Bonterra Energy Corp. Announces First Quarter 2020 Results

CALGARY, May 12, 2020 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce its operating and financial results for the three months ended March 31, 2020. The related financial statements and notes, as well as management's discussion and analysis ("MD&A") for the period ended March 31, 2020 are available on SEDAR at www.sedar.com and on Bonterra's website at www.bonterraenergy.com.

HIGHLIGHTS

As at and for the three months ended ($000s except $ per share)		**March 31, 2020**	December 31, 2019	March 31, 2019
FINANCIAL				
Revenue – realized oil and gas sales		**38,555**	50,743	49,834
Funds flow [(1)]		**14,670**	23,055	24,363
Per share – basic and diluted		**0.44**	0.69	0.73
Dividend payout ratio		**7%**	4%	4%
Cash flow from operations		**22,473**	20,767	15,123
Per share – basic and diluted		**0.67**	0.62	0.45
Payout ratio		**4%**	5%	7%
Cash dividends per share		**0.03**	0.03	0.03
Net earnings (loss)		**(284,653)**	(1,389)	1,457
Per share – basic and diluted		**(8.53)**	(0.04)	0.04
Capital expenditures		**21,741**	5,678	21,062
Total assets		**743,533**	1,087,817	1,124,043
Working capital deficiency		**39,769**	19,745	30,139
Long-term debt		**260,919**	273,065	296,594
Shareholders' equity		**218,211**	503,949	484,980
OPERATIONS				
Oil	-bbl per day	**7,058**	7,255	7,081
	-average price ($ per bbl)	**49.67**	63.37	64.87
NGLs	-bbl per day	**999**	1,016	949
	-average price ($ per bbl)	**19.21**	24.39	31.40
Natural gas	-MCF per day	**23,864**	24,697	23,938
	-average price ($ per MCF)	**2.26**	2.71	2.70
Total barrels of oil equivalent per day (BOE)[(2)]		**12,034**	12,387	12,020

(1) Funds Flow is not a recognized measure under IFRS. For these purposes, the Company defines Funds Flow as funds provided by operations including proceeds from sale of investments and investment income received excluding the effects of changes in non-cash working capital items and decommissioning expenditures settled.

(2) BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Q1 2020 IN REVIEW

In the first quarter of 2020, the COVID-19 pandemic, and supply and demand imbalance stemming from OPEC+ policy changes, combined to create unforeseen challenges for the global oil and gas industry. Bonterra prudently managed operations through this period by quickly responding to protect balance sheet strength, identify cost efficiencies, and to preserve the value of its asset base by strategically managing production and assessing the impact of shutting in production. Consistent with this approach, the monthly dividend and the Company's capital program were suspended in April 2020 to defensively manage funds flow.

Crude oil and natural gas prices were negatively impacted by these macro-level events, which consequently had an adverse effect on the Company's net earnings for the first quarter of 2020 and resulted in a non-cash impairment provision of $331.7 million to Bonterra's oil and gas asset carrying values. Future positive revisions to forecast crude oil prices could result in a reversal to the non-cash impairment provision.

Q1 2020 HIGHLIGHTS

- Averaged 12,034 BOE per day of production in Q1 2020, consistent with the same period of 2019, reflecting minimal capital spending in Q4 2019 and the impact of approximately 525 BOE per day of shut-in production volumes due to low commodity prices.
- Generated funds flow[1] of $14.7 million in the quarter ($0.44 per share) which was directed to the Company's first quarter capital expenditure program.
- Reduced net debt by eight percent to $300.7 million at March 31, 2020 compared to the end of Q1 2019 attributable to the Company's bank debt reduction measures, while Bonterra's more active capital program in Q1 2020 increased net debt by three percent relative to year-end 2019.
- Invested approximately $21.7 million of capital expenditures, with $17.3 million directed to drilling eight gross (8.0 net) wells and completing and tying-in nine gross (9.0 net) wells, including three gross (3.0) net wells drilled in Q4 2019 and brought on production in Q1 2020, with an additional $4.4 million allocated primarily to infrastructure investments. One well was not completed due to the impact of commodity pricing, and one well was unsuccessful as a result of a drill bit lost downhole.
- Reinforced the financial resilience of the Company in response to the COVID-19 pandemic by suspending the monthly dividend and deferring further capital expenditures until market conditions improve.

