Bonterra Energy Corp. Announces Fully-Funded 2020 Budget, 2019 Reserves Information and 2019 Operational Highlights

CALGARY, Feb. 12, 2020 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") today announces that the Company's Board of Directors has approved an initial 2020 capital budget set at approximately $70 million, while also sharing key operational highlights from 2019, and providing the summary results of its independent reserve report (the "Sproule Report") prepared by Sproule Associates Limited ("Sproule") with an effective date of December 31, 2019.

Fully-Funded 2020 Budget and Guidance

Bonterra's 2020 capital budget incorporates a measured approach to address the continued volatility in crude oil prices. The crude market for WTI pricing has dropped approximately 20 percent in the last month, with some signs it could accelerate further as the Coronavirus continues to spread. As active measures to contain the virus are implemented, it is anticipated that prices may respond accordingly with signs of recovery. There have been encouraging developments regarding the potential for additional pipeline capacity in Canada, including Keystone XL, Trans Mountain and Enbridge Line 3 Replacement. The positive impact of such incremental transportation could contribute to the country's ability to receive a competitive price for crude oil over the longer term.

2020 Capital Budget

Bonterra's 2020 capital budget is designed to afford the Company greater flexibility around the execution of the capital program while prioritizing balance sheet protection, net debt reduction and the monthly amount of dividend payments. The planned budget structure will enable the Company to increase or decrease the level of spending on a monthly basis depending on the realized Canadian ("Edmonton Par") crude oil and natural gas pricing.

Bonterra intends to direct its 2020 budget to new wells primarily targeting the Cardium formation across the Company's Carnwood, Willesden Green and Rose Creek areas along with funds directed to facilities and pipelines, non-operated drilling and completion activities and a continued commitment to abandonments.

2020 Capital Budget Objectives:

- Invest in higher rate-of-return, lower-risk light oil opportunities within the Company's extensive drilling inventory;
- Maintain an all-in (capital plus dividends and abandonments) payout ratio of less than 100 percent of funds flow;
- Direct the pace of the capital program to maintain spending flexibility throughout the year and effectively respond to a shifting price environment; and

- Maintain financial flexibility to achieve longer-term growth in production, reserves and funds flow per share while generating positive returns for shareholders.

Annual average production volumes are expected to range between 12,300 and 12,600 BOE per day. In the context of ongoing volatility in commodity prices, Bonterra will review on a monthly basis and may elect to adjust the amount and timing of capital spending to ensure sustainability and a payout ratio of less than 100 percent of funds flow.

Through continuous deployment of a single drilling rig, Bonterra's 2020 capital program forecasts the allocation of approximately $65 million to drill, complete and tie-in ("DCT") 34.9 gross (29.9 net) wells, and approximately $5 million for infrastructure costs, for total capital expenditures forecast at $70 million. With this level of capital, Bonterra expects to maintain or achieve modest growth in annual average production volumes, which are forecast to range between 12,300 barrels of oil equivalent ("BOE") per day and 12,600 BOE per day, weighted 67 percent to light crude oil and natural gas liquids. The 2020 budget also features an increased target well abandonment program targeting 55 to 60 wells for between $1.5 and $2.0 million, representing more than twice the total number of wells budgeted to be drilled for the year, further supporting the Company's ongoing focus on responsible environmental, social and governance ("ESG") initiatives.

Based on the pricing and production assumptions for 2020 outlined below, Bonterra anticipates generating $86 million in corporate funds flow and incurring approximately $4 million in dividend payments for the year, resulting in Free Funds Flow or funds flow net of development capital expenditures, abandonment costs and dividends ("Free Funds Flow") of approximately 10 million[1]. Bonterra expects to direct Free Funds Flow to further reduce outstanding bank debt. Consistent with its strategy to deliver per share returns to shareholders, should commodity prices improve, the balance sheet strengthen and debt to funds flow ratios further decline, Bonterra may consider increasing the monthly dividend, expanding its growth capital program, or a combination of both.

