14-08 August 13, 2014

BIRCHCLIFF ENERGY LTD. ANNOUNCES STRONG SECOND QUARTER RESULTS, INCREASED PRODUCTION GUIDANCE AND OPERATIONAL UPDATE

Calgary, Alberta - Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to announce strong financial and operational results for the second quarter of 2014 with strong second quarter production, funds flow and earnings. Birchcliff also announces a $100 million increase to its 2014 budget and an increase in exit production guidance to approximately 40,000 boe per day. The full 2014 Second Quarter Report, containing the unaudited interim condensed financial statements for the three and six month periods ended June 30, 2014 and the related Management's Discussion and Analysis, is available on Birchcliff's website at www.birchcliffenergy.com and will be available on SEDAR at www.sedar.com.

Current Highlights and 2014 Estimates

- **Record current production is approximately 34,000 boe per day.**
- **Increased 2014 exit production rate guidance to approximately 40,000 boe per day** as a result of the budget expansion. Strong average production expected in the first quarter of 2015.
- **Estimated 2014 fourth quarter average production of approximately 38,000 boe per day**.
- **Estimated 2014 annual average production of 34,000 boe per day**, representing 32% growth over the 2013 annual average of 25,829 boe per day and 27% growth on a production per common share basis.
- **Estimated 2014 funds flow of approximately $331 million or $2.24 per common share**, based on estimated average annual production of 34,000 boe per day, an AECO natural gas price of $4.50 per GJ ($4.75 per Mcf) and WTI oil price of US$99.50 per bbl (Edmonton Par CDN$101.00 per bbl) for 2014 and based on estimated 2014 annual basic weighted average common shares of 147,935,000.
- **Proceeds of $49.7 million realized from the exercise of warrants, resulting in the issuance of 5,986,699 common shares.**
- **Capital budget increased $100 million to $447.1 million.** The $100 million budget increase is expected to be wholly funded by budgeted funds flow and proceeds received from the exercise of warrants.
- Entire 2014 budgeted capital expenditure program (excluding acquisitions) of $390.7 million, expected to be funded wholly out of internally generated funds flow and proceeds received from the exercise of warrants and options.
- **Approximately 40% of Birchcliff's natural gas is hedged at an estimated wellhead price of $4.35 per Mcf from July 1 to October 31, 2014.** Birchcliff has no other natural gas hedges in place.
- **Phase IV expansion of the Pouce Coupe South Natural Gas Plant ("PCS Gas Plant")**, increasing processing capacity to 180 MMcf per day from 150 MMcf per day for a cost of $11.6 million, starting up in September 2014, on schedule and on budget.
- **Drilling results to date in 2014 of 34 (33.5 net) wells**, consisting of 21 (21.0 net) Montney/Doig horizontal natural gas wells and 2 (2.0 net) Montney/Doig horizontal light oil wells, all in the Pouce Coupe area; 1 (1.0 net) Doig horizontal light oil well in the Progress area; 8 (8.0 net) Charlie Lake horizontal light oil wells in the Worsley area and 2 (1.5 net) Halfway horizontal light oil wells.
- **Birchcliff currently has four drilling rigs at work**, three in the Pouce Coupe area, drilling Montney/Doig horizontal natural gas wells and one rig in the Worsley area drilling Charlie Lake horizontal light oil wells.

- **Drilling new zones within the Montney/Doig Natural Gas Resource Play in the fourth quarter of 2014**, which could substantially increase Birchcliff's potential natural gas locations and reserves and resources.
- **2,330.3 net future horizontal drilling locations on our Montney/Doig Natural Gas Resource Play**.
- **Birchcliff has successfully drilled and cased 141 (140.9 net) Montney/Doig horizontal natural gas wells since November 2007.**

