Bonterra Energy Corp. Announces Fourth Quarter and Year End 2021 Results

CALGARY, AB, March 9, 2022 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce its operating and financial results for the year ended December 31, 2021. The related financial statements and notes, as well as management's discussion and analysis ("MD&A") for the year ended December 31, 2021 and annual information form ("AIF") as of December 31, 2021 are available on SEDAR at www.sedar.com and on Bonterra's website at www.bonterraenergy.com.

HIGHLIGHTS

As at and for the year ended ($000s except $ per share)		**December 31, 2021**	December 31, 2020	December 31, 2019
FINANCIAL				
Revenue – realized oil and gas sales		**251,616**	121,642	202,749
Funds flow[1]		**104,843**	27,789	96,261
Per share – basic		**3.11**	0.83	2.88
Per share – diluted		**3.02**	0.83	2.88
Dividend payout ratio		**0%**	4%	4%
Cash flow from operations		**96,103**	32,073	81,132
Per share – basic		**2.85**	0.96	2.43
Per share – diluted		**2.76**	0.96	2.43
Dividend payout ratio		**0%**	3%	5%
Cash dividends per share		**0.00**	0.03	0.12
Net earnings (loss)[2]		**179,299**	(306,889)	21,923
Per share – basic		**5.32**	(9.19)	0.66
Per share – diluted		**5.16**	(9.19)	0.66
Capital expenditures		**67,282**	43,728	53,627
Total assets		**945,721**	731,859	1,087,817
Net debt[3]		**267,179**	315,573	292,810
Bank debt		**162,945**	252,255	273,065
Shareholders' equity		**392,019**	196,633	503,949
OPERATIONS				
Light oil	-bbl per day	**7,204**	5,832	7,310
	-average price ($ per bbl)	**74.53**	44.31	66.34
NGLs	-bbl per day	**1,013**	1,032	986
	-average price ($ per bbl)	**43.86**	18.65	25.83
Conventional natural gas	-MCF per day	**27,176**	22,268	24,053
	-average price ($ per MCF)	**3.97**	2.46	1.87
Total barrels of oil equivalent per day (BOE)[4]		**12,747**	10,575	12,305

(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) In the first quarter of 2020 the Company recorded a $331,678,000 impairment provision less a $54,107,000 deferred income tax recovery related to its Alberta CGU's oil and gas assets due to the impact of COVID-19 effect on the forward benchmark prices for crude oil. With stronger forward prices in Q2 2021, the Company recorded a $203,197,000 impairment reversal on its Alberta CGU's oil and gas assets less $47,149,000 deferred income tax expense.

(3) Net debt is not a recognized measure under IFRS. The Company defines net debt as current liabilities less current assets plus long-term subordinated debt and subordinated debentures.

(4) 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.

FINANCIAL & OPERATING HIGHLIGHTS

- Averaged 12,747 BOE per day[1] of production in 2021, representing a 21 percent increase over 2020. Volumes in the fourth quarter averaged 13,810 BOE per day[2], an increase of 37 percent relative to the same period in 2020.
- Realized oil and gas sales increased 107 percent over 2020 to total $251.6 million in 2021, and increased 149 percent in Q4 2021 over the same period in 2020 with increases primarily driven by significantly higher realized prices and growing production volumes.
- Generated funds flow[3] of $104.8 million ($3.02 per fully diluted share) in 2021, a 277 percent increase over the $27.8 million ($0.83 per fully diluted share) generated in 2020, while funds flow[3] in Q4 2021 totaled $36.5 million ($1.03 per fully diluted share) or 1,252 percent higher than the same period in 2020.
- Generated funds flow[3] in excess of capital expenditures ("free funds flow"[3]) of $37.6 million in 2021, which is budgeted to grow to approximately $90 million in 2022 based on increased budgeted production, lower capital spending and a $70 WTI flat pricing assumption for the year.
- Realized average field netbacks[3] of $29.62 per BOE in 2021 and $34.46 per BOE in Q4 2021, representing increases of 106 percent and 142 percent over the comparative periods of 2020, respectively, with the increases primarily reflecting significantly higher per unit revenue offset by realized losses on risk management contracts and increased per unit royalty expenses.
- Invested $67.3 million in capital during 2021, $17.6 million of which was invested in the fourth quarter. Approximately $51.1 million was directed to drilling 37 gross (35.4 net) operated wells, with 35 gross (33.2 net) operated wells tied-in and placed on production during the year. Bonterra's operational performance drove a six percent improvement in per well drilling, completion, and equipping costs compared to 2020.
- Achieved a 35 percent reduction in bank debt at year end 2021 to $163 million, largely as a result of the Company's increased funds flow and improved and recapitalized debt structure, while net debt[3] at year end totaled $267 million, reflecting a 15 percent year-over-year decrease.
- Demonstrated the Company's ongoing focus on responsible environmental initiatives in 2021 by directing $4.5 million to the successful abandonment of 221 net wells, supported by the Alberta Site Rehabilitation Program, and issuing Bonterra's inaugural

environmental, social and governance ("ESG") report. For 2022, an additional 131 net wells with no further economic potential are targeted for abandonment.

YEAR IN REVIEW

Although COVID-19 and its variants continued to present challenges during 2021, Bonterra posted numerous key achievements during 2021. With a sound and consistent strategy, strong operational execution and a commitment to financial prudence, the Company successfully returned production to pre-COVID-19 levels, abandoned more than 221 net wells, renegotiated its bank credit facilities, substantially reduced outstanding bank debt year-over-year, and garnered clear support for Bonterra's strategy from its shareholders. With the combination of these efforts, and the continued strengthening of commodity prices, the Company has established a strong position from which to pursue the ongoing profitable development of its high-quality, light oil weighted asset base.