Budget Summary

	2020 Budget
Canadian Realized Oil Pricing per Bbl [1]	$60
Average Daily Production (BOE per day)	12,300 – 12,600
Oil and NGL weighting	67%
Funds Flow (millions) [2]	$86
Capital Expenditures (millions)	$70
Dividends (millions)	$4
Free Funds Flow (millions) [1]	$10

Notes:

(1) *Canadian realized oil price is based on WTI US $53.44 per barrel; Edmonton par differential of $(6.00) per barrel; CAD/USD exchange rate of $0.75; and a quality differential of CAD $(3.25) per barrel.*

(2) *Funds Flow is estimated using the Canadian realized oil price above, a natural gas price of $2.20 per mcf; and an NGL price of CAD $30.00 per barrel.*

Bonterra will continue to regularly monitor changes to commodity prices and funds flow with the primary objective of directing funds flow to a prudent capital program, sustainable dividend and meaningful debt reduction. Bonterra's 2020 capital budget is designed to maximize Free Funds Flow in order to strengthen the balance sheet while returning capital to shareholders in the form of dividends[1]. The Company may elect to adjust the amount and timing of capital spending to ensure optimal returns while seeking to further reduce its debt levels. A commitment to sustainability and debt reduction will remain intact through 2020.

2019 Operational Highlights

During 2019, Bonterra invested approximately $54 million[2] in capital, directing approximately $45 million[2] to drilling 30 gross (23.7 net) wells, with 27 gross (20.7 net) wells tied-in and placed on production. The remaining three gross (3.0 net) wells commenced production in early Q1 2020. In addition, the Company spent approximately $9 million[2] towards infrastructure costs, while maintaining average daily production of 12,305 BOE per day[2,3], despite approximately 350 BOE per day of production being shut-in through the year related to facility maintenance and low natural gas prices. The Company returned approximately $4 million to shareholders in the form of dividends, achieving a capital plus dividend payout ratio[1] of 60 percent in 2019[2].

During 2019, Bonterra generated Free Funds Flow[1] of $36.1 million[2] which was directed to net debt reduction, having closed the year with net debt of $292.8 million[2], an 11 percent decrease from the $328.9 million of net debt at December 31, 2018. Cash flow after capital and dividend outlays continues to be prioritized for the enhancement of debt ratios.

(1) *"Free Funds Flow" and "Capital and Dividend Payout Ratio" do not have standardized meanings. See "Cautionary Statements" below.*
(2) *All 2019 financial amounts are unaudited. See advisories.*
(3) *Comprised of 67% light oil and natural gas liquids and 33% conventional natural gas.*

2019 Corporate Reserves Information

The following summarizes certain information contained in the Sproule Report. The Sproule Report was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Additional reserves information as required under NI 51-101 will be included in the Company's Annual Information Form which will be filed on SEDAR on or by March 10, 2020.

Reserve Report Highlights

- Total proved reserves increased by 0.9 million BOE to 81.5 million BOE (67 percent oil and liquids), while total proved plus probable ("P+P") reserves were maintained at 101.1 million BOE (67 percent oil and liquids).
- Total proved reserves per fully diluted share totaled 2.44 BOE, a 1.0 percent increase over 2.42 BOE in 2018, while P+P reserves per fully diluted share totaled 3.03 BOE compared to 3.04 BOE per share in 2018.
- Growth in total proved reserves before production of 5.4 million BOE resulted in production replacement of 120 percent.
- Total proved reserves represent 81 percent of total P+P reserves, compared to 80 percent in 2018, exemplifying the low-risk nature of Bonterra's asset base.
- Net present value of future net revenue discounted at 10 percent (before tax) ("NPV10 BT") for P+P reserves totaled $1.2 billion, while total proved reserves totaled $961.9 million and proved developed producing ("PDP") reserves totaled $586.4 million. The Company's PDP NPV10 BT was 38 percent higher than Bonterra's year end 2019 enterprise value (market capitalization plus net debt of $292.8 million).
- Generated finding and development ("F&D")[4,5] recycle ratios[4,5] of 1.85 times on a total proved basis and 1.45 times on a P+P basis, calculated based on the Company's estimated annual average field netback[4,5] of $26.45 per BOE (unaudited) divided by the F&D costs[4,5] (including future development capital ("FDC").
- Increased P+P, TP, and PDP reserve life indices ("RLI")[5] to approximately 23 years on a P+P basis, 19 years on a total proved basis, and nine years on a PDP basis (based on 2019 average production of 12,305 BOE per day), supporting Bonterra's ability to continue drilling and developing its attractive, Cardium oil focused asset base.