2014 Second Quarter Highlights

- **Average production of 31,178 boe per day**, an increase of 29% from 24,141 boe per day in the second quarter of 2013. Production per share increased 27% from the second quarter of 2013.
- **Funds flow of $75.4 million**, an increase of 80% from $41.8 million in the second quarter of 2013.
- **Funds flow of $0.52 per common share**, an increase of 79% from the second quarter of 2013.
- **Net income to common shareholders of $27.1 million or $0.19 per common share**, an increase of 177% and 171% respectively, from the second quarter of 2013.
- **Operating costs of $5.25 per boe**, a decrease of 11% from $5.89 per boe in the second quarter of 2013. At our PCS Gas Plant, where we processed approximately 78% of our natural gas production and achieved an operating margin of 81%, operating costs were approximately $0.41 per Mcfe or $2.45 per boe.
- **General and administrative costs of $1.91 per boe**, a decrease of 22% from $2.44 per boe in the second quarter of 2013.
- **Total cash costs of $11.33 per boe** (operating, transportation and marketing, general and administrative and interest), a decrease of 17% from the second quarter of 2013.
- **Funds flow netback of $26.57 per boe**, an increase of 40% from $19.03 per boe in the second quarter of 2013, as a result of Birchcliff's low cost structure and strong oil and natural gas prices.
- **Increased bank credit facilities limit to $750 million** from $600 million**.**
- **Drilling results in the second quarter of 11 (11.0 net) wells,** consisting of 9 (9.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 1 (1.0 net) Charlie Lake horizontal light oil well in the Worsley area and 1 (1.0 net) Halfway horizontal light oil well.

SECOND QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
OPERATING				
Average daily production				
Light oil – *(barrels)*	3,936	3,941	3,957	3,994
Natural gas – *(thousands of cubic feet)*	155,373	116,963	156,906	122,501
NGLs – *(barrels)*	1,346	706	1,354	708
Total – barrels of oil equivalent *(6:1)*	**31,178**	24,141	**31,462**	25,119
Average sales price *($ CDN)*[1]				
Light oil – *(per barrel)*	104.72	91.19	101.01	87.98
Natural gas – *(per thousand cubic feet)*	4.81	3.78	5.46	3.58
NGLs – *(per barrel)*	96.13	86.60	95.74	86.70
Total – barrels of oil equivalent *(6:1)*	**41.33**	35.74	**44.04**	33.91
NETBACK AND COST *($ per barrel of oil equivalent at 6:1)*				
Petroleum and natural gas revenue	41.35	35.99	44.05	34.04
Royalty expense	(3.35)	(3.34)	(3.89)	(3.03)
Operating expense	(5.25)	(5.89)	(5.23)	(5.82)
Transportation and marketing expense	(2.47)	(2.59)	(2.47)	(2.42)
Netback	**30.28**	24.17	**32.46**	22.77
General & administrative expense, net	(1.91)	(2.44)	(1.90)	(2.25)
Interest expense	(1.70)	(2.70)	(1.70)	(2.65)
Realized loss on financial instruments	(0.10)	-	(0.10)	-
Funds flow netback	**26.57**	19.03	**28.76**	17.87
Stock-based compensation expense, net	(0.75)	(0.42)	(0.54)	(0.49)
Depletion and depreciation expense	(11.56)	(11.53)	(11.37)	(11.52)
Accretion expense	(0.22)	(0.23)	(0.22)	(0.21)
Amortization of deferred financing fees	(0.08)	(0.08)	(0.09)	(0.08)
Unrealized loss on financial instruments	(0.01)	-	(0.03)	-
Dividends on Series C Preferred Shares	(0.31)	-	(0.31)	-
Income tax expense	(3.74)	(1.87)	(4.33)	(1.57)
Net income	**9.90**	4.90	**11.87**	4.00
Dividends on Series A Preferred Shares	(0.35)	(0.45)	(0.35)	(0.44)
Net income to common shareholders	**9.55**	4.45	**11.52**	3.56
FINANCIAL				
Petroleum and natural gas revenue *($000's)*	117,308	79,065	250,866	154,783
Funds flow from operations *($000's)*[2]	75,382	41,804	163,751	81,248
Per common share – basic *($)*[2]	0.52	0.29	1.13	0.57
Per common share – diluted *($)*[2]	0.49	0.29	1.09	0.56
Net income *($000's)*	28,087	10,775	67,586	18,199
Net income to common shareholders *($000's)*[3]	27,087	9,775	65,586	16,199
Per common share – basic *($)*[3]	0.19	0.07	0.45	0.11
Per common share – diluted *($)*[3]	0.18	0.07	0.44	0.11
Common shares outstanding				
End of period – basic	145,911,525	142,390,094	145,911,525	142,390,094
End of period – diluted	166,285,411	164,109,781	166,285,411	164,109,781
Weighted average common shares for period – basic	145,144,547	142,239,928	144,588,426	142,031,761
Weighted average common shares for period – diluted	152,622,935	145,164,527	149,895,129	144,788,757
Dividends on Series A Preferred Shares *($000's)*	1,000	1,000	2,000	2,000
Dividends on Series C Preferred Shares (*$000's*)	875	-	1,750	-
Capital expenditures, net *($000's)*	75,484	40,386	236,887	121,396
Long-term bank debt *($000's)*	452,183	409,091	452,183	409,091
Working capital deficit *($000's)*[4]	62,454	44,032	62,454	44,032
Total debt *($000's)*	514,637	453,123	514,637	453,123