[1] 2021 volumes comprised of 7,204 bbl/d light and medium crude oil, 1,013 bbl/d NGLs and 27,176 mcf/d of conventional natural gas.
[2] Q4 2021 volumes comprised of 7,659 bbl/d light and medium crude oil, 1,105 bbl/d NGLs and 30,276 mcf/d of conventional natural gas.
[3] Non-IFRS measure. See advisories later in this press release.

The Company invested $67.3 million in capital during 2021, including $17.6 million in the fourth quarter, a portion of which was directed to drill six gross (6.0 net) operated wells. Those six wells were completed, equipped and brought on production during the first quarter of 2022. In total during the year, Bonterra was at the lower end of its annual capital expenditure budget, partially due to achieving a six percent reduction in per well drilling, completion, and equipping costs compared to the prior year, and deferring the completion of the six wells outlined above.

Of the total capital invested by the Company, 76 percent was allocated to drill 37 gross (35.4 net) operated wells along with the completion, equip, tie-in and placing on production of 35 gross (33.2 net) operated wells, four of which were drilled late in 2020. Approximately 24 percent was directed to related infrastructure, recompletions and non-operated capital programs. With these capital expenditures, Bonterra successfully returned 2021 production to pre-COVID-19 levels, which averaged 12,747 BOE per day, an increase of 21 percent over 2020, and averaged 13,810 BOE per day in the fourth quarter. Bonterra intends to continue investing capital for incremental growth initiatives to support increased free funds flow[4] generation that can be allocated to further reductions in outstanding bank debt and balance sheet improvements.

As prices improved through the latter half of 2021, Bonterra was able to take advantage of a stronger price environment, which in combination with the higher production volumes, contributed to the generation of $104.8 million of funds flow[4], and $37.6 million of free funds flow[4] during the year. In Q4 2021, Bonterra realized average oil prices of $85.04 per bbl, average NGL prices of $54.54 per bbl, and average natural gas prices of $4.93 per mcf. With stronger prices and higher revenues, the Company's Q4 2021 field and cash netbacks averaged $34.46 per BOE and $28.72 per BOE, respectively, increases of 142 percent and 901 percent, respectively, compared to the same period in the prior year.

Bonterra's commitment to responsibility was evident throughout 2021, and with support from the Alberta Site Rehabilitation Program, the Company successfully abandoned 221 net wells, 203 net pipeline segments and decommissioned 3 net battery sites. Bonterra plans to allocate between $4 million and $5 million in 2022 to abandon an additional 131 net wells, and by the end of the year, expects that its abandonment and reclamation activity will represent approximately 60 percent of all wells that have no further economic potential identified. Bonterra will continue to review its inactive well inventory to identify additional well bores that should be reactivated, repurposed, or abandoned.

OUTLOOK

As the Company's production volumes are above pre-COVID-19 levels, Bonterra is pleased to reaffirm its 2022 production guidance of 13,300 to 13,700 BOE per day based on a capital expenditure budget range of $55 million to $65 million. This would represent year-over-year production growth of 4 to 7 percent in 2022 and would be expected to generate an estimated $90 million of free funds flow[4] (assuming US$70 WTI price) and contribute to significantly improved leverage metrics by year end 2022.

[4] Non-IFRS measure. See advisories later in this press release.

To further support stability while facing continued market volatility, and as part of Bonterra's ongoing efforts to diversify commodity pricing and to protect future cash flows, the Company has executed physical delivery sales and risk management contracts to the end of 2022 on approximately 30 percent of its expected crude oil and natural gas production. For 2022, Bonterra has secured a WTI price between $48.00 USD to $92.10 USD per bbl on 2,460 bbls per day, with a WTI to Edmonton par differential average of approximately $6.00 on 1,663 bbls per day. In addition, the Company has secured a natural gas price between $2.00 to $4.15 on 11,301 GJ per day for the next twelve months.

Bonterra exited 2021 in a substantially stronger position to forge an exciting path forward. The Company's improved financial position and track record of operational execution support its commitment to long-term sustainability for shareholders. Having successfully navigated through 2020 and 2021 despite numerous internal and external challenges, today Bonterra benefits from stable and high-quality production, robust oil prices and enhanced netbacks.

These strategic advantages are expected to drive further reserves increases, continued generation of free funds flow, ongoing balance sheet strengthening in 2022 and an eventual return of capital to shareholders. In addition, the Company is integrating further ESG initiatives across the organization and looks forward to reporting on progress to shareholders going forward. Bonterra remains committed to employing local services, being a key economic contributor to rural and surrounding communities located within central Alberta, upholding a responsible abandonment and reclamation program, and maintaining rigorous safety measures.

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.

Non-IFRS and Other Financial Measures

Throughout this release the Company uses the terms "funds flow", "free funds flow", "net debt", "field netback" and "cash netback" to analyze operating performance, which are not standardized measures recognized under IFRS and do not have a standardized meaning 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 defines funds flow as funds provided by operations including proceeds from sale of investments and investment income received excluding effects of changes in non-cash working capital items and commissioning expenditures settled. Free funds flow is defined as funds flow less dividends paid to shareholders, capital and decommissioning expenditures settled. Net debt is defined as long-term subordinated debt and subordinated debentures plus working capital deficiency (current liabilities less current assets). Field netback is defined as revenue and realized risk management contract gain (loss) minus royalties and operating expenses divided by total BOEs for the period. Cash netback is defined as Field netback less interest expense and general and administrative expense divided by total BOEs for the period.

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; future asset retirement obligations; 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; cyber security; climate change; 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 or maintain its syndicated bank facility; 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” is the benchmark price for natural gas 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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