

## BIRCHCLIFF ENERGY LTD. ANNOUNCES SERIES OF ASSET SALES FOR EXPECTED PROCEEDS OF APPROXIMATELY \$142 MILLION

**Calgary, Alberta – Birchcliff Energy Ltd. (“Birchcliff”) (TSX: BIR)** is pleased to announce that it has completed a series of asset sales and expects to complete additional asset sales, including the sale of its Worsley Charlie Lake Light Oil Pool, for total disposition proceeds of approximately \$142 million (subject to closing adjustments). These asset sales collectively represent forecast 2017 annual average production of approximately 3,600 boe/d (approximately 62% light oil and NGLs) and proved plus probable reserves of 48.2 MMboe at December 31, 2016.

The proceeds from these asset sales have been and are anticipated to be used to initially reduce Birchcliff’s indebtedness under its credit facilities, which will be subsequently redrawn as needed to fund Birchcliff’s capital expenditure program and for general corporate purposes. Birchcliff expects that it will provide updated guidance in its second quarter 2017 press release, which is currently scheduled to be released on August 10, 2017 at 2:00 p.m. (MDT).

“We believe that these asset sales will allow us to become more geographically focused and become even more competitive in our industry. In addition, the proceeds from these asset sales will allow us to reduce our indebtedness, which will improve our balance sheet and increase our financial flexibility. Notwithstanding these assets sales, the borrowing base under our credit facilities will remain at \$950 million, which is a testament to the quality of our reserves,” commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. “As a result of these transactions, we expect that our operating, transportation and marketing and interest costs will decrease on a per unit basis, reducing our already low-cost structure.”

### **Modification to AltaGas Gordondale Processing Arrangement**

Birchcliff and AltaGas have modified their take-or-pay agreement effective January 1, 2017 to incent volumes above Birchcliff’s existing take-or-pay commitment at AltaGas’ deep-cut natural gas processing facility located in Gordondale. This modification will significantly decrease the processing fees payable by Birchcliff on volumes over Birchcliff’s existing take-or-pay volumes and is expected to reduce Birchcliff’s unit operating costs until Birchcliff builds its own deep-cut facility.

### **Details Regarding Asset Sales**

Birchcliff has entered into a definitive purchase and sale agreement with a private oil and gas company for the sale of its Worsley Charlie Lake Light Oil Pool located in the Peace River Arch area of Alberta (the “**Worsley Assets**”) for total consideration of approximately \$100 million (subject to closing adjustments), consisting of: (i) cash consideration of \$90 million; and (ii) securities of an affiliate of the purchaser with a total value of \$10 million (the “**Worsley Disposition**”). The effective adjustment date of the Worsley Disposition is July 1, 2017. Closing 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. The Worsley Assets represent approximately 3,080 boe/d of forecast 2017 annual average production (approximately 69% light oil and NGLs) and proved plus probable reserves of 38.9 MMboe at December 31, 2016.

“Since we first acquired our assets on the Worsley Charlie Lake Light Oil Play in 2007, they have been instrumental in allowing us to create significant value for our shareholders as they provided us with a source of cash flow that we used to develop our Montney/Doig Resource Play. As we have not allocated any significant capital to our Worsley Charlie Lake Light Oil Pool in recent years, we made the decision to sell the assets in order to reduce our indebtedness and concentrate on our premium-quality assets on the Montney/Doig Resource Play,” commented Jeff Tonken, President and Chief Executive Officer of Birchcliff.

During the second quarter of 2017, Birchcliff completed the disposition of various non-core assets for total proceeds of approximately \$10 million (prior to closing adjustments). In addition, Birchcliff is currently in the process of negotiating the sale of some of the remaining assets that were marketed for sale for additional proceeds of approximately \$32 million (subject to closing adjustments) (the “**Additional Disposition**”). Completion of the Additional Disposition is subject to the entering into of a definitive purchase and sale agreement and closing will be subject to the satisfaction of customary closing conditions. If completed, it is expected that the Additional Disposition will close in the fourth quarter of 2017.