(1) Average sales price excludes the effect of hedges using financial instruments.

(2) Funds flow from operations and per common share amounts are non-GAAP measures that represent cash flow from operating activities as per the statements of cash flows before the effects of changes in non-cash working capital and decommissioning expenditures. Per common share amounts are calculated by dividing funds flow from operations by the weighted average number of basic or diluted common shares outstanding for the period.

(3) Net income to common shareholders is calculated using net income as determined in accordance with GAAP, adjusted for dividends paid on Series A Preferred Shares. Per common share amounts are calculated by dividing net income to common shareholders by the weighted average number of basic or diluted common shares outstanding for the period.

(4) Excludes the fair value of financial instruments and related deferred premium.

PRESIDENT'S MESSAGE FROM THE 2014 SECOND QUARTER REPORT

August 13, 2014

Fellow Shareholders,

Birchcliff Energy Ltd. ("**Birchcliff**") is pleased to report its second quarter financial and operational results for the three and six month periods ended June 30, 2014. Birchcliff had an excellent quarter, achieving our best second quarter results to date. Our low cost structure and increased natural gas production, together with strong natural gas prices resulted in record second quarter revenues, funds flow and earnings. Total cash costs (operating, transportation and marketing, general and administrative and interest costs) were materially reduced on a per boe basis from the second quarter of 2013.

Outlook for 2014 Production and Funds Flow

Record current production is approximately 34,000 boe per day**.**

As a result of our budget increase discussed below, we have increased our exit production rate guidance to approximately 40,000 boe per day from our prior guidance of 37,500 to 39,500 boe per day. Birchcliff expects strong production in the first quarter of 2015 as a result of the budget increase.

We estimate fourth quarter average production of approximately 38,000 boe per day and we expect to achieve annual average production of approximately 34,000 boe per day for 2014, representing 32% growth over the annual average of 25,829 boe per day in 2013 and 27% growth on a production per common share basis.

Estimated 2014 funds flow is approximately $331 million or $2.24 per common share, based on estimated average annual production of 34,000 boe per day, an AECO natural gas price of $4.50 per GJ ($4.75 per Mcf) and WTI oil price of US$99.50 per bbl (Edmonton Par CDN$101.00 per bbl) for 2014 and based on estimated 2014 annual basic weighted average common shares of 147,935,000.

Approximately 40% of Birchcliff's natural gas is hedged at an estimated wellhead price of $4.35 per Mcf from July 1 to October 31, 2014. Birchcliff has no other natural gas hedges in place. Birchcliff has purchased WTI put options for 1,000 barrels per day of crude oil for the calendar year 2014, comprised of 500 barrels per day with a strike price of US$90 and 500 barrels per day with a strike price of US$85.

