# Bonterra Energy Corp. Announces 2019 Operational and Financial Budget and Operations Update for 2018

CALGARY, Jan. 10, 2019 /CNW/ - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce the Company's Board of Directors has approved an initial 2019 capital budget range of $57 to $77 million, which will ultimately be dependent on Canadian realized pricing per BOE. This capital program represents a continuous single rig drilling program and associated facility capital. Bonterra's strategic objectives associated with the 2019 capital budget are consistent with the Company's long-term objectives of achieving disciplined per share growth in combination with maintaining financial flexibility while paying a sustainable dividend.

Bonterra's 2019 capital budget incorporates a measured approach to address the volatility in the crude oil price and oil price differential environments. Canadian crude oil price differentials have been positively impacted by the Alberta Government's recent announcement that 325,000 barrels per day of Alberta crude oil production would be curtailed effective January 1, 2019 to help reduce the excess crude in storage, as well as their intention to purchase rail cars to transport additional barrels of crude oil out of the province. While these actions are expected to have a positive impact over the near-term, Canada still requires additional pipeline capacity such as: Keystone XL, Trans Mountain and Enbridge Line 3 Replacement to ensure a fair price is received for the country's crude oil over the longer term.

The Company remains committed to focusing on sustainability and debt reduction for the remainder of 2019 and will continue to monitor the effect of the production curtailments, progress of additional pipelines and commodity prices to determine if adjustments to its capital spending program for 2019 may be warranted.

**2019 Capital Budget**

Bonterra's disciplined capital budget is designed to afford the Company greater flexibility to execute the capital program while prioritizing protection of the balance sheet, reduction of net debt and maintenance of the current dividend. The Company's capital budget anticipates that during the first quarter of 2019, nine gross (9.0 net) wells will be drilled, and six gross (6.0 net) completed and brought on production in the period. 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 pricing environment.

Bonterra intends to direct the 2019 budget to new wells primarily targeting the Pembina Cardium across the Company's Carnwood and Rose Creek areas along with funds directed to facilities and pipelines, non-operated drilling and completion activities and abandonments.

**2019 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) 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 changing price environment; and
- Maintain financial flexibility to achieve longer-term growth in production, reserves and funds flow per share while generating positive returns to shareholders.

Annual average production volumes are expected to range between 12,600 and 13,200 BOE per day, with a 2019 forecast exit rate range of 13,000 and 14,000 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.

**2019 Budget and Guidance Summary**

| | 2019 Budget |
|---|---|
| Canadian Realized Pricing per BOE (1) | $50.00 to $60.00 |
| Average Daily Production (BOE per day) | 12,600 – 13,200 |
| Oil and NGL weighting | 69% |
| Exit Production (BOE per day) | 13,000 – 14,000 |
| Funds Flow (millions) | $69 - $101 |
| Per share (fully diluted) | $2.07 - $3.02 |
| Capital Expenditures (millions) | $57 to $77 |
| Dividends (millions) | $4 |
| Free Funds Flow (millions) | $8 - $20 |

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|---|---|
| Total Payout Ratio (capital and dividend) | 92% - 80% |

(1) Canadian realized oil price is based on WTI US $50 per barrel to WTI US $56 per barrel; Edmonton par differential of $9.00 per barrel; CAD/USD exchange rate of $0.75; Natural gas price of $1.46 per mcf; NGL price of CAD $32 per barrel; and a quality differential of CAD $3.25 per barrel.

**Operational Highlights for 2018**

- The Company has a significant economic drilling inventory of approximately 700 identified low-risk Pembina Cardium locations;
- The Company owns and controls the majority of its infrastructure and operates approximately 89 percent of its corporate production;
- Average production volumes for full year 2018 are expected to be approximately 13,200 BOE per day;
- Net debt at year end 2018 is expected to approximate net debt at the end of 2017. Year over year reduction in projected net debt did not occur due to significant widening of light oil differentials that reached up to US$30 per barrel in Q4 2018 compared to US$6 to US$7 per barrel in Q3 2018; and
- A significant erosion in Canadian realized oil pricing from Q3 to Q4 2018 led the Company to prudently reduce the monthly dividend payment from $0.10 to $0.01 per common share.

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 "payout ratio" 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 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. 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.

**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 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.

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