Bonterra Energy Corp. Announces Third Quarter 2020 Results

CALGARY, AB, Nov. 9, 2020 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") today announces its operating and financial results for the three and nine month periods ended September 30, 2020. The related unaudited condensed financial statements and notes, as well as management's discussion and analysis ("MD&A"), are available on SEDAR at www.sedar.com and on Bonterra's website at www.bonterraenergy.com.

HIGHLIGHTS

		Three months ended		Nine months ended	
As at and for the periods ended ($ 000s except for $ per share and $ per BOE)		**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
FINANCIAL					
Revenue – realized oil and gas sales		**29,155**	47,320	**89,881**	152,006
Funds flow [1]		**6,266**	22,596	**25,121**	73,206
Per share – basic and diluted		**0.19**	0.68	**0.75**	2.19
Dividend payout ratio		**0%**	4%	**4%**	4%
Cash flow from operations		**6,370**	19,774	**33,272**	60,365
Per share – basic and diluted		**0.19**	0.59	**1.00**	1.81
Dividend payout ratio		**0%**	5%	**3%**	5%
Cash dividends per share		**0.00**	0.03	**0.03**	0.09
Net earnings (loss)[2]		**(5,211)**	(1,276)	**(295,818)**	23,312
Per share – basic and diluted		**(0.16)**	(0.04)	**(8.86)**	0.70
Capital expenditures		**2,819**	17,845	**24,664**	47,949
Total assets				**722,910**	1,133,137
Net debt[3]				**295,168**	308,069
Shareholders' equity				**207,325**	506,011
OPERATIONS					
Oil	– barrels per day	**5,355**	7,157	**5,987**	7,328
	– average price ($ per barrel)	**45.73**	65.49	**43.45**	67.33
NGLs	– barrels per day	**1,064**	1,009	**1,056**	976
	– average price ($ per barrel)	**19.29**	22.45	**16.78**	26.34
Natural gas	– MCF per day	**21,510**	23,820	**22,169**	23,836
	– average price ($ per MCF)	**2.40**	0.96	**2.27**	1.58
Total barrels of oil equivalent per day (BOE)[4]		**10,004**	12,136	**10,737**	12,277

(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 for the COVID-19 effect on the forward benchmark prices for crude oil.

(3) Net debt is comprised of current liabilities less current assets plus long-term bank debt.

(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.

Q3 2020 IN REVIEW

Global energy market volatility continued through Q3 2020 in response to the ongoing COVID-19 pandemic, and its impact on crude oil demand. Entering the third quarter, stability in benchmark crude oil prices was realized as economies around the world started to display signs of normalcy. Bonterra continued to respond swiftly and strategically to the challenging market environment through prudent production management, control of non-recurring corporate costs and enhancing operational efficiencies. In addition, the Company bolstered its risk management position and crude oil price diversification through a combination of physical delivery sales and risk management contracts, both affording downside protection balanced with exposure to future commodity price improvements.

Bonterra's oil and gas sales in the quarter increased 32 percent over the second quarter of 2020, owing to stronger realized pricing and relatively stable production volumes quarter-over-quarter. Funds flow[1] in Q3 2020 grew 47 percent over the preceding quarter, aided by higher revenue and ongoing cost control. Net debt as at September 30, 2020 was $295.2 million, a reduction of $4.3 million compared to June 30, 2020 due to the increase in cash flow with stronger commodity prices. Bonterra resumed a modest capital program during the third quarter, investing approximately $2.8 million allocated to the drilling of three gross (3.0 net) wells and other infrastructure costs.

The Company continued to apply for, and receive, the Canada Emergency Wage Subsidy ("CEWS") in the third quarter, which supported a decrease in employee compensation expense of $711,000 for the first nine months of 2020 compared to 2019. In addition, the Company submitted applications in partnership with vendors under Alberta's Site Rehabilitation Program ("SRP") and applied to similar programs in Saskatchewan and British Columbia for asset retirement relief. The funding will assist in reducing the Company's operated inactive well count by 58 percent over the next two years, and reducing its pre-SRP annual spending commitments under the Alberta Based Closure ("ABC") program from approximately $3.3 million to $2.0 million per year going forward.

Bonterra advanced critical steps for the approval of refinancing initiatives during Q3 2020, and subsequent to quarter-end, its lending syndicate approved the Export Development Canada ("EDC") and Business Development Bank of Canada ("BDC") programs and extended the revolving period of the Company's existing credit facility to November 13, 2020 from October 30, 2020. With this short-term extension, Bonterra and associated parties have the time needed to finalize documentation pertaining to BDC's second lien, non-revolving four-year term facility for $45 million (the "BDC Term Facility") and the reserve-based lending commitment from EDC of up to $38.4 million (the "EDC Commitment"). With consent from its lending syndicate, the Company commenced its expanded 2020 capital expenditure program in November 2020 in an amount up to $9 million as a draw on its existing credit facility while banking documentation related to the BDC Term Facility and EDC Commitment is finalized.