Capital Budget Expansion

Birchcliff has increased its capital budget by $100 million to $447.1 million without increasing its expected year-end debt, as a result of strong commodity prices increasing budgeted funds flow and proceeds received from the exercise of the warrants.

The entire 2014 capital program (excluding acquisitions) of $390.7 million is expected to be funded from funds flow and the proceeds received from the exercise of warrants and options.

The expanded portion of the 2014 capital budget is primarily directed toward the drilling of 9 (9.0 net) additional Montney/Doig horizontal natural gas wells, all of which will produce to our PCS Gas Plant, 3 (3.0 net) Worsley Charlie Lake horizontal light oil wells, $10 million for 100% owned facilities and $12 million for land acquisitions.

The following table sets out a detailed comparison of the new capital budget to the original capital budget.

	Gross Wells		Net Wells		Net Capital ($ millions)		Difference in Capital
2014 Capital Budget	New	Old	New	Old	New	Old	*($ millions)*
Drilling & Development							
Basal Doig/Upper Montney Horizontal Natural Gas Wells	9	4	9.0	4.0	58.5	25.8	32.7
Middle/Lower Montney Horizontal Oil and Natural Gas Wells	29	25	29.0	25.0	176.9	155.8	21.1
Worsley Charlie Lake Horizontal Oil Wells	11	8	11.0	8.0	37.7	29.2	8.5
Halfway Oil Wells	2	2	1.5	1.5	4.4	3.5	0.9
Other Oil Wells	2	1	2.0	1.0	11.2	5.6	5.6
Total Drilling & Development[1]	**53**	**40**	**52.5**	**39.5**	**288.7**	**219.9**	**68.8**
Facilities					40.4	30.2	10.2
Production Optimization					21.6	13.1	8.5
Land and Seismic					24.9	12.9	12.0
Acquisitions & Dispositions					56.4	56.1	0.3
Other					15.1	14.9	0.2
Total Net Capital[1]					**$447.1**	**$347.1**	**$100.0**

(1) Numbers may not add due to rounding

As a result of the budget expansion, drilling capital will be spent late in 2014, resulting in increased exit production targets and strong production in the first quarter of 2015.

PCS Gas Plant Phase IV Expansion

The Phase IV expansion of the PCS Gas Plant will bring processing capacity to 180 MMcf per day, from 150 MMcf per day, by adding additional compression and sales pipeline capacity. The estimated cost of the Phase IV expansion is approximately $11.6 million. The anticipated start-up date of the Phase IV expansion is September 2014. This project remains on schedule and on budget.

2014 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

Second quarter production averaged 31,178 boe per day, which is a 29% increase over production of 24,141 boe per day in the second quarter of 2013. Production per common share increased 27% from the second quarter of 2013.

Production consisted of approximately 83% natural gas and 17% crude oil and natural gas liquids in the second quarter. Approximately 78% of Birchcliff's natural gas production and 68% of corporate production was processed at our PCS Gas Plant in the first half of 2014.

Production in the second quarter of 2014 was negatively affected predominately by the unscheduled downtime on the Alberta TransCanada Pipeline system.

Birchcliff has consistently demonstrated significant growth in second quarter production per common share. This growth has been primarily achieved through Birchcliff's low risk development drilling on the Montney/Doig Natural Gas Resource Play and the impact of the low operating cost structure of the PCS Gas Plant and related infrastructure.

The following table highlights Birchcliff's second quarter production per common share growth since 2010.

	Q2 2010	Q2 2011	Q2 2012	Q2 2013	Q2 2014	Change Since 2010 *(%)*	Average Annualized Growth *(%)*
Average daily production *(boe/day)*	12,357	17,324	22,039	24,141	31,178	152%	38%
Average daily production per common share *(boe/day/share)*[1]	99.2	137.1	159.2	169.7	214.8	117%	29%

(1) Based on weighted average million basic common shares outstanding in the respective quarter.

