BIRCHCLIFF
ENERGY

17-12 August 10, 2017

BIRCHCLIFF ANNOUNCES SECOND QUARTER 2017 RESULTS AND UPDATED GUIDANCE

Calgary, Alberta – Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to announce its second quarter 2017 results, with record quarterly funds flow from operations of $88.6 million and record quarterly average production of 64,636 boe/d. Funds flow from operations is up 568% and quarterly average production is up 64% from the second quarter of 2016. The full text of Birchcliff's Second Quarter Report containing the unaudited interim condensed financial statements for the three and six month periods ended June 30, 2017 and the related management's discussion and analysis will be available on Birchcliff's website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

"Birchcliff had a very strong second quarter in 2017, notwithstanding transportation issues on the NGTL system, wet weather and access to third party services. Our per unit operating costs were significantly lower compared to the first quarter of 2017. Our 80 MMcf/d Phase V expansion of our Pouce Coupe natural gas processing plant is on time and under budget which will result in strong fourth quarter average production," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. "We have recently completed and entered into a series of asset sales for total expected proceeds to Birchcliff of approximately $142 million. As a result of these asset sales, we can now focus on our properties in Pouce Coupe and Gordondale, whose profitable growth is the driver of our returns to shareholders. The proceeds from these asset sales will allow us to reduce our indebtedness, which will improve our balance sheet and increase our financial flexibility. We expect that as a result of these asset sales, our operating, transportation and marketing and interest costs will all decrease on a per unit basis."

Second Quarter 2017 Highlights

Highlights of the second quarter include the following:

- Record quarterly average production of 64,636 boe/d, a 64% increase from 39,513 boe/d in the second quarter of 2016. Production consisted of approximately 77% natural gas and 23% light oil and NGLs as compared to 90% natural gas and 10% light oil and NGLs in the second quarter of 2016.
- Record quarterly funds flow from operations of $88.6 million ($0.33 per basic common share), a 568% increase from $13.3 million ($0.09 per basic common share) in the second quarter of 2016.
- Birchcliff saw a return to net income in the second quarter of 2017, with net income to common shareholders of $17.0 million ($0.06 per basic common share), as compared to the net loss to common shareholders of $24.3 million ($0.16 per basic common share) in the second quarter of 2016.
- Operating costs of $4.67/boe, an 11% decrease from $5.22/boe in the first quarter of 2017 and a 35% increase from $3.45/boe in the second quarter of 2016. Operating costs increased from the second quarter of 2016 primarily as a result of the liquids-rich assets that Birchcliff acquired in Gordondale on July 28, 2016, which have higher realized sales prices but also have a higher cost structure.
- General and administrative expense of $1.07/boe, a 14% decrease from $1.24/boe in the second quarter of 2016.
- Interest expense of $1.16/boe, a 47% decrease from $2.18/boe in the second quarter of 2016.
- Net capital expenditures of $120.8 million for the three months ended June 30, 2017 and $245.3 million for the six months ended June 30, 2017. The majority of capital under Birchcliff's planned 2017 capital expenditure program will be spent during the first half of 2017 due to the timing of the completion of the Phase V expansion of Birchcliff's 100% owned and operated natural gas processing plant located in Pouce Coupe (the "**Pouce Coupe Gas Plant**") and the drilling, completion, equipping and tie-in of the wells necessary to fill the expanded plant.

- At June 30, 2017, Birchcliff's long-term bank debt was $628.4 million and its total debt was $700.5 million, which does not take into account expected proceeds in the amount of $132 million ($122 million in cash; $10 million in securities) from asset sales which were announced subsequent to the end of the quarter.
- The maturity dates of Birchcliff's credit facilities were extended to May 11, 2020 from May 11, 2018 and the borrowing base was confirmed at $950 million. In addition, Birchcliff's lenders consented to the borrowing base remaining at $950 million after giving effect to the asset sales.
- Birchcliff drilled a total of 22 (22.0 net) wells in the second quarter of 2017, consisting of 16 (16.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe and 6 (6.0 net) Montney horizontal oil and natural gas wells in Gordondale.
- During the second quarter of 2017, Birchcliff completed the disposition of certain non-core assets for total proceeds of approximately $10 million (prior to closing adjustments).

For further information regarding Birchcliff's financial and operational results for the second quarter of 2017, please see the President's Message from the Second Quarter Report, the full text of which is attached hereto.

Expansion to 2017 Capital Expenditure Budget

- Birchcliff's Board of Directors has approved an increased 2017 capital expenditure budget to approximately $404 million, from the $355 million that was previously announced on February 8, 2017.
- Net capital expenditures in 2017 are expected to be approximately $262 million.
- A significant portion of the expanded budget relates to bringing 2018 capital forward in order to ensure the efficient execution of Birchcliff's 2018 capital program.
- Birchcliff's increased capital expenditure program contemplates infrastructure capital for the Phase VI expansion of the Pouce Coupe Gas Plant and capital for the drilling of an additional 8 wells, 2 of which are expected to be brought on production in October 2017 and 4 of which are expected to be brought on production in late December 2017.

Updated 2017 Production Guidance

- Birchcliff has updated its 2017 production guidance to take into account the asset sales recently announced (which represent forecast 2017 production of 3,600 boe/d) and its increased capital expenditure program.
- Birchcliff's 2017 annual average production is expected to be 67,000 to 68,000 boe/d (revised from 70,000 to 74,000 boe/d) and its fourth quarter average production is expected to be 79,000 to 80,000 boe/d (revised from 80,000 to 82,000 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 from operations", "funds flow per common share", "operating netback", "estimated operating netback", "funds flow netback", "operating margin", "total cash costs", "adjusted working capital deficit" and "total debt", which do not have standardized meanings prescribed by GAAP. For further information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measure, please see "Non-GAAP Measures".