(4) *All 2019 financial amounts are unaudited. See advisories.*
(5) *"Finding and Development costs" or "F&D costs", "recycle ratio", "operating netback" and "reserve life index" do not have standardized meanings. See the table "Capital Program Efficiency" and "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" contained in this news release.*

Summary of Gross Oil and Gas Reserves as of December 31, 2019

	Light and Medium Oil (MBbl)	Solution Gas (MMcf)	Natural Gas (MMcf)	Natural Gas Liquids (MBbl)	Oil equivalent[4] (MBoe)	Future Development Capital ($000s)
Proved Developed Producing	22,227	69,928	5,616	3,319	38,136	76

Developed Non-producing	591	1,177	42	55	849	1,374
Undeveloped	23,891	72,637	12,945	4,398	42,552	638,193
Total Proved	**46,709**	**143,742**	**18,603**	**7,771**	**81,537**	**639,643**
Total Probable	11,165	34,109	4,872	1,878	19,540	12,006
Total P+P [1,2,3]	**57,874**	**177,851**	**23,475**	**9,649**	**101,077**	**651,650**

Notes:

(1) *Reserves have been presented on gross basis which are the Company's total working interest share before the deduction of any royalties and without including any royalty interests of the Company.*

(2) *Totals may not add due to rounding.*

(3) *Based on Sproule's December 31, 2019 escalated price deck.*

(4) *Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.*

Reconciliation of Company Gross Reserves by Principal Product Type as of December 31, 2019 [1,2]

	Light & Medium Oil		**Conventional Natural Gas**		**Natural Gas Liquids**		**Oil Equivalent**	
	Total Proved (MBbl)	Proved + Probable (MBbl)	Total Proved (MMcf)	Proved + Probable (MMcf)	Total Proved (MBbl)	Proved + Probable (MBbl)	Total Proved (MBoe)	Proved + Probable (MBoe)
Opening Balance, December 31, 2018	**47,885**	**60,067**	**153,973**	**193,380**	**7,086**	**8,928**	**80,634**	**101,225**
Extensions & Improved Recovery [2]	2,551	3,154	9,348	11,543	664	817	4,773	5,894
Technical Revisions	(375)	(2,034)	8,517	5,825	481	365	1,525	(698)
Discoveries	–	–	–	–	–	–	–	–
Acquisitions	–	–	–	–	–	–	–	–
Dispositions [3]	–	–	–	–	–	–	–	–
Economic Factors	(685)	(645)	(714)	(643)	(100)	(101)	(904)	(853)
Production	(2,668)	(2,668)	(8,779)	(8,779)	(360)	(360)	(4,491)	(4,491)
Closing Balance, December 31, 2019 [4]	**46,709**	**57,874**	**162,345**	**201,326**	**7,771**	**9,649**	**81,537**	**101,077**

Notes:

(1) *Gross Reserves means the Company's working interest reserves before calculation of royalties, and before consideration of the Company's royalty interests.*

(2) *Increases to Extensions & Improved Recovery include infill drilling and are the result of step-out locations drilled by Bonterra and other operators on and near Company-owned lands.*

(3) *Includes volumes associated with Farm outs.*

(4) *Totals may not add due to rounding.*

Summary of Net Present Values of Future Net Revenue as of December 31, 2019

($M)	**Net Present Value Before Income Taxes Discounted at (% per Year)**			
Reserves Category:	**0%**	**5%**	**10%**	**15%**
Proved Producing	789,954	727,746	586,445	485,957
Non-producing	17,432	13,466	10,627	8,593
Undeveloped	981,038	578,193	364,808	241,291
Total proved	**1,788,424**	**1,319,405**	**961,880**	**735,842**

Probable	731,254	402,609	266,354	196,077
Total proved plus probable [1,2,3]	**2,519,678**	**1,722,014**	**1,228,235**	**931,919**

Notes:

(1) *Evaluated by Sproule as at December 31, 2019. Net present value of future net revenue does not represent fair value of the reserves.*

(2) *Net present values equal net present value before income taxes based on Sproule's forecast prices and costs as of December 31, 2019. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material.*

(3) *Includes abandonment and reclamation costs as defined in NI 51-101.*

Commencing in 2019, Sproule began to include additional abandonment, decommissioning and reclamation obligations ("ADR") in the Company's reserves, resulting in a decrease of values compared to 2018. The Company previously reported certain Asset Restoration Obligations ("ARO") separately from those contained in the Company's December 31, 2018 evaluation in the Annual Information Form. This substantial change to the prior years' practices, which were consistent with the reporting of many other companies in the industry, was based on new Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") guidelines that recommend the inclusion of ADR costs associated with the Company's assets in the reserve report. This change incorporates costs for active and inactive wells, including producing wells, suspended wells, service wells and also gathering systems, facilities, and surface land reclamation for all of Bonterra's assets. Sproule's evaluation of Bonterra's NPV10 BT at December 31, 2019 (estimated before tax net present value of future net revenues associated with the Company's reserves, discounted at 10%) for ADR related to Proved plus Probable, Proved and Proved Developed Producing reserves was $23.6 million, $23.8 million, and $22.8 million, respectively, reflecting an increase of $17.6 million, $15.9 million, and $16.0 million compared to the ADR measures at year-end 2018.