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

RESPONDING TO THE HOSTILE BID

Bonterra reiterates its recommendation that shareholders reject Obsidian Energy Ltd.'s ("Obsidian's") hostile bid for the Company's shares. Bonterra has already received notice that shareholders, including every member of the Bonterra Board and management team, representing more than 33 percent of the common shares outstanding, will not tender their common shares to the hostile bid. The Company continues to recommend shareholders reject the hostile bid and take no action.

Bonterra is proud of its established history of working within a challenging market environment to pursue long-term sustainability and value generation. With lending syndicate approval of the BDC Term Facility, the EDC Commitment, and the funding available through Alberta's Site Rehabilitation Program, the Company is positioned to continue generating sustained value for its stakeholders through initiatives focused on increasing asset value and reducing debt and asset retirement obligations.

Q3 2020 HIGHLIGHTS

- Averaged 10,004 BOE per day of production in Q3 2020 and 10,737 BOE per day in the first nine months of 2020, 18 percent and 13 percent lower than the same periods in 2019, respectively. Production volumes for Q3 2020 reflect the impact of no new wells being brought on-line since Q1 2020, partially offset by a reactivation of approximately 900 BOE per day that had been voluntarily shut-in.
- Realized oil and gas sales totaled $29.2 million in Q3 2020, a 32 percent increase over Q2 2020 due primarily to stronger crude oil and natural gas realized pricing.
- Generated funds flow[1] of $6.3 million in the quarter ($0.19 per share), a 47 percent increase over the preceding quarter, and $25.1 million ($0.75 per share) was generated in the first nine months of the year.
- Net debt was reduced to $295.2 million at quarter end, $12.9 million less than at September 30, 2019 and $4.3 million less than the previous quarter, reflecting the impact of operating cost reductions and the temporary suspension of the capital program and dividend payments.
- Continued to focus on incremental operating cost savings across the organization, with production costs declining to $12.3 million, 23 percent and four percent lower than Q3 2019 and Q2 2020, respectively, while production costs of $42.5 million for the nine months ended September 30, 2020 were 16 percent lower than the same period in 2019.
- Field netbacks averaged $14.96 per BOE in Q3 2020 and $14.45 per BOE in the nine months ended September 30, 2020, reflecting lower per unit revenue and lower realized gains on risk management contracts year-over-year, offset by lower royalty

expenses and production costs per BOE, compared to Q3 2019 and the nine months ended September 30, 2019.

[1] "Funds Flow" does not have a standardized meaning. See "Cautionary Statements" below.

OUTLOOK – POSITIONING FOR THE FUTURE

During the COVID-19 pandemic, Bonterra has remained committed to ensuring the health, safety and well-being of employees and contractors. Since the pandemic began in March, the Company has been actively pursuing initiatives designed to improve liquidity, safeguard its financial position while striving to improve operational and corporate efficiencies, including working collaboratively with suppliers and vendors to streamline costs from the field to the head office.

Having successfully secured the EDC and BDC programs, the Company resumed its winter capital program subsequent to the end of the quarter, which is expected to help bring Bonterra's production back to pre-COVID-19 levels. The Company intends to bring production on from four gross (4.0 net) wells that were drilled earlier in 2020, and drill, complete and tie-in an additional five gross (5.0 net) wells, all of which are also expected to be placed on production before year-end. Production volumes are expected to increase during the fourth quarter as incremental new wells are brought on-stream along with the planned reactivation of additional shut-in wells. These efforts are designed to further support the Company's ability to generate long-term, sustainable net asset value per share growth as the economy recovers.

Building on its existing risk management program, Bonterra has secured an average price of $47.17 per bbl on 1,832 bbls per day in Q4 2020, representing approximately one third of the Company's crude oil production. In addition, its natural gas pricing has been diversified for the remainder of 2020 and through the first ten months of 2021 by executing physical delivery sales contracts on 6,989 GJs per day in Q4 2020 and 3,000 GJs per day in the first ten months of 2021, ending October 31, 2021, at an average price of $2.64 per GJ and $2.79 per GJ, respectively.

Bonterra's improved liquidity profile, continued to focus on sustainability and adopted initiatives designed to generate free cash flow, that will assist the Company to withstand further market uncertainty. The Company remains committed to being a positive and meaningful contributor to the economic success of the communities where it operates in central Alberta, by employing local services and to upholding stringent safety measures to ensure the health and well-being of its employees, contractors and partners.

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 decommissioning 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 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; 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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