SECOND QUARTER 2017 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
OPERATING				
Average daily production				
Light oil – *(bbls)*	7,121	2,504	6,212	2,868
Natural gas – *(Mcf)*	297,016	213,130	294,407	217,804
NGLs – *(bbls)*	8,013	1,488	7,877	1,567
Total – boe	**64,636**	**39,513**	**63,157**	**40,736**
Average sales price *($ CDN)* (1)				
Light oil – *(per bbl)*	60.38	51.20	61.32	43.16
Natural gas – *(per Mcf)*	3.13	1.48	3.10	1.74
NGLs – *(per bbl)*	31.10	50.77	31.58	46.19
Total – boe	**24.90**	**13.13**	**24.42**	**14.12**
NETBACK AND COST *($/boe)*				
Petroleum and natural gas revenue(1)	24.92	13.14	24.43	14.13
Royalty expense	(0.80)	(0.25)	(1.37)	(0.46)
Operating expense	(4.67)	(3.45)	(4.93)	(3.58)
Transportation and marketing expense	(2.57)	(2.35)	(2.57)	(2.30)
Operating netback	**16.88**	**7.09**	**15.56**	**7.79**
General & administrative expense, net	(1.07)	(1.24)	(1.06)	(1.28)
Interest expense	(1.16)	(2.18)	(1.26)	(1.94)
Realized gain on financial instruments	0.42	0.02	0.43	0.01
Funds flow netback	**15.07**	**3.69**	**13.67**	**4.58**
Stock-based compensation expense, net	(0.17)	(0.15)	(0.15)	(0.16)
Depletion and depreciation expense	(7.41)	(8.75)	(7.50)	(8.85)
Accretion expense	(0.14)	(0.16)	(0.15)	(0.15)
Amortization of deferred financing fees	(0.06)	(0.06)	(0.06)	(0.06)
Loss on sale of assets	(3.58)	(3.03)	(1.62)	(1.47)
Unrealized gain on financial instruments	0.80	0.03	1.86	0.02
Dividends on Series C preferred shares	(0.15)	(0.24)	(0.15)	(0.24)
Income tax recovery (expense)	(1.30)	2.18	(1.71)	1.56
Net income (loss)	**3.06**	**(6.49)**	**4.19**	**(4.77)**
Dividends on Series A preferred shares	(0.17)	(0.27)	(0.17)	(0.27)
Net income (loss) to common shareholders	**2.89**	**(6.76)**	**4.02**	**(5.04)**
FINANCIAL				
Petroleum and natural gas revenue *($000s)* (1)	146,597	47,261	279,305	104,764
Funds flow from operations *($000s)*	88,612	13,267	156,242	33,962
Per common share – basic *($)*	0.33	0.09	0.59	0.22
Per common share – diluted *($)*	0.33	0.09	0.58	0.22
Net income (loss) *($000s)*	18,015	(23,321)	47,943	(35,356)
Net income (loss) to common shareholders *($000s)*	17,015	(24,321)	45,943	(37,356)
Per common share – basic *($)*	0.06	(0.16)	0.17	(0.25)
Per common share – diluted *($)*	0.06	(0.16)	0.17	(0.25)
Common shares outstanding *(000s)*				
End of period – basic	265,417	152,308	265,417	152,308
End of period – diluted	284,461	169,089	284,461	169,089
Weighted average common shares for period – basic	265,326	152,308	264,716	152,308
Weighted average common shares for period – diluted	268,203	154,279	268,065	153,869
Dividends on common shares *($000s)*	6,635	-	13,239	-
Dividends on Series A preferred shares *($000s)*	1,000	1,000	2,000	2,000
Dividends on Series C preferred shares *($000s)*	875	875	1,750	1,750
Capital expenditures, net *($000s)*	120,782	4,722	245,320	68,582
Revolving term credit facilities *($000s)*	628,401	709,510	628,401	709,510
Adjusted working capital deficit *($000s)*	72,083	6,141	72,083	6,141
Total debt *($000s)*	700,484	715,651	700,484	715,651

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

PRESIDENT'S MESSAGE FROM THE SECOND QUARTER 2017 REPORT

August 10, 2017

Fellow Shareholders,

We are pleased to report the second quarter financial and operational results for Birchcliff Energy Ltd. ("**Birchcliff**") for the three and six month periods ended June 30, 2017.

Highlights for the Second Quarter 2017

We had a successful second quarter in 2017, with record quarterly average production of 64,636 boe/d and record quarterly funds flow from operations of $88.6 million. In addition, we saw a return to net income as compared to the net loss recorded in the second quarter of 2016, primarily as a result of greater production and improved commodity prices. Highlights of the second quarter include the following:

- We had record quarterly average production of 64,636 boe/d, a 64% increase from 39,513 boe/d in the second quarter of 2016. Production consisted of approximately 77% natural gas and 23% light oil and NGLs as compared to 90% natural gas and 10% light oil and NGLs in the second quarter of 2016.
- We had record quarterly funds flow from operations of $88.6 million ($0.33 per basic common share), a 568% increase from $13.3 million ($0.09 per basic common share) in the second quarter of 2016.
- We had net income to common shareholders of $17.0 million ($0.06 per basic common share), as compared to the net loss to common shareholders of $24.3 million ($0.16 per basic common share) in the second quarter of 2016.
- Our operating costs were $4.67/boe, an 11% decrease from $5.22/boe in the first quarter of 2017 and a 35% increase from $3.45/boe in the second quarter of 2016. Operating costs increased from the second quarter of 2016 primarily as a result of the liquids-rich assets that we acquired in Gordondale on July 28, 2016, which have higher realized sales prices but also have a higher cost structure.
- Our general and administrative expense was $1.07/boe, a 14% decrease from $1.24/boe in the second quarter of 2016.
- Our interest expense was $1.16/boe, a 47% decrease from $2.18/boe in the second quarter of 2016.
- We had net capital expenditures of $120.8 million for the three months ended June 30, 2017 and $245.3 million for the six months ended June 30, 2017. The majority of capital under our planned 2017 capital expenditure program will be spent during the first half of 2017 due to the timing of the completion of the Phase V expansion of our 100% owned and operated natural gas processing plant located in Pouce Coupe (the **"Pouce Coupe Gas Plant**") and the drilling, completion, equipping and tie-in of the wells necessary to fill the expanded plant.
- At June 30, 2017, our long-term bank debt was $628.4 million and our total debt was $700.5 million, which does not take into account expected proceeds in the amount of $132 million ($122 million in cash; $10 million in securities) from asset sales which were announced subsequent to the end of the quarter.
- The maturity dates of our credit facilities were extended to May 11, 2020 from May 11, 2018 and the borrowing base was confirmed at $950 million. In addition, our lenders consented to the borrowing base remaining at $950 million after giving effect to certain asset sales.
- We drilled a total of 22 (22.0 net) wells in the second quarter of 2017, consisting of 16 (16.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe and 6 (6.0 net) Montney horizontal oil and natural gas wells in Gordondale.
- During the second quarter of 2017, we completed the disposition of certain non-core assets for total proceeds of approximately $10 million (prior to closing adjustments).

For further information regarding our financial and operational results for the second quarter of 2017, please see *"Second Quarter 2017 Financial and Operational Results"* below.

SECOND QUARTER 2017 FINANCIAL AND OPERATIONAL RESULTS

Production

Production for the second quarter of 2017 averaged 64,636 boe/d, which represents a 64% increase over our quarterly average production of 39,513 boe/d in the second quarter of 2016. The increase in production from the second quarter of 2016 is primarily attributable to the production from our assets in Gordondale which we acquired on July 28, 2016 (the "**Gordondale Acquisition**").

Production consisted of approximately 77% natural gas, 11% light oil and 12% NGLs in the second quarter of 2017 as compared to 90% natural gas, 6% light oil and 4% NGLs in the second quarter of 2016. The increase in oil and NGLs weighting as compared to the second quarter of 2016 is due to the more heavily-weighted oil and NGLs production from our assets in Gordondale.