Funds Flow and Earnings

Funds flow increased 80% from the second quarter of 2013, to a record $75.4 million or $0.52 per basic common share. This increase was largely a result of the average AECO natural gas spot price increasing by 32% to $4.69 per Mcf in the second quarter of 2014 compared to $3.54 per Mcf in the second quarter of 2013.

Birchcliff had net income of $28.1 million as compared to $10.8 million in the second quarter of 2013, a significant increase of 161%. This is the 19th consecutive quarter of earnings, again demonstrating that our repeatable, low-cost business continues to be successful and earn money for our shareholders.

Operating Costs

Operating costs in the second quarter were $5.25 per boe, down 11% from the second quarter of 2013. This reduction of operating costs on a per unit basis was largely due to the cost benefits achieved from processing increased volumes of natural gas through the PCS Gas Plant and the implementation of various optimization initiatives.

PCS Gas Plant Netbacks

Processing natural gas at the PCS Gas Plant has materially improved Birchcliff's funds flow and net earnings since it first became operational in March 2010.

In the first half of 2014, net operating costs for natural gas processed at the PCS Gas Plant averaged $0.41 per Mcfe ($2.45 per boe) and the estimated operating netback for Birchcliff's natural gas production flowing to the PCS Gas Plant was $4.83 per Mcfe ($28.95 per boe), achieving an operating margin of 81%. Also, the sales liquids rate has improved significantly to 8.0 bbls per MMcf from 4.4 bbls per MMcf in the comparable six month period.

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

Production Processed through the PCS Gas Plant	Six months ended June 30, 2014[(1)]		Six months ended June 30, 2013	
Average daily production, net to Birchcliff:				
Natural gas *(Mcf)*		122,277		84,561
Oil & NGLs *(bbls)*		982		375
Total boe *(6:1)*		**21,361**		**14,468**
% of corporate natural gas production		*78%*		*69%*
% of corporate production		*68%*		*58%*
Sales liquids rate (bbls/MMcf)		*8.0*		*4.4*
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[(2)]	5.93	35.60	3.81	22.88
Royalty expense	(0.40)	(2.38)	(0.23)	(1.39)
Operating expense, net of recoveries	(0.41)	(2.45)	(0.36)	(2.17)
Transportation and marketing expense	(0.29)	(1.82)	(0.25)	(1.50)
Estimated operating netback	**$4.83**	**$28.95**	**$2.97**	**$17.82**
Operating margin[(3)]	**81%**	**81%**	**78%**	**78%**

(1) The PCS Gas Plant processed an average of 129 MMcf per day of gross raw gas at the inlet during the first half of 2014.

(2) AECO natural gas spot price averaged $5.20 per Mcf and $3.37 per Mcf during the six months ended June 30, 2014 and 2013, respectively

(3) Operating margin at the PCS Gas Plant is determined by dividing the estimated operating netback by petroleum and natural gas revenues in the period.

Debt and Capitalization

At June 30, 2014, Birchcliff's long-term bank debt was $452.2 million from available credit facilities aggregating $750 million. Total debt, including the working capital deficit of $62.4 million, was $514.6 million. Birchcliff has a significant amount of credit capacity and financial flexibility.

At June 30, 2014, Birchcliff had outstanding: 145,911,525 basic common shares. As a result of the exercise of warrants and options, Birchcliff has approximately 151,908,406 basic common shares as of August 13, 2014.

Increase to Credit Facilities

On May 9, 2014, Birchcliff's bank credit facilities limit increased to an aggregate of $750 million from the previous credit limit of $600 million. This increase was largely due to our material proved developed producing reserves added at December 31, 2013.

The revolving credit facilities were converted to a three-year term with a maturity date of May 9, 2017. The revolving term credit facilities include an increased credit limit to $620 million, from $470 million.

The terms of the other credit facilities, a $70 million and $60 million non-revolving five-year term credit facilities maturing on May 25, 2016 and May 25, 2018, respectively, remain essentially unchanged. The increased aggregate credit facilities amount will provide Birchcliff with increased financial flexibility.

