength and the payment of a sustainable quarterly dividend.
    - The 2017 Capital Program targets an annual average production rate for 2017 in the range of 70,000 to 74,000 boe/d, which represents a 42% to 50% increase over Birchcliff's annual average production of 49,236 boe/d in 2016.
    - The 2017 Capital Program is expected to be funded out of internally generated funds flow. Birchcliff has implemented a hedging program to help protect its balance sheet and its funds flow.
    - Birchcliff's objective is financial self-sufficiency whereby it will first determine the capital expenditures required for controlled growth and to maintain a strong balance sheet, and thereafter set a dividend rate at a prudent and sustainable level.
- Approximately 60% of the 2017 Capital Program is directed towards Birchcliff's Pouce Coupe area, approximately 31% is directed towards its Gordondale area and approximately 4% is directed towards its Charlie Lake Light Oil Resource Play. The remaining 5% is directed towards land, seismic and other corporate costs.
- The 2017 Capital Program contemplates the drilling, completing, equipping and bringing on production of a total of 46 (46.0 net) wells and also includes the remaining portion of the capital associated with the completion, equipping and/or bringing on production of 10 wells drilled in 2016, with total drilling and development capital of $229.8 million (which represents approximately 65% of the 2017 Capital Program).
- The 2017 Capital Program contemplates an investment of approximately $85.6 million for facilities and infrastructure (which represents approximately 24% of the 2017 Capital Program) to provide for future growth.

Drilling and Development

Birchcliff's 2017 drilling program is focused on Birchcliff's natural gas, liquids-rich and crude oil assets on the Montney Doig Resource Play in the Pouce Coupe and Gordondale areas. Of the 46 (46.0 net) wells contemplated by the 2017 Capital Program, Birchcliff plans to drill 32 (32.0 net) wells in its Pouce Coupe area (consisting of 22 Montney D1 horizontal natural gas wells, 7 Basal Doig/Upper Montney horizontal natural gas wells and 3 Montney D4 horizontal natural gas wells) and 14 (14.0 net) wells in the Gordondale area (consisting of 7 Montney D2 horizontal oil wells, 5 Montney D1 horizontal oil wells and 2 Montney D1 liquids-rich horizontal natural gas wells). The 46 Montney/Doig wells will be drilled on 12 pads – three 2-well pads, two 3-well pads, five 4-well pads and two 7-well pads.

In addition, the 2017 Capital Program includes capital for the various stages of the completion, equipping and tieing in of 10 wells drilled in 2016. Accordingly, it is expected that a total of 56 (56.0 net) wells will be brought on production during 2017.

Facilities and Infrastructure

The 2017 Capital Program continues Birchcliff's investment in the PC Gas Plant and other strategic infrastructure.

PC Gas Plant – Phase V Expansion

Approximately $27.3 million will be directed towards the completion of the field construction of the Phase V expansion of the PC Gas Plant which will increase processing capacity from 180 MMcf/d to 260 MMcf/d. Field installation commenced in January 2017 and it is expected that Phase V will be on-stream in October 2017.

PC Gas Plant – Phase VI Expansion

Approximately $26.0 million will be directed towards the procurement and fabrication of the major components required for the Phase VI expansion of the PC Gas Plant which will increase processing capacity from 260 MMcf/d to 340 MMcf/d. The engineering and licensing work has been completed for the Phase VI expansion of the PC Gas Plant and Birchcliff currently expects that Phase VI will be on-stream in October 2018.

PC Gas Plant – Phase VII Expansion

Birchcliff has started the planning and initial work to further expand the capacity of the PC Gas Plant in 2019 and 2020 by 250 MMcf/d to 590 MMcf/d of total processing capacity. Birchcliff's current plans for this expansion include a deep-cut capability and an on-stream date in mid-2019 for 150 MMcf/d of the additional capacity, with the balance of the expansion to start-up in 2020.

Birchcliff recently started the notification process for this incremental processing capacity and is working on the engineering and design and related infrastructure of this proposed deep-cut facility. Birchcliff has currently allocated less than $1 million of capital for the Phase VII expansion in the 2017 Capital Program.

2017 Production

Based on the 2017 Capital Program, Birchcliff expects its annual average production in 2017 to be in the range of 70,000 to 74,000 boe/d, which represents a range of 42% to 50% growth over Birchcliff's annual average production of 49,236 boe/d in 2016. Birchcliff expects that production will ramp up in the fourth quarter of 2017 in connection with the start-up of the Phase V expansion of the PC Gas Plant.

Funding of the 2017 Capital Program

Birchcliff expects to fund the 2017 Capital Program using internally generated funds flow and Birchcliff has implemented a hedging program to help protect its balance sheet and its funds flow. The 2017 Capital Program is projected to be less than Birchcliff's expected funds flow for 2017, based on a forecast average WTI price of US$55.00 per barrel of oil and a forecast average AECO price of CDN$3.00 per GJ of natural gas during 2017.

