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PRESS RELEASE

FOR IMMEDIATE DISTRIBUTION

**BIRCHCLIFF ENERGY LTD. ANNOUNCES \$40 MILLION OFFERING OF
PREFERRED UNITS**

12-08

Calgary, Alberta - July 17, 2012 – Birchcliff Energy Ltd. (“**Birchcliff**”) (TSX:BIR) is pleased to announce that it has entered into an agreement with a syndicate of underwriters, which have agreed to purchase, on a bought deal basis, 1.6 million preferred units (“**Preferred Units**”) at a price of \$25.00 per Preferred Unit, for total gross proceeds of \$40 million (the “**Offering**”). Each Preferred Unit will consist of one Cumulative 5-Year Rate-Reset Preferred Share, Series A (the “**Series A Preferred Shares**”) and 3 common share purchase warrants issued by Birchcliff (the “**Warrants**”), with each Warrant providing the right to purchase one (1) common share in the capital of Birchcliff (“**Common Shares**”) at an exercise price of \$8.30 per Common Share for a period of two years. The syndicate of underwriters is co-led by GMP Securities L.P., Cormark Securities Inc. and National Bank Financial Inc., and includes HSBC Securities (Canada) Inc., Raymond James Ltd., Macquarie Group Ltd. and Peters & Co. Limited.

The Series A Preferred Shares will pay cumulative dividends of \$2.00 per share per annum, payable quarterly if, as and when declared by Birchcliff’s board of directors (with the first quarterly dividend to be paid on September 30, 2012 (or the next business day)), for the initial five year period ending September 30, 2017. The dividend rate will be reset on September 30, 2017 and every five years thereafter at a rate equal to the five-year Government of Canada bond yield plus 6.83 per cent. The Series A Preferred Shares will be redeemable by the issuer on or after September 30, 2017, in accordance with their terms.

Holder of the Series A Preferred Shares will have the right, at their option, to convert their shares into Cumulative Floating Rate Preferred Shares, Series B (the “**Series B Preferred Shares**”) subject to certain conditions, on September 30, 2017 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 6.83 per cent, if, as and when declared by Birchcliff’s board of directors.

The Preferred Units will be offered for sale to the public in each of the provinces of Canada other than Quebec pursuant to a short form prospectus to be filed with Canadian securities regulatory authorities in such provinces. The Offering is scheduled to close on or about August 8, 2012, subject to certain conditions, including obtaining all necessary regulatory approvals.

Proceeds of the Offering will be used to reduce existing indebtedness and for other general corporate purposes. This financing strengthens Birchcliff's balance sheet and provides Birchcliff with greater financial flexibility to carry out its plans.

Current Update

Birchcliff estimates that its average daily production for the second quarter of 2012 was 21,900 boe/day.

The Phase III expansion of its Pouce Coupe South Gas Plant remains on schedule and on budget and is expected to commence operation on or before November 1, 2012.

Birchcliff continues to expect to exit 2012 with a production rate of approximately 26,000 boe/day.

ADVISORIES

This news release does not constitute an offer to sell or a solicitation of an offer to buy the Series A Preferred Shares or Warrants in any jurisdiction. The Series A Preferred Shares and Warrants offered have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

BOE Conversions: Barrels of oil equivalent ("boe") amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel of oil (1 bbl). 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.

Forward Looking Information: This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words that convey certain events or conditions "may" or "will" occur are intended to identify forward-looking information. In particular, this press release contains forward-looking information relating to the anticipated use of proceeds of the Offering, the anticipated closing date of the Offering, the Corporation's intention to commence processing natural gas at its expanded processing facilities and production increases from future wells.

The forward-looking information is based upon assumptions as to future commodity prices, currency exchange rates, inflation rates, well production rates, well drainage areas, success rates for future drilling and availability of labour and services. The anticipated closing date of the Offering assumes that prior to that date, the Corporation will obtain all necessary regulatory approvals and all applicable pre-conditions will be satisfied. The anticipated use of proceeds assumes that the Offering closes as contemplated. With respect to future production rates, a key assumption is that geological and other technical interpretations performed by the Corporation's technical staff, which indicate that commercially economic reserves can be

recovered from the Corporation's lands as a result of drilling future wells, are valid. With respect to the timing of commencement of operation of the expanded processing facilities, a key assumption is that no events beyond the control of the Corporation will occur that prevent or unduly delay construction and commissioning of such facilities.

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

Forward-looking information necessarily involves both known and unknown risks associated with oil and gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves estimates, operational risks, environmental risks, loss of market demand, general economic conditions affecting the ability to access sufficient capital, changes in governmental regulation of the oil and gas industry and competition from others for scarce resources. The risk factors that could render assumptions relating to the Offering invalid are primarily events beyond the Corporation's control that preclude the Corporation from satisfying all applicable pre-conditions.

The foregoing list of risk factors is not exhaustive. Additional information on these and other risk factors that could affect operations or financial results are included in the Corporation's most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities. Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Corporation is not under any duty to update the forward-looking information after the date of this Press Release to conform such information to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws.

Birchcliff is a publicly traded company whose common shares trade on the Toronto Stock Exchange (TSX) under the symbol "**BIR**".

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The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

For further information, please contact:

Jeff Tonken
President and CEO

or

Bruno Geremia
Vice President and CFO

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or

Jim Surbey

Vice President, Corporate Development

Tel: (403) 261-6401 Fax: (403) 261-6424