OPERATIONS UPDATE

Drilling

Birchcliff's 2014 drilling program is focused on our two proven resource plays, the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play. During the second quarter of 2014 the Corporation focused its efforts on the Montney/Doig Natural Gas Resource Play in the Pouce Coupe area, drilling through spring break-up by utilizing multi-well pads. Birchcliff had two rigs drilling on two multi-well pads over break-up, with each pad consisting of five horizontal natural gas wells. All five wells from the first pad are now on production and three of the five wells on the second pad are on production with the last two wells coming on production shortly.

In the 2014 second quarter, Birchcliff drilled 11 (11.0 net) wells, consisting of 9 (9.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 1 (1.0 net) Charlie Lake horizontal light oil well in the Worsley area and 1 (1.0 net) Halfway horizontal light oil well.

Montney/Doig Natural Gas Resource Play

In the second quarter of 2014, Birchcliff drilled 9 (9.0 net) Montney/Doig horizontal natural gas wells. Year-to-date Birchcliff has successfully drilled 21 (21.0 net) Montney/Doig horizontal natural gas wells and 2 (2.0 net) Montney/Doig horizontal oil wells.

We are utilizing multi-well pad drilling on our Montney/Doig Natural Gas Resource Play to improve drilling and completion efficiencies and reduce the cost per well. The reduction in drilling and completion costs is significant. Another benefit of pad drilling is that we are able to drill continuously through spring break-up. Our increased use of pad drilling includes 11 multi-well pads in 2014 drilling two to five wells per pad.

Birchcliff continues to expand the Montney/Doig Natural Gas Resource Play both geographically and stratigraphically. In total, Birchcliff has drilled 141 (140.9 net) Montney/Doig horizontal natural gas wells. As a result, Birchcliff has a material amount of in-house technical knowledge, respecting all facets of the development of our Montney/Doig Natural Gas Resource Play. This includes geological mapping, petrophysics, 3D and micro-seismic, drilling and completion technology, production and optimization operations. The more wells we drill, the more knowledge we obtain, giving us a significant advantage over some of our competitors.

Our expanded budget for 2014 includes 38 (38.0 net) Montney/Doig horizontal wells, 36 (36.0 net) gas wells and 2 (2.0 net) oil wells. Of the 38 (38.0 net) horizontal wells, 29 (29.0 net) wells are targeting the Middle/Lower Montney Play and 9 (9.0 net) are targeting the Basal Doig/Upper Montney Play. Of the 23 (23.0 net) Montney/Doig horizontal wells drilled to date we have 15 (15.0 net) wells on production. Three drilling rigs are currently drilling on our Montney/Doig Natural Gas Resource Play, one rig is on a four-well pad and the other two rigs are drilling on three-well pads.

Birchcliff continues to aggressively delineate the Montney/Doig Natural Gas Resource Play both geographically and stratigraphically. With the expanded budget we are now planning two of the 38 horizontal wells to be drilled in new Montney layers on the play. To date, Birchcliff has concentrated on two Montney layers, the Basal Doig/Upper Montney layer and the Middle/Lower Montney layer. With success in new layers on the play, these new wells will add significant drilling opportunities as they are not included in the 2,330.3 net future locations or in our reserves and resources.

Additionally, this fall Birchcliff will be drilling its first Montney/Doig horizontal natural gas well in the Elmworth/Sinclair area. To date, Birchcliff has drilled three vertical stratigraphic tests on these lands and has proven the prospectivity of the Montney/Doig Natural Gas Resource Play in this area. The Elmworth/Sinclair area has seen significant recent industry activity including a number of successful Montney/Doig horizontal wells directly offsetting and on trend with our proposed Montney/Doig horizontal well.