GUIDANCE

The following table sets forth Birchcliff's guidance for 2017:

	Guidance
***2017 Guidance*[(1)]**	
Estimated 2017 Annual Average Production	70,000 – 74,000 boe/d
% Oil and NGLs	23%
Estimated 2017 Exit Production	78,000 – 82,000 boe/d
% Oil and NGLs	21%
Estimated 2017 Q4 Average Production	80,000 – 82,000 boe/d
% Oil and NGLs	21%
Estimated capital expenditures, net (MM)[(2)]	$355

(1) For further information regarding Birchcliff's 2017 guidance, including the assumptions surrounding such guidance, please see *"Advisories – Forward-Looking Information"* in this press release.

(2) Please see *"2017 Capital Program"*.

UPDATE ON HEDGING

Birchcliff has been actively implementing a hedging program in order to reduce volatility in its financial results and to protect a portion of its funds flow and capital expenditure programs. Birchcliff's strategy for 2017 is to hedge approximately 50% of its estimated annual average natural gas production and up to 50% of its oil production using a combination of financial derivatives and physical sales contracts.

For 2017, Birchcliff has entered into hedging contracts for an average of 187,600 GJ/d (163,600 Mcf/d) of natural gas at an average AECO price of CDN$3.02/GJ (or an estimated average wellhead price of $3.46/Mcf) during 2017. This represents approximately 50% of Birchcliff's estimated annual average natural gas production for 2017. In addition, Birchcliff entered into financial derivative contracts for 1,500 bbls/d of crude oil at an average WTI price of CDN$69.90/bbl for 2017.

Birchcliff's hedge contracts for the fourth quarter of 2017 cover 210,000 GJ/d (183,200 Mcf/d) of natural gas at an average AECO price of CDN$3.05/GJ (or an estimated average wellhead price of $3.50/Mcf).

Birchcliff's current strategy for 2018 is to hedge approximately 50% of its estimated annual average natural gas and oil production.

UPDATE ON TRANSPORTATION AND MARKETING ARRANGEMENTS

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

Birchcliff has entered into sales agreements with a third party marketer to sell approximately 40 MMcf/d of natural gas under contracts commencing November 1, 2017 and expiring March 31, 2018 and approximately 5 MMcf/d of natural gas under contracts commencing April 1, 2017 and expiring October 31, 2020. This production will be delivered into the Alliance Pipeline system and sold at Alliance's Trading Pool daily index price. Birchcliff is currently proceeding with the installation of the pipeline facilities necessary to access the Alliance pipeline system.

Birchcliff expects that connection to the Alliance system will permit it to access a more diverse portfolio of gas markets and prices beyond AECO.

OPERATIONS OVERVIEW AND UPDATE

Birchcliff's operations are concentrated within its one core area, the Peace River Arch, which is centred northwest of Grande Prairie, Alberta, adjacent to the Alberta/British Columbia border. Birchcliff's operations are focused on two established resource plays within the Peace River Arch, the Montney/Doig Resource Play and the Charlie Lake Light Oil Resource Play. Birchcliff's strategy is to continue to develop and expand these resource plays, while maintaining low capital costs and operating costs.

Birchcliff had an active year during 2016, drilling a total of 22 (22.0 net) wells and completing the Gordondale Acquisition, as discussed in further detail below. The 2017 Capital Program contemplates the drilling of 46 (46.0 net) wells and a continued investment in Birchcliff's PC Gas Plant.

Montney/Doig Resource Play

Birchcliff's Montney/Doig Resource Play is centred approximately 95 km northwest of Grande Prairie, Alberta and contains three primary producing regions: Pouce Coupe, Gordondale and Elmworth.

Part of Birchcliff's long-term strategy is to continue to explore and delineate 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 Birchcliff has divided the geologic column in its areas of operation 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.

As at December 31, 2016, Birchcliff has successfully drilled and cased 295 (289.7 net) Montney/Doig horizontal wells (which includes 87 (82.5 net) wells acquired in the Gordondale Acquisition), consisting of 67 wells in the Basal Doig/Upper Montney interval, 9 wells in the Montney D4 interval, 4 wells in the Montney D2 interval, 214 wells in the Montney D1 interval and 1 well in the Montney C interval.

The Montney D2 interval was a major focus for Birchcliff in 2016. The Gordondale Assets had one well drilled in this interval in 2014. Birchcliff has significantly increased its confidence in the ultimate commerciality of the D2 interval based upon the previous technical work that was done on the Gordondale Assets by the prior owner, publicly available information resulting from industry activity on the Montney D2 interval, Birchcliff's own technical expertise developed in its Pouce Coupe Montney operations and its recent completion results in the Gordondale area. Please see *"Recent Well Results – Pouce Coupe and Gordondale".*

Pouce Coupe Area

Birchcliff was active in the Pouce Coupe area during 2016, drilling a total of 14 (14.0 net) Montney/Doig horizontal natural gas wells (2 Basal Doig/Upper Montney, 10 Montney D1 and 2 Montney D4 wells), all of which were successful. Of these wells, 2 were brought on production in February 2017.

A large portion of the 2017 Capital Program is directed towards Birchcliff's Pouce Coupe area, including the drilling of 32 (32.0 net) wells and a continued investment in the expansion of the PC Gas Plant (see *"2017 Capital Program"*). Birchcliff currently has three drilling rigs operating in the Pouce Coupe area (see *"Drilling Update"*).

