

Bonterra Energy Corp. Announces Second Quarter 2019 Financial and Operational Results

CALGARY, Aug. 7, 2019 /CNW/ - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce its operating and financial results as at and for the three and six months ended June 30, 2019. 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

As at and for the periods ended (\$ 000s except for \$ per share and \$ per BOE)	Three months ended		Six months ended		
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
FINANCIAL					
Revenue - realized oil and gas sales	54,852	67,458	104,686	124,583	
Funds flow ⁽¹⁾	26,247	37,642	50,610	65,601	
Per share - basic and diluted	0.79	1.13	1.52	1.97	
Dividend payout ratio	4%	27%	4%	30%	
Cash flow from operations	25,468	31,908	40,591	61,785	
Per share - basic and diluted	0.76	0.96	1.22	1.85	
Dividend payout ratio	4%	31%	5%	32%	
Cash dividends per share	0.03	0.30	0.06	0.60	
Net earnings	23,131	8,925	24,588	12,320	
Per share - basic and diluted	0.69	0.27	0.74	0.37	
Capital expenditures, net of dispositions	9,042	18,970	30,104	55,138	
Total assets			1,123,513	1,147,501	
Working capital deficiency			22,238	27,069	
Long-term debt			288,545	303,413	
Shareholders' equity			507,659	503,979	
OPERATIONS					
Oil	-barrels per day	7,746	8,743	7,416	8,391
	-average price (\$ per barrel)	71.27	76.51	68.23	72.35
NGLs	-barrels per day	970	984	960	942
	-average price (\$ per barrel)	25.53	43.69	28.41	41.32
Natural gas	- MCF per day	23,750	25,317	23,843	25,011
	- average price (\$ per MCF)	1.09	1.16	1.89	1.69
Total barrels of oil equivalent per day (BOE) ⁽²⁾		12,674	13,946	12,349	13,501

(1) Funds flow is not a recognized measure under IFRS. For these purposes, the Company defines funds flow as funds provided by operations including investment income received, excluding the effects of changes in non-cash working capital items and decommissioning expenditures settled.

(2) 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.

Throughout the second quarter of 2019, Bonterra continued to focus on both its debt reduction strategy and the further development of its high-quality, light oil-weighted assets that are concentrated in Alberta's Pembina and Willesden Green Cardium areas and feature a low annual production decline rate of approximately 20 percent.

At June 30, 2019, Bonterra successfully reduced its net debt by six percent, or \$18.2 million, compared to December 31, 2018.

Through the first six months of 2019, Bonterra drilled 14 gross (13.1 net) horizontal wells, completed 13 gross (12.1 net) wells, and tied-in 13 gross (12.1 net) wells, supporting average second quarter production volumes of 12,674 BOE per day, a five percent increase over Q1 2019. The Company benefitted from an improved commodity price environment in Q2 and has applied strategies to manage cash flows in Q3 and Q4 2019 using physical delivery sales and risk management contracts, which will help to reduce the impact of highly volatile market pricing.