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(1) *"Funds Flow" does not have a standardized meaning. See "Cautionary Statements" below.*

BONTERRA'S RESPONSE TO COVID-19

By mid-February, the global impact of COVID-19 was becoming clearer, and in the first half of March, OPEC+ changed its policy from one of restricting supply to one of increasing supply. These combined factors led to significant oil price declines and a general deterioration of global equity markets. The Company acted swiftly and chose to shut-in production volumes at the end of February, while also implementing measures to mitigate risks associated with the COVID-19 pandemic. Bonterra places the utmost priority on the health and safety of its employees, partners and other stakeholders, and took steps to facilitate a remote working environment and additional safety measures in the field.

In light of COVID-19 and OPEC+ contributing to a dramatic decrease in oil prices, the Company and Board reacted with the following timeline to these macro conditions:

- February 27 – commenced initial production shut-in;
- March 10 – announced capital spending reduction to $25 million, dividend suspension and additional shut-in production;
- April 1 – initiated an operating cost review and identified savings of approximately $1.5 million per month for the remainder of the year;
- April 21 – announced a refreshed board with nominations for Ms. Jacqueline Ricci and Mr. Jay Campbell;
- April 30 – announced extension of credit facility review and assessment of application for federal loan/guarantee programs;
- May 1 – implemented G&A savings measures of approximately 40 percent per month primarily related to reduced work weeks and compensation; and
- May 1 – submitted applications to oilfield service providers under the Site Rehabilitation Program.

As needed, the Company is prepared to take further action to optimize its business operations over the short and longer term, with the utmost priority remaining on the health and safety of its people. The impact of this pandemic has reinforced the importance of Bonterra's debt reduction strategy, flexible capital program, high-quality, light oil weighted Cardium assets and proven, long-term strategy.

Bonterra's operations are very flexible and allow the Company to respond quickly to a changing commodity price environment by shutting-in production at minimal cost, without the risk of long-term reservoir impairment. Given futures prices are higher than current prices, bringing new production on stream into the current market provides significantly less value than deferring production of those barrels into the future. As a result, Bonterra intends to shut-in approximately 2,630 BOE per day by May 1, 2020 and is prepared to shut-in further volumes should oil prices remain depressed in the near-term. Since the Company's production base is highly tolerant of temporary shut-ins, volumes can be rapidly restarted

once oil prices dictate.

To further mitigate the continued commodity price volatility and protect future cash flow during 2020, the Company entered into physical delivery sales and risk management contracts. In Q2 2020, Bonterra will receive between $59.50 to $70.25 per bbl on 2,000 bbls per day of crude oil. For the months of May and June, the Company will also receive between $18.75 to $19.25 per bbl on an additional 1,000 bbls per day of crude oil. In addition, for Q3 2020, on 500 bbls per day of crude oil Bonterra will receive $28.35 per bbl. In the warmer months of April 1, 2020 through October 31, 2020, Bonterra diversified its natural gas pricing by entering into a physical delivery sales contract on 5,000 GJs per day ranging between $1.55 to $1.64 per GJ.

OUTLOOK

Bonterra's syndicate of lenders has confirmed an extension to the Company's annual bank facility review and redetermination date to May 29, 2020 from April 28, 2020. This extension affords both the Company and its syndicate additional time to assess the ongoing impacts of COVID-19 and the resultant oil demand impact on current commodity pricing. The Federal Government has announced a support program intended to provide a liquidity backstop for certain types of credit facilities utilized by oil and gas companies, including Bonterra, which will be administered by the Export Development Bank of Canada ("EDC") and the Business Development Bank of Canada ("BDC"). It is expected that additional lending and credit capacity will be provided for those qualifying oil and gas producers who were deemed financially viable prior to the onset of the COVID-19 pandemic. Bonterra intends to pursue such support programs.