PCS Gas Plant Phase IV Expansion

The Phase IV expansion of the PCS Gas Plant will bring processing capacity to 180 MMcf per day, from 150 MMcf per day, by adding additional compression and sales pipeline capacity. The estimated cost of the Phase IV expansion is approximately $11.6 million. The anticipated start-up date of the Phase IV expansion is September 2014. This project remains on schedule and on budget.

Worsley Charlie Lake Light Oil Resource Play

In the second quarter of 2014, Birchcliff's drilling activity on the Worsley Charlie Lake Light Oil Resource Play was limited due to spring break-up. In the second quarter, after break-up, we drilled 1 (1.0 net) Worsley Charlie Lake horizontal oil well. To date in 2014 we have successfully drilled 8 (8.0 net) Charlie Lake horizontal oil wells utilizing multi-stage fracture stimulation technology.

Our expanded budget for 2014 includes 11 (11.0 net) Charlie Lake horizontal light oil wells.

We have recently completed a significant facility optimization and infrastructure debottlenecking project in the northwest end of the Worsley field that will allow us to meet our exit production targets for this area and provide opportunity for growth in 2015.

With the continued positive response of the waterflood on our Worsley pool, we are expanding the waterflood area and are conducting the field operations necessary to convert two more wells to injectors and install the associated water injection infrastructure.

Halfway Light Oil Play

In the second quarter of 2014, Birchcliff drilled 1 (1.0 net) Halfway exploration horizontal light oil well, which is currently being completed.

Since the end of the second quarter, Birchcliff has drilled another 1 (0.5 net) Halfway exploration horizontal light oil well that was recently completed and will be brought on production soon.

SHAREHOLDER SUPPORT

We thank Mr. Seymour Schulich, our largest shareholder, for his leadership, unwavering commitment and his ongoing financial support. Mr. Schulich holds 40 million common shares representing 26.3% of the current issued and outstanding common shares. Recently, as the market tone turned from positive to negative, notwithstanding our excellent results, Mr. Schulich voiced his support to Birchcliff's staff. It is this kind of verbal moral support that keeps our staff motivated and focused on the execution of our business plan.

OUTLOOK

Exit production in 2014 is expected to be approximately 40,000 boe per day, setting us up for strong production in the first quarter of 2015. Our 2014 fourth quarter average production is expected to be approximately 38,000 boe per day. Annual average production for 2014 is expected to be approximately 34,000 boe per day, representing 32% growth over the 2013 annual average of 25,829 boe per day. Funds flow is expected to be approximately $331 million or $2.24 per common share.

Funds flow, together with the proceeds received from the exercise of warrants, is expected to fund the $100 million capital budget increase and not increase our debt. The increase in production without increasing debt will improve what is already a strong balance sheet as we move forward into 2015.

Birchcliff continues to be focused on improving capital efficiency. We are utilizing multi-well pad drilling on our Montney/Doig Natural Gas Resource Play to improve drilling and completion efficiencies and reduce the cost per well. The reduction in drilling and completion costs is significant. Further, pad drilling allowed us to drill continuously through spring break-up, which improves our capital efficiencies.

In the fourth quarter of 2014 we plan to drill new layers within our Montney/Doig Natural Gas Resource Play, which we expect will increase our potential future drilling locations, reserves and resources. Currently, we have up to 2,330.3 net future potential horizontal drilling locations on the Montney/Doig Natural Gas Resource Play. Birchcliff has now successfully drilled and cased 141 (140.9 net) Montney/Doig horizontal natural gas wells, utilizing the latest multi-stage fracture stimulation technology.

2015 Activity

We are currently planning for the further expansion of processing capacity at our PCS Gas Plant in 2015. The 2014 budget expansion includes seed capital for the modeling required to determine the size of the processing capacity expansion together with the number of wells required to be drilled to replace declines and fill the new processing capacity. The results of our planning will ultimately lead to our preliminary 2015 budget, which will be announced in fall of 2014. The expansion of processing capacity will allow Birchcliff to have material, low-cost, profitable production growth in 2015 and beyond.