Q2 2019 Highlights

- Decreased net debt to \$310.8 million as at June 30, 2019, representing a six percent, or \$18.2 million reduction compared to \$328.9 million at December 31, 2018, and a \$16 million reduction compared to \$326.7 at March 31, 2019. Bonterra's focus is to effectively manage and reduce its bank debt during this period of volatile commodity prices.
- Generated funds flow of \$26.2 million (\$0.79 per share) in Q2 2019, a seven percent increase from \$24.4 million (\$0.73 per share) in Q1 2019, and lower than Q2 2018 funds flow of \$37.6 million (\$1.13 per share) due to lower commodity prices in Q2 of the current year.
- Invested approximately \$27.2 million in net capital expenditures for the six months ended June 30, 2019 to drill 14 gross (13.1 net) horizontal wells, complete 13 gross (12.1 net) wells and tie-in 13 gross (12.1 net) wells, with the remaining well being placed on production in July 2019. An additional \$2.9 million was spent on related infrastructure costs, recompletions and other capital expenditures.
- Recorded net earnings of \$23.1 million in the quarter, a 159 percent, or \$14.2 million increase over the same period in 2018, with the change resulting primarily from a deferred income tax recovery related to the decrease in Alberta's corporate income tax rate.
- Averaged 12,674 BOE per day of production in Q2 2019, a quarter-over-quarter increase of 654 BOE per day, and approximately nine percent lower than the 13,946 BOE per day during the same period in 2018. The year-over-year reduction is due to reduced capital spending from using one drilling rig in 2019, compared to two drilling rigs for the comparable period in 2018, leading to fewer wells coming on line. The decrease was further inflated by shut-in production throughout the period because of a downstream third-party pipeline failure, early spring freeze offs, and pressure issues from new wells backing out existing wells. Many of these issues have been resolved with warmer weather, completion of third-party repairs and maintenance programs, and added infrastructure to boost compression.

- Bonterra's field netbacks increased to \$28.63 per BOE from \$27.51 per BOE in Q1 2019 due to higher gross production revenue and reduced royalties.
- Declared and paid out \$0.03 per share in cash dividends to shareholders in the second quarter, resulting in \$0.06 per share in cash dividends for the six months ended June 30, 2019, and a payout ratio of five percent of funds flow.

Since the beginning of 2019, oil and gas producers have benefitted from increasing crude oil prices as the differential for Canadian sweet crude oil has narrowed significantly following the Government of Alberta's mandated curtailment which took effect in January 2019. For the second quarter of 2019, Bonterra's average realized oil price was \$71.27 per bbl, an increase of 10 percent over \$64.87 per bbl realized in Q1 2019, and 83 percent higher than \$38.96 per bbl in Q4 2018. The Company will continue to regularly monitor commodity price changes and funds flow with the primary objective of reducing debt and as appropriate, adjusting capital expenditures and ensuring the dividend remains at a sustainable level.

On May 21, 2019, the Company's syndicate of Canadian financial institutions renewed its borrowing base, and in concert with Bonterra's management and Board of Directors determined that amending the credit facilities would better reflect the Company's current operating needs and strategy. The amended credit facilities of \$340 million are comprised of a \$300 million syndicated revolving credit facility and a \$40 million non-syndicated revolving credit facility with the addition of an accordion feature to allow the Company to obtain future funding of up to \$40 million for opportunities outside of normal operations, such as acquisitions. At June 30, 2019, Bonterra was drawn \$288.5 million on the Company's \$340 million credit facility.

Outlook

Bonterra's original 2019 capital budget of \$57 to \$77 million remains intact and is expected to be near the low range of guidance. The capital budget is designed to maintain an appropriate balance between funds flow and capital spending, with the ability to direct any excess cash to strengthening the balance sheet. Capital will continue to be prudently allocated to those opportunities offering the highest returns. Average annual production volumes in 2019 are forecast to be at the low end of the guidance range of 12,600 to 13,200 BOE per day, of which approximately 62 percent would be sweet crude oil.

Financial discipline and cost control continue to be priorities for Bonterra, and the Company will focus on further debt reduction to strengthen its balance sheet. In the interests of mitigating volatility and to partially protect funds flow in Q3 and Q4 of 2019, the Company has entered into physical delivery sales and risk management contracts to receive an average MSW price on crude oil between C\$65.00 and C\$77.35 per bbl for a portion of production until December 31, 2019. Bonterra will continue to evaluate opportunities to secure prices for both WTI and light sweet oil differentials.

Bonterra Energy Corp. is a conventional oil and gas corporation with operations in Alberta, Saskatchewan and British Columbia. 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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<http://bonterraenergy.mediaroom.com/2019-08-07-Bonterra-Energy-Corp-Announces-Second-Quarter-2019-Financial-and-Operational-Results>