Gordondale Area

On July 28, 2016, Birchcliff completed the Gordondale Acquisition. The Gordondale Assets include high working interest operated production and a large contiguous land base adjacent to Birchcliff's existing properties in the Pouce Coupe area. Subsequent to the completion of the Gordondale Acquisition, Birchcliff established a new technical team to manage the Gordondale Assets, which devoted significant time analyzing how to best optimize the assets and identifying cost savings initiatives. In addition, Birchcliff commenced its drilling program in the Gordondale area and drilled a total of 6 (6.0 net) Montney horizontal oil and natural gas wells in the area (3 Montney D2 horizontal oil wells and 3 Montney D1 horizontal liquids-rich natural gas wells) in the fourth quarter of 2016. All six of these wells were recently completed and tested inline. Birchcliff also drilled 1 (1.0 net) water disposal well in the Gordondale area in 2016 to reduce water transportation and disposal costs.

Birchcliff expects to be active in the Gordondale area during 2017 and the 2017 Capital Program contemplates the drilling of 14 (14.0 net) wells in the Gordondale area (7 Montney D1 wells and 7 Montney D2 wells) (see *"2017 Capital Program"*). Birchcliff currently has two drilling rigs operating in the Gordondale area (see *"Drilling Update"*).

Elmworth Area

In the fourth quarter of 2014, Birchcliff drilled its first successful Montney/Doig horizontal exploration well in the Montney D4 interval in the Elmworth area. Birchcliff subsequently drilled its second successful horizontal exploration well in the Elmworth area in the Montney D4 interval in the first quarter of 2015, which was brought on production in June 2015.

As part of Birchcliff's future growth plans for its Montney/Doig Resource Play, Birchcliff is continuing to prove up the play in the Elmworth area and intends to construct and operate a 100% owned and operated natural gas plant in the Elmworth area (the "**Elmworth Gas Plant**"). It is anticipated that the Elmworth Gas Plant will be on-stream in the fall of 2021 and have a processing capacity of 40 MMcf/d. Birchcliff has commenced the preliminary planning for this plant and a critical requirement is a nearby acid gas disposal well which Birchcliff drilled in the first quarter of 2015. In the second and third quarters of 2015, Birchcliff conducted successful injectivity tests on the well. Birchcliff received regulatory approval for this acid gas well in August 2016.

Recent Well Results – Pouce Coupe and Gordondale

Shortly after the completion of the Gordondale Acquisition, Birchcliff announced an expansion to its 2016 capital expenditure program, which included the drilling of eight 100% wells, six at Gordondale (3 Montney D2 horizontal oil wells and 3 Montney D1 horizontal liquids-rich natural gas wells) and two Pouce Coupe Montney D1 horizontal liquids-rich natural gas wells. These eight wells were drilled and cased in the fourth quarter of 2016 and were recently completed and tested inline. Birchcliff is pleased to announce that all eight of these wells are meeting its expectations. These results support Birchcliff's optimistic view of the Gordondale Assets that it acquired in July 2016 and more importantly, these results increase Birchcliff's confidence in the future drilling opportunities, production additions and low-cost repeatability of its Montney/Doig Resource Play in the Peace River Arch of Alberta.

Birchcliff is very excited about the results of these new wells which were completed utilizing its latest engineered completion designs. All eight wells are meeting Birchcliff's forecast type curves and are expected to achieve the production volumes it had budgeted. These results support the new drilling and completion techniques that Birchcliff has been evolving as it continues to see significant performance improvements.

Testing details for the wells are set forth below. The type of test conducted for each of the wells was a production test. The geological formation tested was the Montney formation and the specific intervals tested were the Montney D1 and the Montney D2 as set forth below. These test results should be considered preliminary at this stage because no pressure transient analysis or well-test interpretation was carried out on any of the wells. The duration of the production tests conducted ranged from 4 to 18 days. The test results set forth below for each well disclose the average rate of production over the last two days of the test. The average rates of flow during each entire test period have not been provided because that data is not representative of the flow capability of the wells since early flow rates are adversely affected by the frac sand and fluid injected in the stimulation process. The recovered fluid types in each case were natural gas, light and medium crude oil and condensate. The natural gas volumes recovered from the tests represent raw gas volumes as opposed to sales gas volumes and include NGLs which were not recovered separately. "Load water" (i.e. water used in well completion stimulation) is still being produced and the test rates disclosed below may include recovered load water fluids.

Birchcliff typically installs chokes in its new wells to constrain flow rates and production from these wells on a choked basis is expected to be less than the tested flow rates. These wells are expected to see high decline rates over the first two years of production and then transition to a terminal decline rate after approximately 4 years.