Funds Flow from Operations and Net Income

Funds flow from operations was $88.6 million ($0.33 per basic common share), a 568% increase from $13.3 million ($0.09 per basic common share) in the second quarter of 2016. This increase from the second quarter of 2016 was largely due to higher average realized sales prices and the production from our assets in Gordondale which we acquired pursuant to the Gordondale Acquisition.

We saw a return to net income in the second quarter of 2017 as compared to the second quarter of 2016. We had net income of $18.0 million as compared to the net loss of $23.3 million in the second quarter of 2016. We recorded net income to common shareholders of $17.0 million ($0.06 per basic common share) in the second quarter of 2017 as compared to the net loss to common shareholders of $24.3 million ($0.16 per basic common share) in the second quarter of 2016. The changes were largely due to higher funds flow from operations.

Commodity Prices

During the second quarter of 2017, the average benchmark price for WTI oil was US$48.29/bbl, up 6% from US$45.59/bbl during the second quarter of 2016, and the average benchmark price for natural gas sold at AECO was $2.78/MMbtu, up 99% from $1.40/MMbtu during the second quarter of 2016. The average corporate realized sales price during the quarter was $24.90/boe, a 90% increase from $13.13/boe during the second quarter of 2016.

Operating Costs and General and Administrative Expense

Operating costs in the second quarter of 2017 were $4.67/boe, an 11% decrease from $5.22/boe in the first quarter of 2017 and a 35% increase from $3.45/boe in the second quarter of 2016. The increase in operating costs per boe from the second quarter of 2016 was largely due to the higher cost structure associated with our liquids-rich Gordondale assets that were acquired pursuant to the Gordondale Acquisition and additional fees incurred to process natural gas from Gordondale at AltaGas' deep-cut natural gas processing facility located in Gordondale (the "**AltaGas Facility**").

General and administrative expense in the second quarter of 2017 was $1.07/boe, a 14% decrease from $1.24/boe in the second quarter of 2016. The decrease is due to an increase in production, partially offset by an increase in aggregate general administrative expenses in the second quarter of 2017 as compared to the second quarter of 2016.

Interest Expense

Our interest expense was $1.16/boe, a 47% decrease from $2.18/boe in the second quarter of 2016. The decrease is due to an increase in production and a lower average outstanding total credit facilities balance in the second quarter of 2017 as compared to the second quarter of 2016.

Pouce Coupe Gas Plant Netbacks

Approximately 57% of our total corporate natural gas production and 46% of our total corporate production was processed at our Pouce Coupe Gas Plant during the six months ended June 30, 2017 as compared to 79% and 73%, respectively, during the six months ended June 30, 2016. These decreases are primarily due to the liquids-rich production additions associated with our Gordondale assets. The average plant and field operating cost for production processed through the Pouce Coupe Gas Plant for the six months ended June 30, 2017 was $0.33/Mcfe ($1.90/boe) and the estimated operating netback at the Pouce Coupe Gas Plant was $2.63/Mcfe ($15.80/boe), resulting in an operating margin of 77%.

The following table details our average daily production and estimated operating netback for wells producing to the Pouce Coupe Gas Plant on a production month basis for the periods indicated:

	Six months ended June 30, 2017		Six months ended June 30, 2016		Six months ended June 30, 2015	
Average daily production, net to Birchcliff:						
Natural gas *(Mcf)*		169,040		171,422		157,462
Oil & NGLs *(bbls)*		1,081		967		1,249
Total boe		**29,254**		**29,537**		**27,494**
AECO – C daily *(\$/Mcf)* [(1)]	**$2.74**		**$1.61**		**$2.70**	
Netback and cost:	*\$/Mcfe*	*\$/boe*	*\$/Mcfe*	*\$/boe*	*\$/Mcfe*	*\$/boe*
Petroleum and natural gas revenue[(2)]	3.41	20.44	1.93	11.61	3.20	19.21
Royalty expense	(0.10)	(0.67)	(0.05)	(0.30)	(0.12)	(0.74)
Operating expense[(3)]	(0.33)	(1.90)	(0.25)	(1.47)	(0.35)	(2.11)
Transportation and marketing expense	(0.35)	(2.07)	(0.30)	(1.88)	(0.32)	(1.92)
Estimated operating netback	**$2.63**	**$15.80**	**$1.33**	**$7.96**	**$2.41**	**$14.44**
Operating margin	**77%**	**77%**	**69%**	**69%**	**75%**	**75%**

(1) $1.00/MMbtu = $1.00/Mcf based on a standard heat value Mcf.

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

(3) Represents plant and field operating costs.

Funds Flow Netback and Total Cash Costs

During the second quarter of 2017, we had funds flow netback of $15.07/boe, a 308% increase from $3.69/boe in the second quarter of 2016. The increase was primarily driven by higher production and higher average realized oil and natural gas prices, partially offset by an increase in total cash costs per boe.

During the second quarter of 2017, we had total cash costs of $10.27/boe, an 8% increase from $9.47/boe in the second quarter of 2016. On a per boe basis, the increase in total cash costs in the second quarter of 2017 was primarily driven by higher royalty, operating and transportation and marketing expenses associated with our Gordondale assets, which were partially offset by lower general and administrative and interest expenses when compared to the second quarter of 2016.

Capital Activities and Expenditures

During the second quarter of 2017, we had net capital expenditures of $120.8 million as compared to $4.7 million during the second quarter of 2016. Our total F&D capital during the second quarter of 2017 (which excludes acquisitions, dispositions and administrative expenses) was $130.5 million, which consists of $0.7 million on land and seismic, $79.9 million on drilling and completions, $46.8 million on facilities and infrastructure and $3.1 million on other capital expenditures attributed to the execution of our capital program. Of the $46.8 million spent on facilities and infrastructure, approximately $20.0 million was spent on the Phase V and VI expansions of the Pouce Coupe Gas Plant. See *"Advisories – Capital Expenditures".*

Drilling and Completions

Our drilling and completions activities during the second quarter of 2017 were focused on our Montney/Doig Resource Play in our Pouce Coupe and Gordondale areas. During the quarter, we drilled a total of 22 (22.0 net) wells with a 100% success rate. In Pouce Coupe, we drilled 16 (16.0 net) Montney/Doig horizontal natural gas wells, of which 10 were Montney D1 natural gas wells, 4 were Basal Doig/Upper Montney natural gas wells and 2 were Montney D4 natural gas wells. In Gordondale, we drilled 6 (6.0 net) Montney horizontal wells, of which 1 was a Montney D1 liquids-rich natural gas well, 1 was a Montney D1 oil well and 4 were Montney D2 oil wells. At June 30, 2017, we have successfully drilled and cased an aggregate of 338 (332.7 net) Montney/Doig horizontal wells, which includes 87 (81.8 net) wells acquired in the Gordondale Acquisition.