F&D Costs, Finding, Development & Acquisition ("FD&A") Costs and Recycle Ratio [7]

Over the past three years, Bonterra has incurred the following FD&A[3] and F&D[3] costs both excluding and including FDC:

	Total Proved Reserves Net Additions				**P+P Reserves Net Additions**			
	2019	**2018**	**2017**	**3 Yr Avg** [5]	**2019**	**2018**	**2017**	**3 Yr Avg** [5]
FD&A Costs per BOE [1,2,3,4,5]								
Including FDC	$14.32	$12.82	$15.66	$14.41	$18.24	$14.33	$13.74	$14.89
Excluding FDC	$9.94	$11.40	$9.06	$10.04	$12.35	$12.70	$8.57	$10.65
F&D Costs per BOE [1,2,3,4,5]								
Including FDC	$14.32	$12.99	$16.93	$14.98	$18.24	$15.56	$15.13	$16.02
Excluding FDC	$9.94	$12.54	$9.46	$10.55	$12.35	$14.95	$9.16	$11.59

Recycle Ratio [2,6]								
F&D (including FDC)	1.9	2.1	1.7	1.9	1.5	1.9	2.0	1.8

Notes:

(1) *Barrels of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 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.*

(2) *All 2019 financial amounts are unaudited. See advisories.*

(3) *The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development capital generally will not reflect total finding and development costs related to reserve additions for that year.*

(4) T*he calculation of F&D and FD&A costs incorporates the change in FDC required to bring proved undeveloped and developed reserves into production. In all cases, the F&D or FD&A number is calculated by dividing the identified capital expenditures by the applicable reserves additions after changes in FDC costs.*

(5) *Three-year average is calculated using three-year total capital costs and reserve additions on both a total proved and P+P reserves on a weighted average basis.*

(6) *Recycle ratio is defined as field netback per BOE divided by F&D costs on a per boe basis. Field netback is a Non-IFRS Measure and calculated as revenue minus royalties, operating expenses and transportation expenses. Bonterra's operating netback in 2019, used in the above calculations, averaged $26.45 per BOE (unaudited).*

(7) *"FD&A Cost", "F&D Cost", and "Recycle Ratio" do not have standardized meanings and therefore may not be comparable with the calculation of similar measures for other entities. See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" in this news release.*

Bonterra Energy Corp. is a conventional oil and gas corporation with operations in Alberta, Saskatchewan and British Columbia, focused on its long-term model of generating sustainable growth plus a dividend. 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 the terms "funds flow", "capital plus dividend payout ratio", "free funds flow" 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 excluding effects of changes in non-cash working capital items and commissioning expenditures settled. Capital plus dividends payout ratio is calculated by dividing the sum of capital expenditures and cash dividends paid by funds flow. Free funds flow is defined as funds flow less dividends paid to shareholders, capital and decommissioning expenditures settled. We calculate cash netback by dividing various financial statement items as determined by IFRS by total production for the period on a barrel of oil equivalent basis.

Unaudited Financial Information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2019 are based on estimated unaudited financial results for the quarter and year then ended, and are subject to the same limitations as discussed under Forward Looking Information set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2019 and changes could be material.

Information Regarding Disclosure on Oil and Gas Reserves and Operational Information

All amounts in this news release are stated in Canadian dollars unless otherwise specified. Bonterra's oil and gas reserves statement for the year ended December 31, 2019, which will include complete disclosure of its oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within its Annual Information Form which will be available on Bonterra's SEDAR profile at www.sedar.com or on the Company's website on or before March 30, 2020. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties or subsets thereof, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The Company's belief that it will establish additional reserves over time with conversion of probable undeveloped reserves into proved reserves is a forward-looking statement and is based on certain assumptions and is subject to certain risks, as discussed below under the heading "Forward-Looking Information and Statements".

This press release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "finding and development costs", "finding and development recycle ratio", "finding, development and acquisition costs", and "operating netbacks". Each of these metrics are determined by Bonterra as specifically set forth in this news release. These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included to provide readers with additional information to evaluate the Company's performance however, such metrics should not be unduly relied upon for investment or other purposes. Management uses these metrics for its own performance measurements and to provide readers with measures to compare Bonterra's performance over time.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves additions for that year. Finding and development costs both including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on Bonterra's ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of its cost structure.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Bonterra's performance over time, however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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; 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.

SOURCE Bonterra Energy Corp.