Test results are not necessarily indicative of the long-term performance or ultimate recovery of the wells. See *"Advisories – Test Results and Initial Production Rates".*

Testing details for the three Gordondale Montney D2 oil wells are as follows:

- **102/03-15-78-11 W6**: Averaged 820 boe/d (628 bbls/d of 44° API oil and 1.1 MMcf/d of natural gas) with 254 bbls/d of load water still being recovered over the last 2 days of a 9 day test, with a flowing tubing pressure of 2.3 MPa and a casing pressure of 8.0 MPa.
- **100/02-15-78-11 W6**: Averaged 878 boe/d (619 bbls/d of 44° API oil and 1.6 MMcf/d of natural gas) with 208 bbls/d of load water still being recovered over the last 2 days of a 12 day test, with a flowing tubing pressure of 2.7 MPa and a casing pressure of 8.6 MPa.
- **102/01-15-78-11 W6**: Averaged 1,157 boe/d (862 bbls/d of 44° API oil and 1.8 MMcf/d of natural gas) with 246 bbls/d of load water still being recovered over the last 2 days of an 11 day test, with a flowing tubing pressure of 3.4 MPa and a casing pressure of 9.6 MPa.

Testing details for the three Gordondale Montney D1 liquids-rich natural gas wells are as follows:

- **100/06-13-79-12 W6**: Averaged 1,495 boe/d (7.5 MMcf/d of natural gas and 249 bbls/d of 54° API condensate) with 424 bbls/d of load water still being recovered over the last 2 days of an 11 day test, with a flowing casing pressure of 12.7 MPa.

- **100/03-13-79-12 W6**: Averaged 1,611 boe/d (7.9 MMcf/d of natural gas and 293 bbls/d of 54° API condensate) with 429 bbls/d of load water still being recovered over the last 2 days of an 8 day test, with a flowing casing pressure of 12.9 MPa.

- **102/04-13-79-12 W6**: Averaged 1,299 boe/d (6.3 MMcf/d of natural gas and 254 bbls/d of 54° API condensate) with 391 bbls/d of load water still being recovered over the last 2 days of a 4 day test, with a flowing casing pressure of 9.5 MPa.

Testing details for the two Pouce Coupe Montney D1 liquids-rich natural gas wells are as follows:

- **100/15-05-79-12 W6**: Averaged 1,297 boe/d (6.0 MMcf/d of natural gas and 291 bbls/d of 54° API condensate) with 231 bbls/d of load water still being recovered over the last 2 days of an 18 day test, with a flowing casing pressure of 9.8 MPa.

- **100/16-05-79-12 W6**: Averaged 2,098 boe/d (10.0 MMcf/d of natural gas and 430 bbls/d of 54° API condensate) with 838 bbls/d of load water still being recovered over the last 2 days of a 9 day test, with a flowing casing pressure of 8.4 MPa.

Birchcliff is very excited about the six Gordondale well results as it is proving up the upside that it believed in at the time of the Gordondale Acquisition. In addition, the two Pouce Coupe wells appear to be among the best that Birchcliff has drilled in Pouce Coupe.

Potential Future Drilling Opportunities on the Montney/Doig Resource Play

As at December 31, 2016, Birchcliff held 441.2 sections of land that have potential for the Montney/Doig Resource Play. Of these lands, 433.9 (406.6 net) sections have potential for the Basal Doig/Upper Montney interval, 395.4 (383.9 net) sections have potential for the Montney D1 interval, 399.9 (388.4 net) sections have potential for the Montney D2 interval and 328.1 (319.3 net) sections have potential for the Montney D4 interval. As at December 31, 2016, Birchcliff's total land holdings on these four intervals were 1,557.3 (1,498.2 net) sections. Assuming full development of four horizontal wells per section per drilling interval, Birchcliff has 5,992.8 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 December 31, 2016. With 295 (289.7 net) horizontal locations drilled at the end of 2016, there remains 5,703.1 potential net future horizontal drilling locations as at December 31, 2016, up from 3,367.3 at year end 2015. This does not include any potential net future horizontal drilling locations for the other two prospective Montney intervals, the Montney C and the Montney D3.

Substantial upside exists with respect to the 5,992.8 net existing horizontal wells and potential net future horizontal drilling locations. The 2016 Consolidated Reserves Report attributed proved reserves to 721.7 net existing wells and potential net future horizontal drilling locations (of which 435.0 net wells are potential future drilling locations) and proved plus probable reserves to 974.4 net existing wells and potential net future horizontal drilling locations (of which 687.7 net wells are potential future drilling locations). The remaining 5,018.4 potential net future horizontal drilling locations have not yet had any proved or probable reserves attributed to them by Birchcliff's independent qualified reserves evaluators. Please see *"2016 Year-End Reserves"* and *"Advisories – Drilling Locations".*

Charlie Lake Light Oil Resource Play

Birchcliff's Charlie Lake Light Oil Resource Play is centred approximately 150 km north of Grande Prairie, Alberta and contains two primary producing regions: Worsley and Progress. As at December 31, 2016, Birchcliff has successfully drilled and cased 61 (61.0 net) horizontal wells on the Charlie Lake Light Oil Resource Play, 59 wells in the Worsley area and 2 wells in the Progress area.

Early in 2016, Birchcliff drilled 1 (1.0 net) Charlie Lake horizontal light oil well in the Worsley area that continued 18 sections of land and delineated the pool to the northeast. Additional activities during 2016 included the conversion of two wells in the waterflood area to injectors to further enhance the waterflood scheme.