Credit Facilities and Debt

Our extendible revolving credit facilities have an aggregate principal amount of $950 million (the "**Credit Facilities**") and 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 are subject to a semi-annual review of the borrowing base limit by our syndicate of lenders. We may each year, at our option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made.

In the second quarter of 2017, our syndicate of lenders completed its semi-annual review of the borrowing base limit and in connection therewith, Birchcliff and the lenders agreed to an extension of the maturity dates of each facility from May 11, 2018 to May 11, 2020 and to the borrowing base remaining unchanged at $950 million. In addition, subject to the terms and conditions of the agreement governing the Credit Facilities, the lenders consented to the disposition of certain assets of Birchcliff (which includes the Worsley Disposition and the Additional Disposition) and to the borrowing base remaining at $950 million after giving effect to such disposition. The next semi-annual review is scheduled for November 2017. The Credit Facilities do not contain any financial maintenance covenants.

At June 30, 2017, our long-term bank debt was $628.4 million (June 30, 2016: $709.5 million) from available credit facilities of approximately $950 million (June 30, 2016: $750 million), leaving $302.5 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at June 30, 2017 was $700.5 million as compared to $715.7 million at June 30, 2016. The decreases in long-term debt and total debt from June 30, 2016 are 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 acquired pursuant to the Gordondale Acquisition) were used to reduce indebtedness under our credit facilities, offset by increased capital spending in excess of funds flow from operations during the first half of 2017.

Risk Management

At June 30, 2017, we are committed under our financial and physical hedge contracts to the sale of 195,000 GJ/d or approximately 50% of our forecast corporate natural gas production from July 1, 2017 to December 31, 2017 at an average price of $3.03/GJ. At June 30, 2017, we had the following AECO natural gas hedges outstanding on a quarterly basis:

	AECO *(GJ/d)*	**AECO** *($/GJ)*	**Natural Gas Production Hedged** *(Mcf/d)*	**Estimated Average Natural Gas Wellhead Price** *($/Mcf[1])*
Q3 2017	180,000	3.00	157,245	3.44
Q4 2017	210,000	3.05	183,453	3.50
July 1, 2017 to December 31, 2017	**195,000**	**3.03**	**170,349**	**3.47**

(1) See *"Advisories"* for the conversion from GJ to Mcf.

We have outstanding financial derivative contracts for 1,500 bbls/d of crude oil production from July 1, 2017 to December 31, 2017 at an average WTI price of CDN$69.90/bbl for 2017.

FINANCIAL AND OPERATIONAL UPDATE

Series of Asset Sales for Expected Proceeds of $142 Million

We have completed and entered into definitive agreements for a series of asset sales (the "**Asset Sales**") for expected total proceeds to Birchcliff of approximately $142 million ($132 million in cash; $10 million in securities) (subject to closing adjustments). The Asset Sales collectively represent forecast 2017 production of 3,600 boe/d (approximately 62% light oil and NGLs).

During the second quarter of 2017, we completed the disposition of certain non-core assets for total proceeds of approximately $10 million (prior to closing adjustments). On August 1, 2017, we entered into a definitive purchase and sale agreement for the sale of our Worsley Charlie Lake Light Oil Pool for total consideration of approximately $100 million ($90 million in cash; $10 million in securities of an affiliate of the purchaser) (the "**Worsley Disposition**"). Closing of the Worsley Disposition is expected to occur on or about August 31, 2017, subject to the receipt of all necessary regulatory approvals and the satisfaction of other customary closing conditions. In addition, further to our press release of August 1, 2017, we have now entered into a definitive agreement for the sale of some of the remaining assets that were being marketed for sale for total cash consideration of $31.7 million (subject to closing adjustments) (the "**Additional Disposition**"). The effective adjustment date of the Additional Disposition is August 1, 2017 and closing is expected to occur on or about October 2, 2017, subject to the satisfaction of customary closing conditions.

Update on Birchcliff Gas Plant Expansions

Pouce Coupe Gas Plant – Phase V

We have commenced the commissioning of our 80 MMcf/d Phase V expansion of our Pouce Coupe Gas Plant, which will increase the processing capacity from the current 180 MMcf/d to 260 MMcf/d. We anticipate that Phase V will be brought on-stream in early September 2017, under budget and ahead of our initially scheduled on-stream date of October 1, 2017.

Pouce Coupe Gas Plant – Phase VI

The engineering and licensing work has been completed for the 80 MMcf/d Phase VI expansion, which will increase processing capacity from 260 MMcf/d to 340 MMcf/d. Fabrication of the major components has commenced and it is currently expected that Phase VI will be brought on-stream in October 2018. The total estimated cost for the Phase VI expansion is approximately $46 million, of which we expect to spend approximately $26.5 million in 2017 and approximately $19.5 million in 2018.

Pouce Coupe Gas Plant – Phases VII and VIII

As previously announced, we have commenced the planning and initial work to further expand the processing capacity of our Pouce Coupe Gas Plant: (i) by 150 MMcf/d to 490 MMcf/d (Phase VII), which expansion would include deep-cut capability; and (ii) by 100 MMcf/d to 590 MMcf/d (Phase VIII). An engineering and design study for Phases VII and VIII was completed in June 2017. Once we have finalized the design scope for Phases VII and VIII, we expect to commence the regulatory approval process.

We had initially been planning for an on-stream date of 2019 for Phase VII and 2020 for Phase VIII; however, given our focus on maintaining a strong balance sheet, reducing indebtedness and funding capital expenditures from internally generated funds flow from operations, Birchcliff has made the decision to defer these dates by one year to 2020 for Phase VII and 2021 for Phase VIII. Birchcliff feels that this is a prudent decision which will help to ensure that no unnecessary stress is placed on our balance sheet over the next few years as capital is required to construct these plant expansions. Our revised arrangement with AltaGas which is discussed below, allows us to defer our planned expansions for each of Phase VII and VIII by approximately one year, ensuring that natural gas processing is available to Birchcliff until the construction of Phase VII is complete.

Elmworth Gas Plant

We have commenced the preliminary planning for the construction of a 100% owned and operated natural gas plant in the Elmworth area (the "**Elmworth Gas Plant**") with a planned processing capacity of 40 MMcf/d. We had initially planned for an on-stream date in the fall of 2021; however, Birchcliff has also made the decision to defer this date by one year to 2022 for similar reasons set forth above with respect to the Pouce Coupe Gas Plant.

Update on Processing Arrangements at the AltaGas Facility

We have access to 90 MMcf/d of firm processing capacity at the AltaGas Facility and a right of first refusal with respect to firm processing capacity in excess of 90 MMcf/d. Our processing agreement with AltaGas also contains a take-or-pay obligation. On June 29, 2017, we modified our take-or-pay agreement with AltaGas effective January 1, 2017 to incent volumes above our existing take-or-pay commitment at the AltaGas Facility. Effective January 1, 2017, all volumes over our existing take-or-pay volumes (the "**Additional Volumes**") will be processed for a significantly reduced fee. Additional Volumes shall not apply to satisfy any portion of our existing take-or-pay obligations and the Reduced Fee only applies to Additional Volumes.