The Company expects its 2020 capital program to remain suspended until such a time when commodity prices are more supportive, and as such, has withdrawn previously communicated guidance for 2020. In the second quarter and latter half of 2020, the Company will assess existing production to determine whether further shut-ins may be required, or to facilitate a rapid ramp-up of volumes should pricing be supportive.

ANNUAL GENERAL & SPECIAL MEETING

Bonterra's Annual General & Special Meeting of shareholders (the "AGSM") will be held on Thursday, May 21, 2020, at 10:00 AM (Calgary time) within the Company's head office, located at Suite 901, 1015-4th Street S.W., Calgary, Alberta. In the interests of public safety and honouring restrictions on group gatherings given the COVID-19 pandemic, shareholders of Bonterra are strongly encouraged not to attend the AGSM in person, and instead, to vote in advance of the meeting by mail, telephone or internet as set out within Bonterra's management information circular and proxy materials which have been mailed to shareholders, filed on SEDAR at www.sedar.com and posted to the Company's website. A shareholder who chooses to attend the meeting in person will be required to verify share

ownership, complete a written confirmation that he or she has not travelled internationally within the preceding two-week period, and be questioned about potential symptoms of COVID-19. Further attendance controls may be added as public health advisories evolve.

While the AGSM will not be webcast, Bonterra intends to post an updated corporate presentation to its website concurrent with the meeting which outlines its current position and future potential. Bonterra's management team invites shareholders or other interested parties to contact the Company at any time subsequent to the AGSM with questions.

Bonterra Energy Corp. is a conventional oil and gas corporation with operations in Alberta, Saskatchewan and British Columbia, focused on its strategy of long-term, sustainable growth and value creation for shareholders. The Company's shares are listed on The Toronto Stock Exchange under the symbol "BNE".

Cautionary Statements

This summarized news release should not be considered a suitable source of information for readers who are unfamiliar with Bonterra Energy Corp. and should not be considered in any way as a substitute for reading the full report. For the full report, please go to www.bonterraenergy.com.

Use of Non-IFRS Financial Measures

Throughout this release the Company uses certain terms such as "Payout Ratio" and "Funds Flow" to analyze operating performance, which are not standardized measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These measures are commonly utilized in the oil and gas industry and are considered informative by management, shareholders and analysts. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies.

The Company calculates payout ratio by dividing cash dividends paid to shareholders by cash flow from operating activities, both of which are measures prescribed by IFRS which appear on our statements of cash flows. The Company defines Funds Flow as funds provided by operations excluding effects of changes in non-cash working capital items and commissioning expenditures settled.

Forward Looking Information

Certain statements contained in this release include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of

applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this release includes, but is not limited to: expected cash provided by continuing operations; cash dividends; future ARO; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; the impact of the COVID-19 pandemic; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived there from. Except as required by law, Bonterra disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

Frequently recurring terms

Bonterra uses the following frequently recurring terms in this press release: “WTI” refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States; “MSW Stream Index” or “Edmonton Par” refers to the mixed sweet blend that is the benchmark price for conventionally produced light sweet crude oil in Western Canada; “AECO” refers to Alberta Energy Company, a grade or heating content of natural gas used as

benchmark pricing in Alberta, Canada; “bbl” refers to barrel; “NGL” refers to Natural gas liquids; “MCF” refers to thousand cubic feet; “MMBTU” refers to million British Thermal Units; “GJ” refers to gigajoule; and “BOE” refers to barrels of oil equivalent. Disclosure provided herein in respect of a BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Numerical Amounts

The reporting and the functional currency of the Company is the Canadian dollar.

The TSX does not accept responsibility for the accuracy of this release.

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