Bonterra Energy Corp. Announces Year End 2018 Results

CALGARY, March 12, 2019 /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, 2018. The related financial statements and notes, as well as management's discussion and analysis ("MD&A") for the year ended December 31, 2018 and annual information form ("AIF") as of December 31, 2018 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, 2018**	December 31, 2017		December 31, 2016
FINANCIAL					
Revenue - realized oil and gas sales		**223,388**	202,566		169,863
Funds flow [1]		**107,251**	102,444		96,305
Per share - basic and diluted		**3.22**	3.08		2.90
Dividend payout ratio		**34%**	39%		41%
Cash flow from operations		**115,963**	103,873		75,294
Per share - basic and diluted		**3.48**	3.12		2.26
Dividend payout ratio		**32%**	38%		53%
Cash dividends per share		**1.11**	1.20		1.20
Net earnings (loss)		**7,167**	2,506		(24,135)
Per share - basic and diluted		**0.22**	0.08		(0.73)
Capital expenditures		**78,737**	82,441		40,797
Disposition		-	56,752	[2]	-
Total assets		**1,103,833**	1,125,551		1,147,834
Working capital deficiency		**30,281**	27,790		24,921
Long-term debt		**298,660**	292,212		329,204
Shareholders' equity		**483,970**	510,260		543,824
OPERATIONS					
Oil	-bbl per day	**8,119**	7,907		7,942
	-average price ($ per bbl)	**65.51**	59.30		49.46
NGLs	-bbl per day	**995**	905		894
	-average price ($ per bbl)	**40.32**	31.47		19.93
Natural gas	-MCF per day	**24,549**	24,087		22,888
	-average price ($ per MCF)	**1.63**	2.40		2.34
Total barrels of oil equivalent per day (BOE)[3]		**13,206**	12,827		12,650

(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) For 2017, includes the disposition of a two percent overriding royalty interest on the total production from the Company's Pembina Cardium pool that closed December 20, 2017 and was effective January 1, 2018. Consideration consisted of $52 million of cash and incremental Cardium assets valued at $4.7 million which is included in capital expenditures (refer to Note 5 of the December 31, 2017 audited annual financial statements).

(3) 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.

2018 IN REVIEW

Bonterra is pleased to report its financial and operational results for the year ended December 31, 2018. Through the year, the Company continued to focus on sustainability while prudently investing capital at a pace designed to enhance funds flow and grow reserves and production on a per share basis. In 2018, Bonterra achieved record average annual production of 13,206 BOE per day for the year, three percent higher than in 2017, on a capital expenditure budget that was four percent lower than the prior year. This conservative and disciplined strategy, combined with a supportive global oil price environment for the first nine months of the year, enabled the Company to generate solid funds flow supported by its oil-weighted asset base.

2018 Highlights

- Achieved record average annual production of 13,206 BOE per day, in-line with guidance and three percent higher than 2017 volumes of 12,827 BOE per day due to a successful drilling and well reactivation program in the Pembina Cardium area weighted to the first quarter, supported by the Company's low corporate decline rate of approximately 22 percent.

- Generated annual funds flow of $107.3 million ($3.22 per share) compared to $102.4 million ($3.08 per share) in the same period in 2017 due to higher production volumes and stronger realized prices.

- Derived 94 percent of 2018 revenue from oil and natural gas liquids ("NGLs"), as the average realized price for crude oil was $65.51 per bbl and $40.32 per bbl for NGLs.

- Drilled, completed, equipped and tied-in 27 gross (26.9 net) operated and seven gross (1.1 net) non-operated horizontal wells in the light oil Pembina Cardium pool, with a 100 percent drilling success rate, which contributed to strong volumes in 2018.

- Invested $78.7 million in net capital expenditures, or four percent less than in 2017, of which $65 million was directed to drill, complete and tie-in new wells, $10 million on infrastructure, recompletions and other capital expenditures and $3.7 million was allocated to mineral rights and the purchase of incremental Cardium oil and gas assets.

- Bonterra's commitment to delivering strong operational execution continued through 2018, demonstrated by the following:

    - Two percent higher cash netbacks in 2018 of $22.24 per BOE compared to $21.85 per BOE in 2017;

    - Reduced all-in costs (royalties, operating costs, general and administrative and interest) by 19 percent to $21.67 per BOE in Q4 compared to $26.87 per BOE in Q3;

    - Q4 2018 production costs per BOE of $14.23 was lower by 13 percent compared to Q3 2018. The decrease was primarily in response to extremely low commodity prices as the Company decreased maintenance programs; and

    - Realized a seven percent higher price per BOE which averaged $46.34 in 2018 compared to $43.29 in 2017.