As a result of this revised arrangement, we expect that our operating costs will be reduced by approximately $4.7 million in 2017. In addition, as we now expect that our take-or-pay obligation will not be fulfilled until 2020, we will not be required to build our own plant until that time. This removes the requirement to spend any material capital in 2017 and 2018 on our Phase VII expansion as discussed above.

Expansion to 2017 Capital Expenditure Budget

Given our completed and planned dispositions for 2017, our Board of Directors has approved an increased 2017 capital expenditure budget to approximately $404 million, from the $355 million that was previously announced. Net capital expenditures in 2017 are expected to be approximately $262 million.

The additional capital under our increased 2017 capital program (the "**2017 Capital Program**") will be primarily directed towards the infrastructure needed for the Phase VI expansion of our Pouce Coupe Gas Plant and the drilling of eight additional wells as outlined below. The following table provides the details of our 2017 Capital Program, including a comparison to our original 2017 capital expenditure program:

2017 Capital Program[1]

	Gross Wells		Net Wells		Capital (MM$)[1]		Difference in Capital (MM$)[1]
	New	Old	New	Old	New	Old	
Drilling & Development							
Pouce Coupe – Montney D1 HZ Gas Wells	26	22	26.0	22.0	113.9	86.1	27.8
Pouce Coupe – Basal Doig/Upper Montney HZ Gas Wells	7	7	7.0	7.0	30.6	30.2	0.4
Pouce Coupe – Montney D4 HZ Gas Wells	3	3	3.0	3.0	13.0	12.9	0.1
Pouce Coupe – Montney/Doig Vertical Science/Technology Well[2]	1	-	1.0	-	3.0	-	3.0
Gordondale – Montney D2 HZ Oil Wells	9	7	9.0	7.0	45.9	40.7	5.3
Gordondale – Montney D1 HZ Oil Wells	5	5	5.0	5.0	27.2	28.9	(1.7)
Gordondale – Montney D1 HZ Gas Wells	2	2	2.0	2.0	11.4	11.6	(0.2)
2018 Pre-Spend Capital[3]	1	-	1.0	-	9.9	-	9.9
2016 Carry Forward Capital[4]	-	-	-	-	17.0	19.4	(2.4)
Total Drilling & Development[5]	**54**	**46**	**54.0**	**46.0**	**272.0**	**229.8**	**42.2**
Facilities & Infrastructure[6]					87.7	85.6	2.1
Production Optimization[7]					23.9	19.4	4.5
Land & Seismic					4.5	4.6	(0.0)
Other					15.9	15.9	0.0
TOTAL CAPITAL					**404.0**	**355.2**	**48.8**
Acquisitions & Dispositions[8]					(141.6)	(0.2)	(141.4)
TOTAL NET CAPITAL					**262.4**	**355.0**	**(92.6)**

(1) Numbers may not add due to rounding.

(2) Capital includes pad construction, drilling and core cutting and analysis.

(3) Capital includes the drilling of 1 (1.0) Montney D1 horizontal natural gas well in Pouce Coupe, 3 surface holes and surface pad construction in anticipation of our 2018 drilling program.

(4) Primarily completion, equipping and tie-in costs associated with 10 (10.0 net) wells rig released at the end of 2016.

(5) All drilling and development costs have been presented on a drill, case, complete, equip and tie-in basis except for 1 Montney D1 well referred to in note (3) above and the Montney/Doig vertical science/technology well.

(6) Includes approximately $26.3 million of capital in 2017 for the Phase V expansion and $26.5 million of capital in 2017 for the Phase VI expansion.

(7) Includes $12.3 million of sustaining capital.

(8) The 2017 Capital Program has been presented on both a total and net basis (net of acquisitions and dispositions). Dispositions that have been completed or announced at the date of this press release have been accounted for in the table above. See *"Advisories – Capital Expenditures"*.

The additional 8 (8.0 net) wells consist of 2 Montney D2 horizontal oil wells in Gordondale, 5 Montney D1 horizontal natural gas wells in Pouce Coupe and 1 Montney/Doig vertical science and technology well in Pouce Coupe (see *"Science and Technology Multi-Well Pad Program"*). Of these additional wells, the 2 Montney D2 horizontal oil wells in Gordondale are expected to be brought on production in October 2017 and 4 Montney D1 horizontal natural gas wells in Pouce Coupe are expected to be brought on production in late December 2017. The remaining D1 horizontal well in Pouce Coupe will not be brought on production until 2018. See *"Operational Update"* below.

The expanded portion of our 2017 Capital Program also includes capital for longer-lead time items related to our 2018 capital program and the Phase VI expansion of our Pouce Coupe Gas Plant, including the construction of multi-well pads for use in 2018, the commencement of part of our 2018 drilling program in December 2017 and pipeline infrastructure commitments for Phase VI (which is scheduled to come on-stream in October 2018).

Operational Update

Our 2017 Capital Program is progressing well, is on schedule and is meeting our expectations for capital costs and results. Our increased 2017 Capital Program contemplates the drilling of a total of 54 (54.0 net) wells during 2017, 38 (38.0 net) in Pouce Coupe and 16 (16.0 net) in Gordondale. The following table summarizes the wells we have drilled and brought on production year-to-date, as well as the remaining wells to be drilled and brought on production during 2017:

Wells Drilled – 2017

Area	Wells drilled to-date	Remaining wells to be drilled in 2017	Total wells to be drilled in 2017
Pouce Coupe			
Montney D1 HZ Gas Wells	21	6	27
Basal Doig/Upper Montney HZ Gas Wells	7	0	7
Montney D4 HZ Gas Wells	3	0	3
Montney/Doig Vertical Science/Tech Well	0	1	1
Total – Pouce Coupe	**31**	**7**	**38**
Gordondale			
Montney D2 HZ Oil Wells	9	0	9
Montney D1 HZ Oil Wells	5	0	5
Montney D1 HZ Liquids Rich Gas Wells	2	0	2
Total – Gordondale	**16**	**0**	**16**
TOTAL – COMBINED	**47**	**7**	**54**

Wells Drilled and Brought on Production – 2017

Area	Wells brought on production to-date	Remaining wells to be brought on production in 2017	Total wells to be brought on production in 2017
Pouce Coupe			
Montney D1 HZ Gas Wells	8	18	26[(1)]
Basal Doig/Upper Montney HZ Gas Wells	1	6	7
Montney D4 HZ Gas Wells	1	2	3
Montney/Doig Vertical Science/Tech Well	N/A	N/A	N/A[(1)]
Total – Pouce Coupe	**10**	**26**	**36**[(1)]
Gordondale			
Montney D2 HZ Oil Wells	3	6	9
Montney D1 HZ Oil Wells	4	1	5
Montney D1 HZ Liquids Rich Gas Wells	2	0	2
Total – Gordondale	**9**	**7**	**16**
TOTAL – COMBINED	**19**	**33**	**52**[(1)]

(1) A total of 27 Montney D1 horizontal natural gas wells are expected to be drilled in Pouce Coupe in 2017. Of these 27 wells, one well is expected be drilled in December 2017 and will not be completed or brought production until 2018. Accordingly, only 26 of the Montney D1 horizontal natural gas wells drilled in

2017 are expected to be brought on production during the year. In addition, the Montney/Doig vertical science/technology well will not be a producing well and will not brought on production. Accordingly, of the 54 wells expected to be drilled during 2017, only 52 will be brought on production during 2017.