2019 Five Year Plan

We are currently updating our 2018 Five Year Plan, which estimated exit production exceeding 61,000 boe per day in December of 2018. As a result of our excellent results and higher commodity prices, we are well ahead of meeting this target. Birchcliff expects to announce its 2019 Five Year Plan in the fall of 2014.

Conclusion

We are very pleased and excited with the current and future outlook for Birchcliff. Our production and opportunity portfolio continues to increase while our cost structure continues to decrease. To date in 2014, we have added a significant amount of contiguous land and additional drilling locations in the heart of our Pouce Coupe area on the Montney/Doig Natural Gas Resource Play, near our PCS Gas Plant and existing infrastructure.

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

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

With Respect,

(signed) "*A. Jeffery Tonken*"

A. Jeffery Tonken, President and Chief Executive Officer

ADVISORIES

Non-GAAP Measures*: This Press Release uses "funds flow", "funds flow from operations", "funds flow netback", "funds flow per common share", "netback", "operating netback", "estimated operating netback" and "operating margin", which do not have standardized meanings prescribed by generally accepted accounting principles ("****GAAP****") and therefore may not be comparable measures to other companies where similar terminology is used. Netback or operating netback denotes petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. Operating costs at the PCS Gas Plant are calculated on a production month basis. Estimated operating netback of the PCS Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly related to the PCS Gas Plant and the related wells and infrastructure, calculated on a production month basis. Funds flow, funds flow netback or funds flow from operations denotes cash flow from operating activities as it appears on the Corporation's Condensed Statements of Cash Flows before decommissioning expenditures and changes in non-cash working capital. Funds flow, funds flow netback or funds flow from operations is derived from net income plus income tax expense, depletion and depreciation expense, accretion expense, stock-based compensation expense, amortization of deferred financing fees and gains on divestitures. Funds flow per common share denotes funds flow divided by the weighted average number of common shares. Operating margin is calculated by dividing the estimated operating netback for the period by the petroleum and natural gas revenue for the period.*

Boe Conversions*: Barrel 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.*

Mcfe, MMcfe, Bcfe and Tcfe Conversions*: Thousands of cubic feet of gas equivalent ("****Mcfe****"), millions of cubic feet of gas equivalent ("****MMcfe****"), billions of cubic feet of gas equivalent ("****Bcfe****") and trillions of cubic feet of gas equivalent ("****Tcfe****") amounts have been calculated by using the conversion ratio of one barrel of oil (1 bbl) to six thousand cubic feet (6 Mcf) of natural gas. Mcfe, MMcfe, Bcfe and Tcfe amounts may be misleading, particularly if used in isolation. A conversion ratio of 1 bbl to 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

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", "estimated", "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 2014 exit, average fourth quarter and average annual production rates; estimated 2014 funds flow; planned 2014 capital spending and sources of funding; anticipated strong 2015 first quarter production; anticipated reduction of operating costs of a per unit basis; the intention to drill and complete future wells; an expansion of the PCS Gas Plant; and expected future reserves and resource additions.*

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. With respect to numbers of future wells to be drilled, a key assumption is that geological and other technical interpretations performed by the Corporation's technical staff, which indicate that commercially economic volumes can be recovered from the Corporation's lands as a result of drilling future *wells, are valid. Estimates as to 2014 exit production, average fourth quarter and average annual production rates assume that no unexpected outages occur in the infrastructure that the Corporation relies on to produce its wells, that existing wells continue to meet production expectations and future wells scheduled to come on production in 2014 meet timing and production expectations. Estimates of 2014 funds flow assume average annual production of 34,000 boe per day, an AECO natural gas price of $4.50 per GJ ($4.75 per Mcf) and WTI oil price of US$99.50 per bbl (Edmonton Par CDN$101.00 per bbl) for 2014 and 2014 annual basic weighted average common shares of 147,935,000.*

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 and resource estimates, operational risks, environmental risks, loss of market demand, general economic conditions affecting ability to access sufficient capital, changes in governmental regulation of the oil and gas industry and competition from others for scarce resources.

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.

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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