- Paid out $1.11 per share in cash dividends to shareholders in 2018, resulting in a payout ratio of 34 percent of funds flow.

- Increased proved plus probable ("P+P") reserves by one percent to 101.2 mmboe (68 percent oil and liquids) and grew P+P reserves on a fully diluted per share basis to 3.04 BOE per share, an increase of one percent compared to 3.00 BOE per share in 2017.

Through the first ten months of 2018, benchmark prices for crude oil and NGLs strengthened, and in concert with higher production volumes, contributed to the strongest funds flow Bonterra has achieved in the past three years, totaling $107.3 million or $3.22 per share (basic and diluted) in 2018. During the fourth quarter of 2018, an oversupply of Canadian crude oil inventory caused by a lack of pipeline capacity caused the Canadian / US oil differential to rapidly widen and reach unprecedented levels near US$35.00 per bbl in December. In an effort to alleviate the severe discount on Canadian crude, the Government of Alberta implemented mandatory oil production cuts for operators effective January 1, 2019, with the first 10,000 bbls per day being exempt. Since the Company's oil production is below the exemption, the required cuts are expected to have a minimal impact on overall production.

In order to prudently manage bank debt during the oil price erosion in Q4 2018, the Company adjusted its monthly dividend to $0.01 per common share. To date in the first quarter of 2019, Alberta's mandated curtailment has contributed to a narrowing of Canadian light, sweet crude oil differentials back to normalized ranges and the improved prices are expected to positively support Bonterra's realized oil prices in the first quarter. The Company will continue to regularly monitor commodity price changes and funds flow, with the view to adjusting dividend levels and capital expenditures as appropriate.

Bonterra also posted growth in production and reserves on a per share basis in 2018. Relative to 2017, production per share grew three percent in 2018, while P+P) reserves per fully diluted share totaled 3.04 BOE compared to 3.00 BOE per share, a one percent increase. Total proved reserves per fully diluted share totaled 2.42 BOE, a three percent increase over 2.36 BOE in 2017. These achievements contribute to the Company's sustainability as Bonterra delivered growth per share, while funding a targeted capital expenditure program and paying a monthly dividend.

The Company exited 2018 with an inventory of over 700 net identified undrilled, economic Cardium horizontal locations, which represents an estimated 21 years of development based on current production levels. With approximately one third of its undrilled identified well locations for the Pembina and Willesden Green Cardium included in its year end 2018 reserves evaluation, Bonterra continues to be well positioned to capture further upside as commodity prices increase.

Outlook

Bonterra's 2019 capital budget of $57 to $77 million is intended to maintain a balance between funds flow and capital spending with any excess cash used to reduce debt. Annual production volumes in 2019 are estimated to be in the range of 12,600 to 13,200 BOE per day, of which approximately 69 percent would be sweet crude oil and NGLs, with a forecast exit rate between 13,000 and 14,000 BOE per day.

Bonterra intends to continue focusing financial discipline and cost control, including taking steps to further reduce debt levels relative to peers and strengthening its balance sheet. With one of the lowest annual production decline rates and one of the largest inventory of economic undrilled locations, the Company is well positioned to continue returning capital to shareholders in the form of dividends while focusing on measured per share growth in cash flow, production and reserves.

Year End Filings

Bonterra has also filed its Annual Information Form ("AIF") today on SEDAR. Selected financial and operational information is outlined above and should be read in conjunction with the Financial Statements, which were prepared in accordance with IFRS, and the related MD&A. The AIF includes information pursuant to the requirements of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") of the Canadian Securities Administrators relating to reserves data and other oil and gas information. The AIF, Financial Statements, and related MD&A can be accessed either on Bonterra's website at www.bonterraenergy.com or under the Company's profile on SEDAR at www.sedar.com.

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.

Drilling Locations

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations, which are sometimes collectively referred to as "booked locations", are derived from the independent reserves evaluation prepared by Sproule Associates Ltd. as of December 31, 2018 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on Bonterra's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the 700 net drilling locations identified herein, 294 are proved locations, 4 are probable locations and 402 are unbooked locations. Unbooked locations have been identified by management as an estimation based on industry practice and internal review of our multi-year drilling activities, which include an evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Bonterra will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production. No locations have been assigned resources other than reserves ("ROTR"). All drilling counts cited herein are net.

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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