We have drilled a total of 47 (47.0 net) wells year-to-date (21 during the first quarter, 22 during the second quarter and an additional 4 wells subsequent to the end of the second quarter), all of which were successful. Of the 54 (54.0 net) wells planned to be drilled during 2017, a total of 52 wells are anticipated to be brought on production this year as one Montney D1 horizontal natural gas well is scheduled to be drilled in December 2017 and will not be brought on production until 2018 and the Montney/Doig vertical science/technology well will not be a producing well. In addition, our 2017 Capital Program also included the capital associated with the completion, equipping and tie-in of 10 wells drilled in 2016, all of which were brought on production in the first quarter of 2017. Accordingly, a total of 62 (62.0 net) wells are expected to be brought on production during 2017. Of the 33 wells remaining to be brought on production, 15 have already been completed, 13 are awaiting completion and 5 are remaining to be drilled.

All wells drilled in 2017 were drilled on multi-well pads, which allows us to reduce our per well costs and our environmental footprint. In addition, we actively employ the evolving technology utilized by the industry regarding horizontal well drilling and the related multi-stage fracture stimulation technology.

We currently have 2 drilling rigs at work, both in Pouce Coupe. In addition to these drilling rigs, we have multiple completion rigs and pipeline crews working on various projects.

In Pouce Coupe, there are 26 wells left to bring on production during the remainder of 2017. It is currently expected that all but 4 of these wells will be brought on production by October 1, 2017 in connection with Phase V coming on-stream. The remaining 4 wells are anticipated to be brought on production in December 2017.

In Gordondale, we drilled 6 (6.0 net) Montney horizontal wells in the fourth quarter of 2016, 3 of which were Montney D2 oil wells and 3 of which were Montney D1 liquids-rich natural gas wells. These wells were completed, equipped and brought on production in the first quarter of 2017 and continue to meet our expectations. We have 7 wells left to bring on production in Gordondale during the remainder of 2017. It is expected that 3 wells will be brought on production in August and the remaining 4 wells will be brought on production in October 2017. After these remaining wells have been brought on production, we will have drilled, cased, completed and equipped a total of 22 wells on our Gordondale assets (12 Montney D2 oil wells, 5 Montney D1 oil wells and 5 Montney D1 liquids-rich natural gas wells) since we acquired the assets in July 2016.

Science and Technology Multi-Well Pad Program

We are finalizing the planning on the execution of a science and technology multi-well pad program later this year in order to optimize field development and develop an improved understanding of wells drilled on the Montney/Doig Resource Play. The first phase of the program involves the drilling of the vertical science and technology well, which is expected to be drilled in August 2017. The well will be drilled to the top of the Montney where we will extract a full diameter core through the entire Montney section (approximately 300 metres). The extracted rock core will provide analytical data to increase our knowledge of rock properties, which will be incorporated in our petrophysical models and help us to more accurately represent the geology of the area. The vertical well will be open holed logged with both conventional logging techniques, as well as advanced logging techniques, including formation imager, sonic scanner, geochemical spectroscopy and nuclear magnetic resonance. The second phase of the program which is expected to commence in early 2018 involves the drilling, completing, equipping and bringing on production of a Montney/Doig multi-layer four well pad utilizing the reservoir learnings from the vertical well. During the completion of the 4 horizontal wells, we intend to utilize the vertical well as a seismic monitoring well to gain further insight into fracture parameters and complexity. In addition to the vertical well, we plan to install a permanent fiber optic cable within the horizontal portion of one of the Montney horizontal wells, allowing further data to be collected on fracture parameters and ongoing production performance along the horizontal well length.

The purpose of this program is to collect high quality and high value data from the vertical well and the straddling horizontal wells, which can be used to accelerate our technical capabilities and understanding with respect to the drilling, completion and production from a multi-layer resource play.

Update on Natural Gas Transportation Capacity – Additional Firm Service

TCPL Mainline

We have entered into agreements with TransCanada Pipelines ("**TCPL**") for the firm service transportation of 175,000 GJ/d in aggregate (approximately 155 MMcf/d) of natural gas on TCPL's Canadian Mainline for a ten year term, whereby natural gas will be transported from the Empress receipt point in Alberta to the Dawn trading hub located in Southern Ontario. The toll for the Empress to Dawn portion of the service is $0.77/GJ plus fuel. Subject to regulatory approval, this service is expected to become available in three tranches on November 1 of each of 2017, 2018 and 2019. Provision of the service is conditional on, among other things, TCPL receiving National Energy Board approval on terms and conditions satisfactory to TCPL.

Alliance System

In addition, we have 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. We have completed the installation of the pipeline facilities necessary to access the Alliance pipeline system, including the construction of a new meter station. We expect to sell gas at various quantities to the Alliance system until November 1, 2017 where we will flow over 40 MMcf/d as outlined above.

As virtually all of our natural gas production is currently transported on the NGTL system in Alberta and sold at AECO, we expect that the above arrangements will provide us with access to a more diverse portfolio of natural gas markets and prices beyond AECO.

OUTLOOK AND GUIDANCE

We have updated our 2017 production guidance to take into account the Asset Sales (which represent forecast 2017 production of approximately 3,600 boe/d) and our increased 2017 Capital Program. The following table sets forth our previous and updated guidance for 2017:

	Previous Guidance	**Updated Guidance**
Estimated 2017 Annual Average Production	70,000 – 74,000 boe/d	67,000 – 68,000 boe/d
% Oil and NGLs	23%	21%
Estimated 2017 Q4 Average Production	80,000 – 82,000 boe/d	79,000 – 80,000 boe/d
% Oil and NGLs	21%	20%
Total capital expenditures	$355 million	$404 million
Net capital expenditures	$355 million	$262 million

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

We expect that our operating costs in the fourth quarter of 2017 will be less than $4.00/boe, assuming the successful completion of the Asset Sales and the Phase V expansion of our Pouce Coupe Gas Plant coming on-stream as planned.