Drilling Update

Birchcliff has drilled 8 (8.0 net) wells year-to-date, consisting of 5 (5.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area and 3 (3.0 net) Montney/Doig horizontal natural gas wells in the Gordondale area. All wells were drilled on multi-well pads and none have been completed yet. Birchcliff currently has five drilling rigs at work, two in the Gordondale area and three in the Pouce Coupe area. In addition to these drilling rigs, Birchcliff has multiple completion rigs and pipeline crews working on various projects.

Birchcliff actively employs the evolving technology utilized by the industry regarding horizontal well drilling and the related MSF technology. Birchcliff is currently utilizing multi-well pad drilling which allows it to reduce its per well costs, as well as its environmental footprint. Industry is continuing to learn about MSF technology and its application to resource plays. The industry trend continues to be toward longer wells, more stages, larger fracs and less inter-well distances, both laterally and vertically.

Birchcliff has invested significant capital and time in researching and studying the reservoirs it is drilling. This leading edge science includes core derived analytical work, sophisticated petrophysical algorithms, geophysical attribute analysis and reservoir engineering. One of the technologies Birchcliff believes strongly in is the application of three dimensional seismic (3-D) data. In 2016, Birchcliff acquired 512 km^2 of 3-D data and now has a total of 2,610 km^2 of 3-D data. All wells drilled in 2017 will be covered with 3-D data. Birchcliff then integrates these learnings into its operations to design the best drilling technique and engineered completion it can. This is a multi-discipline process that involves a lot of time, effort and money. The investment is paying off as Birchcliff continues to improve on its results by driving down costs and improving performance.

OUTLOOK

"Our 2016 results showcase Birchcliff as one of the industry leading low-cost producers and finders of natural gas, oil and liquids in the Peace River Arch of Alberta. We are focused on achieving production in excess of 100,000 boe/d by the end of 2018, an estimated 61% production growth from our current production of 62,000 boe/d. We believe that we have the people, the assets, the forecast funds flow and the balance sheet to execute on our forecasted growth plan.

I am very pleased that our test rates and early production rates from our new Gordondale oil and liquids-rich natural gas wells drilled in the fourth quarter of 2016 are meeting or exceeding our expectations, confirming our confidence in the Gordondale Acquisition that was completed in July 2016. In addition, the two recent Montney horizontal natural gas wells drilled in Pouce Coupe appear to be among the best that Birchcliff has drilled in Pouce Coupe.

We have hedged approximately 50% of our 2017 natural gas production at an estimated average wellhead price of $3.46/Mcf. We expect that we can fully fund our $355 million 2017 capital program out of funds flow and grow Birchcliff's average annual production in 2017 by an estimated 42% to 50%, with fourth quarter average production estimated to be greater than 80,000 boe/d.

We are focused on executing the drilling program ahead of us and the completion of the Phase V and VI expansions of our gas plant in Pouce Coupe, all with the goal of producing in excess of 100,000 boe/d by the end of 2018.

Our board of directors has approved a quarterly dividend policy in respect of our common shares, as previously announced on November 9, 2016. Subject to the approval of the board, we currently anticipate that the first dividend payable under this policy will be in respect of the quarter ending March 31, 2017 and will be in the amount of $0.025/common share.

We remain focused on our strategy, growth by the drill bit, in our core area of the Peace River Arch of Alberta. We continue to use the same services, in the same area, directed by the same experienced Birchcliff personnel, which provides consistency, repeatability and reliability in our operations.

We thank Mr. Seymour Schulich, our largest shareholder, for his advice, unwavering commitment and his ongoing financial support. Mr. Schulich holds 35 million common shares representing 13% of the current issued and outstanding common shares.

Notwithstanding all of the issues surrounding the oil and gas industry, we believe that Birchcliff will continue to be one of the lowest cost producers in the industry, with a very strong balance sheet, a focused asset base and an extremely focused capital expenditure program, ultimately resulting in the creation of significant value for our shareholders."

On behalf of the Board of Directors

(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
° API	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
bbl	barrel
bbls	barrels
bbls/d	barrels per day
Bcf	billion cubic feet
Bcfe	billion cubic feet of gas equivalent
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
F&D	finding and development
FD&A	finding, development and acquisition
FDC	future development costs
GAAP	generally accepted accounting principles
GJ	gigajoule
GJ/d	gigajoules per day
IFRS	International Financial Reporting Standards
km	kilometre
km^2	square kilometres
m^3	cubic metres
Mbbl	thousand barrels
Mboe	thousand barrels of oil equivalent
Mcf	thousand cubic feet
Mcfe	thousand cubic feet of gas equivalent
Mcf/d	thousand cubic feet per day
MJ	megajoule
MM	millions
MM$	millions of dollars
MMboe	million barrels of oil equivalent
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MPa	megapascal
NGLs	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 assist 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 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 December 31,		Twelve months ended December 31,	
($000s)	**2016**	**2015**	**2016**	**2015**
Cash flow from operating activities	90,574	44,786	140,514	148,797
Adjustments:				
Decommissioning expenditures	480	247	1,343	893
Change in non-cash working capital	(19,248)	(11,336)	5,586	11,066
Funds flow from operations	**71,806**	**33,697**	**147,443**	**160,756**

"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 PC Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly attributable to the PC 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 boe basis, unless otherwise indicated. Management believes that netback, operating netback, estimated operating netback and funds flow netback assist 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. The following table provides a breakdown of operating netback and funds flow netback:

Twelve Months Ended	**December 31, 2016**		**December 31, 2015**	
	$000s	*$/boe*	*$000s*	*$/boe*
Petroleum and natural as revenue	337,586	18.73	317,304	22.32
Royalty expense	(20,911)	(1.16)	(11,548)	(0.81)
Operating expense	(75,251)	(4.18)	(64,511)	(4.54)
Transportation and marketing expense	(42,989)	(2.38)	(34,804)	(2.45)
Netback	**198,435**	**11.01**	**206,441**	**14.52**
General & administrative expense, net	(21,489)	(1.19)	(22,824)	(1.61)
Interest expense	(30,305)	(1.68)	(22,861)	(1.60)
Realized gain on financial instruments	802	0.04	-	-
Funds flow netback	**147,443**	**8.18**	**160,756**	**11.31**

"Operating margin" for the PC 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 PC 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)*	**December 31, 2016**	**December 31, 2015**
Working capital deficit	36,928	21,538
Adjusted working capital deficit	(9,433)	-
Adjusted working capital deficit	**27,495**	**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)*	**December 31, 2016**	**December 31, 2015**
Revolving term credit facilities	572,517	622,074
Adjusted working capital deficit	27,495	21,538
Total debt	**600,012**	**643,612**

PRESENTATION OF OIL AND GAS RESERVES

Deloitte prepared the 2016 Consolidated Reserves Report, the 2016 Deloitte Reserves Report and the 2015 Deloitte Reserves Report. McDaniel prepared the 2016 McDaniel Reserves Report. In addition, Deloitte prepared a reserves evaluation in respect of Birchcliff's oil and natural gas properties effective December 31, 2014. Such evaluations were prepared in accordance with the standards contained in NI 51-101 and the COGE Handbook that were in effect at the relevant time. Reserves estimates stated herein are extracted from the relevant evaluation.

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and the future cash flows attributed to such reserves, including many factors beyond the control of Birchcliff. The reserves and associated cash flow information set forth in this press release are estimates only. In general, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, initial production rates, production decline rates, ultimate reserve recovery, the timing and amount of capital expenditures, the success of future development activities, future commodity prices, marketability of oil, natural gas and NGL, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineer at different times, may vary substantially. Birchcliff's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

With respect to the disclosure of reserves contained herein relating to portions of Birchcliff's 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. Estimates of future net revenue, whether calculated without discount or using a discount rate, do not represent fair market value. In this press release, all references to "reserves" are to Birchcliff's gross company reserves unless otherwise stated.

The information set forth in this press release relating to the reserves and future net revenues of Birchcliff constitutes forward-looking information which is subject to certain risks and uncertainties. See *"Advisories – Forward-Looking Information"*.

Definitions

Certain terms used herein but not defined are defined in 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 COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 and the COGE Handbook, as the case may be.

Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates:

- "**Proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- "**Probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Interest in Reserves, Production, Wells and Properties

"**Gross**" means:

(a) in relation to Birchcliff's interest in production or reserves, its "company gross reserves", which are Birchcliff's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Birchcliff;

(b) in relation to wells, the total number of wells in which Birchcliff has an interest; and

(c) in relation to properties, the total area of properties in which Birchcliff has an interest.

"**Net**" means:

(a) in relation to Birchcliff's interest in production or reserves, Birchcliff's working interest (operating or non-operating) share after deduction of royalty obligations, plus Birchcliff's royalty interests in production or reserves;

(b) in relation to Birchcliff's interest in wells, the number of wells obtained by aggregating Birchcliff's working interest in each of its gross wells; and

(c) in relation to Birchcliff's interest in a property, the total area in which Birchcliff has an interest multiplied by the working interest owned by Birchcliff.

ADVISORIES

Unaudited Information

All financial and operating information contained in this press release for the fourth quarter and year ended December 31, 2016, such as FD&A costs, F&D costs, recycle ratio, funds flow, capital expenditures, operating costs, total cash costs, total debt and production information, is based on unaudited estimated results. These estimated results are subject to change upon completion of the audited financial statements for the year ended December 31, 2016, and changes could be material. Birchcliff anticipates filing its audited financial statements and related management's discussion and analysis for the year ended December 31, 2016 on SEDAR on March 15, 2017.

Currency

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

Boe, Mcfe and Bcfe Conversions

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

Conversion from GJ to Mcf – Wellhead Price

Birchcliff receives premium pricing for its natural gas production due to its high heat content from its properties. With respect to Birchcliff's natural gas hedging contracts in 2017, the prices have been presented in both AECO CDN $/GJ and $/Mcf, with the latter representing the average expected natural gas wellhead price under contract. The conversion from GJ to Mcf is based on an expected corporate average natural gas heat content value of 40.69 MJ/m^3 in 2017.

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including netbacks, reserves life index, recycle ratio, reserves replacement, F&D costs and FD&A costs. These oil and gas metrics do not have do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used 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 Birchcliff's future performance and future performance may not compare to Birchcliff's performance in previous periods and therefore such metrics should not be unduly relied upon.