## **ABBREVIATIONS**

bbl	barrel
boe	barrel of oil equivalent
boe/d	barrels of oil equivalent per day
Mcf	thousand cubic feet
MMboe	million barrels of oil equivalent
NGLs	natural gas liquids

## **ADVISORIES**

### **Boe Conversions**

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

### **Presentation of Reserves Information**

The reserves information contained herein in respect of the disposed assets is based upon independent evaluations prepared by Birchcliff’s independent qualified reserves evaluators, Deloitte LLP (“**Deloitte**”) and McDaniel & Associates Consultants Ltd. (“**McDaniel**”), effective December 31, 2016, which are contained in the consolidated report of Deloitte with an effective date of December 31, 2016 (the “**Consolidated Report**”). Deloitte prepared the Consolidated Report by consolidating the properties evaluated by Deloitte in its evaluation with the properties evaluated by McDaniel in its evaluation, in each case using Deloitte’s forecast price and cost assumptions effective December 31, 2016. There are numerous uncertainties inherent in estimating quantities of reserves and estimates of reserves are based upon a number of variable factors and assumptions. Actual production with respect to reserves will vary from estimates thereof and such variations could be material. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. At December 31, 2016, Birchcliff had total proved plus probable reserves of 880.5 MMboe, as contained in the Consolidated Report. 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. All reserves information contained herein has been presented on a gross basis, meaning Birchcliff’s working interest before the deduction of royalties and without including any royalty interests of Birchcliff. Further information regarding Birchcliff’s reserves is contained in its Annual Information Form for the year ended December 31, 2016, a copy of which is available on SEDAR.

### **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: the asset sales, including that Birchcliff expects to complete additional asset sales, the total expected disposition proceeds from the asset sales, the entering into of a definitive purchase and sale agreement in connection with the Additional Disposition, the purchase price for the Additional Disposition, 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 become more geographically focused and become more competitive, that Birchcliff's balance sheet will be improved and its financial flexibility will be increased and Birchcliff's expectation that certain of its costs will decrease); estimates of 2017 annual average production and reserves for the disposed assets; Birchcliff's expectation that it will provide updated guidance in its second quarter 2017 press release and the timing thereof; that Birchcliff's modified take-or-pay agreement is expected to reduce Birchcliff's unit operating costs until Birchcliff builds its own-deep cut facility; Birchcliff's plans and other aspects of its anticipated future financial performance, operations, focus, objectives, strategies, opportunities, priorities and goals; and the performance characteristics of Birchcliff's oil and natural gas properties and expected results from its assets. Information relating to reserves is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

With respect to forward-looking information contained in this press release, assumptions have been made regarding, among other things: that the Worsley Disposition will be completed on the terms and the timing anticipated; that Birchcliff will enter into a definitive purchase and sale agreement with respect to the Additional Disposition and that 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; success rates for future drilling; reserves volumes and Birchcliff's ability to replace and expand oil and gas reserves through acquisition, development or exploration; the impact of competition 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 of Birchcliff to secure adequate transportation for its products; and Birchcliff's ability to market oil and gas. With respect to estimates of reserves, the key assumption is the validity of the data used by Birchcliff's independent qualified reserves evaluators in their independent evaluations, which includes technical information and forecast commodity prices. With respect to statements regarding the building of a deep-cut gas plant, the key assumptions are that future drilling is successful, that there is sufficient labour, services and equipment available, that Birchcliff will have access to sufficient capital, that the key components of the plant will operate as designed and that commodity prices and general economic conditions will warrant proceeding with the construction of such plant and the drilling of associated wells. With respect to Birchcliff's estimated production for the disposed assets, the key assumptions are that no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant and that existing wells continue to meet production expectations.

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 does not close on the terms or the timing anticipated or at all; the failure to enter into a definitive purchase and sale agreement with respect to the Additional Disposition on the terms anticipated or at all and that the Additional Disposition does not close on the terms or the timing anticipated or at all; the failure to obtain any required approvals or satisfy other closing conditions in a timely manner or at all; the failure to realize the anticipated benefits of 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; 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; 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 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 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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