We have hedged approximately 50% of our forecast 2017 natural gas production at an estimated average wellhead price of $3.47/Mcf, which helps to protect our balance sheet and our 2017 Capital Program. Although the majority of our capital expenditures are planned to be spent during the first half of 2017, we expect that the entirety of our 2017 Capital Program will be fully funded out of our forecast 2017 funds flow from operations, as well as the proceeds from the Asset Sales. The foregoing is based on our revised budgeted forecast average prices of approximately WTI US$50.00 per barrel of oil and approximately AECO CDN$2.35 per GJ of natural gas during 2017.

We are currently in the process of updating our Five Year Plan, which we expect to announce in the fall of 2017. We have deferred the construction of Phases VII and VIII of our Pouce Coupe Gas Plant, reduced the number of wells required to be drilled as a result of the Asset Sales and reduced both the cost of drilling wells and the per unit operating costs associated with our production. We intend to continue to maintain a strong balance sheet and financial flexibility, while we continue to pay a sustainable dividend.

SHAREHOLDER SUPPORT

We thank Mr. Seymour Schulich, our largest shareholder, for his leadership, unwavering commitment and his ongoing support. It is this kind of leadership that keeps our staff motivated and focused on the execution of our business plan. Mr. Schulich currently holds 40 million common shares, which represents approximately 15% of the current issued and outstanding common shares.

THANK YOU

We would like to take this opportunity to specifically thank our staff who are leaving Birchcliff as a result of the Asset Sales. These people are committed employees who were part of the Birchcliff Team. These people helped to create significant value for our shareholders and were part of the fabric of our culture. On behalf of our Board of Directors and our Management Team, we thank them for their hard work and dedication and wish them the best in the future.

Our Management Team and our employees are excited, committed and remain enthusiastic about executing our long-term plan and delivering value to our shareholders. Thank you to all of our shareholders for your support and to our employees who continue to go that extra mile for the benefit of all of us.

With Respect,

(signed) "*A. Jeffery Tonken*"

President and Chief Executive Officer
Birchcliff Energy Ltd.

ABBREVIATIONS

AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system which is the delivery point for various benchmark Alberta index prices
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrels of oil equivalent per day
F&D	finding and development
GAAP	generally accepted accounting principles
GJ	gigajoule
GJ/d	gigajoules per day
HZ	horizontal
IFRS	International Financial Reporting Standards
m^3	cubic metres
Mcf	thousand cubic feet
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoules
MMbtu	million British thermal units
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGLs	natural gas liquids
NGTL	NOVA Gas Transmission Ltd.
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 from operations", "funds flow per common share", "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 from operations" denotes 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 from operations divided by the basic or diluted weighted average number of common shares outstanding for the period. Management believes that 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 June 30,		Six months ended June 30,	
($000s)	**2017**	**2016**	**2017**	**2016**
Cash flow from operating activities	57,467	7,049	128,081	27,796
Adjustments:				
Decommissioning expenditures	70	16	371	593
Change in non-cash working capital	31,075	6,202	27,790	5,573
Funds flow from operations	**88,612**	**13,267**	**156,242**	**33,962**

"Operating netback" denotes petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. "Estimated operating netback" of the Pouce Coupe Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly attributable to the Pouce Coupe 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 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 for the periods indicated:

	Three months ended June 30,				Six months ended June 30,			
	2017		**2016**		**2017**		**2016**	
	($000s)	*($/boe)*[(1)]	*($000s)*	*($/boe)*[(1)]	*($000s)*	*($/boe)*[(1)]	*($000s)*	*($/boe)*[(1)]
Petroleum and natural gas revenue	146,597	24.92	47,261	13.14	279,305	24.43	104,764	14.13
Royalty expense	(4,711)	(0.80)	(885)	(0.25)	(15,677)	(1.37)	(3,436)	(0.46)
Operating expense	(27,453)	(4.67)	(12,403)	(3.45)	(56,403)	(4.93)	(26,555)	(3.58)
Transportation and marketing expense	(15,175)	(2.57)	(8,496)	(2.35)	(29,381)	(2.57)	(16,999)	(2.30)
Operating netback	**99,258**	**16.88**	**25,477**	**7.09**	**177,844**	**15.56**	**57,774**	**7.79**
General & administrative expense, net	(6,286)	(1.07)	(4,468)	(1.24)	(12,139)	(1.06)	(9,481)	(1.28)
Interest expense	(6,844)	(1.16)	(7,825)	(2.18)	(14,358)	(1.26)	(14,414)	(1.94)
Realized gain on financial instruments	2,484	0.42	83	0.02	4,895	0.43	83	0.01
Funds flow netback	**88,612**	**15.07**	**13,267**	**3.69**	**156,242**	**13.67**	**33,962**	**4.58**

(1) All per boe figures are calculated by dividing each aggregate financial amount by the production (boe) in the respective period.

“Operating margin” for the Pouce Coupe 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 Pouce Coupe 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 any financial instruments. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff’s liquidity. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with IFRS, to adjusted working capital deficit:

As at, ***($000s)***	**June 30, 2017**	**December 31, 2016**	**June 30, 2016**
Working capital deficit	60,254	36,928	6,017
Fair value of financial instruments	11,829	(9,433)	124
Adjusted working capital deficit	**72,083**	**27,495**	**6,141**

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

As at, ***($000s)***	**June 30, 2017**	**December 31, 2016**	**June 30, 2016**
Revolving term credit facilities	628,401	572,517	709,510
Adjusted working capital deficit	72,083	27,495	6,141
Total debt	**700,484**	**600,012**	**715,651**

ADVISORIES

Unaudited Information

All financial and operating information contained in this press release for the three and six months ended June 30, 2017 is unaudited.

Currency

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

Operating Costs

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

Boe and Mcfe Conversions

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

MMbtu Pricing Conversions

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

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 outstanding as of June 30, 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 40.63 MJ/m^3 for the period from July 1, 2017 to December 31, 2017.

Initial Production Rates

Any references in this press release to initial 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.

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including "operating netback" and "funds flow netback". These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies 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. For information on how such netbacks are calculated, please see *"Non-GAAP Measures".*

Capital Expenditures

Unless otherwise stated, references in this press release to "net capital expenditures" and "capital expenditures, net" denote F&D costs plus administrative costs plus acquisition capital, less any dispositions.

The 2017 Capital Program has been presented both on a total and a net basis (net of acquisitions and dispositions). Certain dispositions that have been completed or announced at the date of this press release have been accounted for in Birchcliff's estimate of net capital expenditures as disclosed under the heading *"Expansion to 2017 Capital Expenditure Budget".* 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 from operations for 2017, which impact could be material. In addition, Birchcliff's estimate of 2017 net capital expenditures is subject to change if any unplanned acquisition and disposition activity is carried out during 2017. See also *"Advisories – Forward-Looking Information"* below.