- Reserves life index is calculated by dividing reserves estimated by Birchcliff's independent qualified reserves evaluators at December 31, 2016 by 72,000 boe/d, which production rate represents the mid-point of Birchcliff's annual average production guidance range for 2017. Reserves life index may be used as a measure of a company's sustainability.

- Recycle ratios are calculated by dividing the average operating netback per boe or funds flow netback per boe, as the case may be, by F&D costs and FD&A costs, as the case may be. Recycle ratios may be used as a measure of a company's profitability.

- Reserves replacement is calculated by dividing proved developed producing reserves, proved reserves or proved plus probable reserves additions, as the case may be, before production by total production in the applicable period. Reserves replacement may be used as a measure of a company's sustainability and its ability to replace its proved developed producing reserves, proved reserves or proved plus probable reserves, as the case may be.

- With respect to F&D and FD&A costs disclosed in this press release:

    - F&D costs both including and excluding FDC have been presented herein. F&D costs for each reserves category in a particular period are calculated by taking the sum of: (i) exploration and development costs incurred in the period; and (ii) where FDC has been included, the change during the period in FDC for the reserves category; divided by the additions to the reserves category before production during the period. F&D costs exclude the effects of acquisition and dispositions. FD&A costs are calculated in the same manner as F&D costs but include the effect of acquisitions and dispositions.

    - In calculating the amounts of F&D and FD&A costs for a year, the changes during the year in estimated reserves and estimated FDC are based upon the evaluations of Birchcliff's reserves prepared by its independent qualified reserves evaluators, effective December 31 of such year.

    - The aggregate of the exploration and development costs incurred in the most recent financial year and any change during that year in estimated FDC generally will not reflect total F&D costs related to reserves additions for that year.

    - F&D and FD&A costs may be used as a measure of a company's efficiency with respect to finding and developing its reserves.

- For information regarding netbacks, please see *"Non-GAAP Measures"*.

Drilling Locations

This press release discloses net existing horizontal wells and potential net future drilling locations in four categories: (i) proved locations; (ii) proved plus probable locations; (iii) unbooked locations; and (iv) an aggregate total of (ii) and (iii). Of the 5,992.8 net existing horizontal wells and potential net future horizontal drilling locations identified herein, 721.7 are proved locations, 974.4 are proved plus probable locations and 5,018.4 are unbooked locations.

Proved locations and probable locations are proposed drilling locations identified in the 2016 Consolidated Reserves Report that have proved and/or probable reserves, as applicable, attributed to them in the 2016 Consolidated Reserves 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 2016 Consolidated Reserves Report.

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 that Birchcliff has identified will ever be drilled or if Birchcliff will be able to produce oil, NGLs or natural gas from these or any other potential drilling locations. As such, Birchcliff's actual drilling activities may differ materially 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.

Test Results and Initial Production Rates

References in this press release to production test rates, initial test production rates and other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or of the ultimate recovery of such wells. Additionally, such rates may also include recovered "load oil" or "load water" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Birchcliff. A pressure transient analysis or well-test interpretation has not been carried out in respect of any of the wells. Accordingly, Birchcliff cautions that the test results should be considered to be preliminary.

Operating Costs

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

Capital Expenditures

"Total capital expenditures" denotes F&D costs (which includes land, seismic, workovers, drilling and completions and well equipment and facilities) plus administrative expenses.

Unless otherwise stated, "net capital expenditures" denotes F&D costs plus administrative expenses plus acquisition costs, less any dispositions.

The 2017 Capital Program has been presented on a net basis, meaning net of acquisitions and dispositions. Certain dispositions that have been completed as at the date of this press release have been accounted for as disclosed under the heading *"2017 Capital Program"*. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any further acquisitions and dispositions completed during 2017 could have an impact on Birchcliff's capital expenditures, production and funds flow for 2017, which impact could be material.

Payment of Dividends

The declaration of dividends in any quarter and the amount of such dividends, if any, is subject to the discretion of Birchcliff's board of directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, the financial condition of Birchcliff, production levels, results of operations, capital expenditure requirements, working capital requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, contractual restrictions, Birchcliff's hedging activities or programs, available investment opportunities, any credit ratings applicable to Birchcliff or its securities, Birchcliff's business plan, strategies and objectives, the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends and other factors that Birchcliff's board of directors may deem relevant. The payment of cash dividends to common shareholders in the future is not assured or guaranteed and dividends may be reduced or suspended. Birchcliff's dividend policy will be periodically reviewed by its board of directors and no assurance or guarantee can be given that Birchcliff will maintain the dividend policy in its current form. For further information regarding the risks and uncertainties regarding the payment of dividends, please see Birchcliff's press release dated November 9, 2016.