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", "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 financial performance, operations, focus, objectives, strategies, opportunities, priorities and goals, including Birchcliff's focus on maintaining a strong balance sheet, reducing indebtedness and funding capital expenditures from internally generated funds flow; the Asset Sales, including the total expected proceeds from the Asset Sales, the estimates of 2017 production for the assets, the anticipated closing dates of the Worsley Disposition and the Additional Disposition, the anticipated use of proceeds from the Asset Sales and the anticipated benefits of the Asset Sales (including that the Asset Sales will allow Birchcliff to focus on its Pouce Coupe and Gordondale properties, that the proceeds from the Asset Sales will allow Birchcliff to reduce its indebtedness, that Birchcliff's balance sheet will be improved and that its financial flexibility will be increased and Birchcliff's expectation that certain of its costs will decrease on a per unit basis); the 2017 Capital Program and Birchcliff's proposed exploration and development activities and the timing thereof, including the amount and allocation of capital expenditures, the number and types of wells to be drilled and brought on production and the timing thereof, estimates of total and net capital expenditures, that the majority of capital will be spent during the first half of 2017, the focus of the program and Birchcliff's expectation that the entirety of the 2017 Capital Program will be fully funded out of Birchcliff's forecast funds flow from operations for 2017 and the proceeds from the Asset Sales; Birchcliff's science and technology multi-well pad program; Birchcliff's production guidance, including its estimates of its annual average and fourth quarter average production and commodity mix in 2017 and Birchcliff's expectation that it will have strong fourth quarter average production; proposed expansions of the Pouce Coupe Gas Plant, including the anticipated processing capacities of the Pouce Coupe Gas Plant after such expansions, the anticipated timing of such expansions, the anticipated cost of and the capital required for such expansions and the timing thereof (including that Phase V will be under budget and that Birchcliff will not be required to spend any material capital in 2017 and 2018 on Phase VII), the proposed design and capabilities of such expansions, that no unnecessary stress is expected to be placed on Birchcliff's balance sheet over the next few years as capital is required to construct these plant expansions and that natural gas processing will be available to Birchcliff until the construction of Phase VII is complete; the Elmworth Gas Plant, including the anticipated processing capacity of the Elmworth Gas Plant and the anticipated timing of such plant; Birchcliff's expectation that as a result of its revised arrangement with AltaGas, its operating costs will be reduced by approximately $4.7 million in 2017 and that its take-or-pay obligation will not be fulfilled until 2020; Birchcliff's expectation that its operating costs in the fourth quarter of 2017 will be less than $4.00/boe; the performance characteristics of Birchcliff's oil and natural gas properties and expected results from its assets, including that the profitable growth of Birchcliff's Pouce Coupe and Gordondale properties is the driver of its returns to shareholders; the timing of the next semi-annual review under Birchcliff's Credit Facilities; firm service on TCPL's Canadian Mainline and the timing thereof and statements that Birchcliff's arrangements to sell natural gas into the Alliance system and the proposed firm service on TCPL's Canadian Mainline will provide Birchcliff with a more diverse portfolio of natural gas markets and prices beyond AECO; Birchcliff's expectation that it will announce its updated Five Year Plan in the fall of 2017; and that Birchcliff intends to continue to maintain a strong balance sheet and financial flexibility, while it continues to pay a sustainable dividend.

With respect to forward-looking information contained in this press release, assumptions have been made regarding, among other things: that the Worsley Disposition and the Additional Disposition will be completed on the terms and the timing anticipated; the ability to obtain any necessary regulatory approvals and the satisfaction of all conditions to the Worsley Disposition and the Additional Disposition in a timely manner; the scope of and the effects of the expected benefits of the Asset Sales; Birchcliff's ability to continue to develop its 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; 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 the 2017 Capital Program (including estimates of capital expenditures and statements that the entirety of the 2017 Capital Program will be fully funded out of Birchcliff's forecast 2017 funds flow from operations and the proceeds from the Asset Sales), such program is based on the following commodity price and exchange rate assumptions during 2017: an annual average WTI price of approximately US$50.00 per bbl of oil (revised from US$55.00 as announced on February 8, 2017); an AECO price of approximately CDN $2.35 per GJ of natural gas (revised from $3.00 as announced on February 8, 2017); and an exchange rate of US$/CDN$ of 1.30 (revised from 1.29 as announced on February 8, 2017).
    - With respect to Birchcliff's estimates of capital expenditures, such estimates assume that the 2017 Capital Program will be carried out as currently contemplated and, in the case of its estimate of net capital expenditures, that the Worsley Disposition and the Additional Disposition are completed on the terms and timing anticipated. See *"Advisories – Capital Expenditures"*.
    - With respect to statements that the entirety of the 2017 Capital Program will be fully funded out of Birchcliff's forecast 2017 funds flow from operations and the proceeds from the Asset Sales, such estimates and 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; Birchcliff's forecast commodity mix is achieved; and the Worsley Disposition and the Additional Disposition are completed on the terms and timing anticipated.
    - Birchcliff had previously disclosed that it expected that the entirety of its 2017 Capital Program would be fully funded out of its forecast funds flow from operations as such funds flow was expected to exceed its 2017 capital expenditures over the course of 2017, based on its budgeted forecast average prices of WTI US$55.00 per barrel of oil and AECO CDN$3.00 per GJ of natural gas during 2017. Birchcliff has revised its budgeted forecast commodity price assumptions to an average price of WTI US$50.00 per barrel of oil and an average price of AECO CDN$2.35 per GJ of natural gas during 2017. Given the Asset Sales and Birchcliff's increased 2017 Capital Program, its updated production guidance and its revised commodity price assumptions for 2017, Birchcliff now expects that the entirety of its 2017 Capital Program will be fully funded out of its forecast funds flow from operations, as well as the proceeds of the Asset Sales based on such revised commodity price assumptions and assuming completion of the Worsley Disposition and the Additional Disposition on the terms and timing anticipated.
    - The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's production guidance, the key assumptions are that: Birchcliff's capital expenditure programs 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. In addition, Birchcliff's production may be affected by acquisition and disposition activity and acquisitions and dispositions could occur that may impact expected production.
- With respect to statements of future wells to be drilled and brought on production, 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 Pouce Coupe Gas Plant, including the anticipated processing capacities of the Pouce Coupe 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 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: that the Worsley Disposition and the Additional Disposition do not close on the terms or the timing anticipated or at all; the failure to obtain any required approvals or satisfy other closing conditions for the Worsley Disposition and the Additional Disposition in a timely manner or at all; the failure to realize the anticipated benefits of acquisitions and dispositions, including the Asset Sales; 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; risks associated with the declaration and payment of dividends, including the discretion of Birchcliff's Board of Directors to declare dividends; the failure to obtain any required approvals in a timely manner or at all; unforeseen difficulties in integrating acquired assets into Birchcliff's operations; and variances in Birchcliff's actual capital costs, operating costs and economic returns from those anticipated.

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.

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