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", "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 in the current circumstances 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, including its goal of producing in excess of 100,000 boe/d by the end of 2018; Birchcliff's belief that it has the people, the assets, the forecast funds flow and the balance sheet to execute on its growth plan; the 2017 Capital Program, including estimated net capital expenditures, planned capital expenditures and capital allocation, Birchcliff's plan to drill a total of 46 (46.0 net) wells, Birchcliff's expectation that it will fund the 2017 Capital Program using internally generated funds flow, Birchcliff's expectation that the 2017 Capital Program will be less than expected funds flow for 2017, and the focus of, the objectives of and the anticipated results from the 2017 Capital Program; Birchcliff's production guidance, including its estimates of its annual average production, production growth, exit production, fourth quarter average production and commodity mix in 2017; estimates of reserves and the net present values of future net revenue associated with Birchcliff's reserves; price forecasts; FDC; reserves life index; decline rates; the performance characteristics of Birchcliff's oil and natural gas properties and expected results from its assets; estimates of future drilling locations and opportunities; Birchcliff's proposed exploration and development activities and the timing thereof, including wells to be drilled and brought on production; proposed expansions of the PC Gas Plant, including the anticipated processing capacities of the PC Gas Plant after such expansions and the anticipated timing and costs of such expansions; Birchcliff's hedging strategy and the use of risk-management techniques; Birchcliff's future growth plans for the Elmworth area, including Birchcliff's intention to construct and operate the Elmworth Gas Plant and the anticipated processing capacity and timing of such plant; Birchcliff's dividend policy and the payment of dividends, including the amount of and timing of the payment of future dividends and statements regarding the sustainability of dividends; Birchcliff's expectation that a connection to the Alliance system will permit it to access a more diverse portfolio of gas markets and prices beyond AECO; Birchcliff's belief that it will continue to be one of the lowest cost producers in the industry; and Birchcliff's expectation that it will release its audited results for the year ended December 31, 2016 on March 15, 2017. 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 profitably be 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 continue to develop the Gordondale 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; 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; the sources of funding for Birchcliff's capital expenditure 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 future operations; future 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; Birchcliff's ability to market oil and gas; and the availability of hedges on terms acceptable to Birchcliff.

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

- With respect to statements regarding the 2017 Capital Program, such program is based on the following commodity price and exchange rate assumptions during 2017: an annual average WTI price of US$55.00 per barrel of oil; an AECO price of CDN$3.00 per GJ of natural gas; and an exchange rate of CDN$/US$ of 1.29.
    - With respect to statements that the 2017 Capital Program is expected to be fully funded out of internally generated funds flow and that the 2017 Capital Program will be less than expected funds flow for 2017, such statements assume that: the 2017 Capital Program will be carried out as currently contemplated; the production targets and commodity price assumptions set forth herein are achieved; and Birchcliff's forecast commodity mix is achieved.

- With respect to the estimate of net capital expenditures during 2017, such estimate assumes that: the 2017 Capital Program will be carried out as currently contemplated; and the cost of labour, services and materials stays relatively consistent with current levels. See also *"Advisories – Capital Expenditures".*

Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials. Birchcliff will monitor economic conditions and commodity prices and, where deemed prudent, will adjust the 2017 Capital Program to respond to changes in commodity prices and other material changes in the assumptions underlying the 2017 Capital Program.

- With respect to Birchcliff's 2017 production guidance, the key assumptions are that: the 2017 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 Birchcliff's goal of achieving production in excess of 100,000 boe/d by the end of 2018, such statements are based on the same commodity price and exchange rate assumptions as set forth above for the 2017 Capital Program and are subject to similar assumptions as Birchcliff's other production guidance as set forth herein. In addition, such statements are based on the assumptions that Birchcliff's capital expenditure programs for 2017 and 2018 will be carried out as currently contemplated and that the construction and commissioning of future facilities of Birchcliff, including the processing capacity and timing thereof, occur in the manner currently contemplated.

- With respect to estimates of reserves volumes and the net present values of future net revenue associated with Birchcliff's reserves, the key assumption is the validity of the data used by Deloitte and McDaniel in their independent reserves evaluations.

- With respect to statements of future wells to be drilled and brought on production and estimates of potential future drilling locations and opportunities, 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 proposed expansions of the PC Gas Plant, including the anticipated processing capacities of the PC Gas Plant after such expansions and the anticipated timing of such expansions, 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.

- With respect to statements regarding Birchcliff's intention to construct and operate the Elmworth Gas Plant, including the anticipated processing capacity of such plant and the anticipated timing thereof, the key assumptions are that: future drilling in the Elmworth area is successful; the acid gas disposal well drilled by Birchcliff is capable of handling the volumes of acid gas to be produced at the plant and complies with all regulatory requirements; there is sufficient labour, services and equipment available; Birchcliff will have access to sufficient capital to fund the Elmworth Gas Plant; and commodity prices and general economic conditions warrant proceeding with the construction of the Elmworth Gas Plant 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 failure to realize the anticipated benefits of acquisitions and dispositions, including the Gordondale Acquisition; unforeseen difficulties in integrating acquired assets into Birchcliff's operations; 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; uncertainty that development activities in connection with its assets will be economical; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; uncertainties associated with credit facilities; counterparty credit risk; risks associated with Birchcliff's hedging program and the risk that hedges on terms acceptable to Birchcliff may not be available; and risks associated with the declaration and payment of dividends, including the discretion of Birchcliff's board of directors to declare dividends.

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 and 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 those 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 the foregoing cautionary statements. 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 natural 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 1000, 600 – 3rd Avenue S.W.
Calgary, AB T2P 0G5
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*

Jim Surbey, *Vice-President, Corporate Development*