Bonterra Energy Corp. Announces Second Quarter 2016 Results

CALGARY, ALBERTA--(Marketwired - Aug. 10, 2016) - Bonterra Energy Corp. ("Bonterra" or "the Company") (TSX:BNE) is pleased to announce its operating and financial results for the three and six months ended June 30, 2016. The related unaudited condensed financial statements and notes, as well as management's discussion and analysis (MD&A), are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on Bonterra's website at www.bonterraenergy.com.

HIGHLIGHTS

		Three months ended		Six months ended	
As at and for the periods ended ($ 000s except for $ per share and $ per BOE)		**June 30, 2016**	June 30, 2015	**June 30, 2016**	June 30, 2015
FINANCIAL					
Revenue - realized oil and gas sales [1]		**41,150**	57,921	**74,660**	100,401
Funds flow [1][2]		**29,765**	43,058	**46,137**	65,148
Per share - basic and diluted		**0.90**	1.34	**1.39**	2.03
Dividend payout ratio		**33 %**	34 %	**43 %**	52 %
Cash flow from operations		**13,392**	17,960	**24,538**	44,039
Per share - basic and diluted		**0.40**	0.56	**0.74**	1.37
Dividend payout ratio		**75 %**	81 %	**81 %**	77 %
Cash dividends per share		**0.30**	0.45	**0.60**	1.05
Net loss		**(5,582)**	(2,711)	**(17,137)**	(4,646)
Per share - basic and diluted		**(0.17)**	(0.08)	**(0.52)**	(0.14)
Corporate netback per BOE [3][4]		**18.76**	30.22	**14.62**	25.63
Capital expenditures, net of dispositions		**9,420**	13,952	**11,103**	35,712
Acquisition [5]		**-**	153,230	**-**	170,430
Total assets				**1,169,782**	1,225,291
Working capital deficiency				**18,429**	27,558
Long-term debt				**336,923**	361,430
Shareholders' equity				**564,075**	599,911
OPERATIONS					
Oil	- barrels per day	**7,780**	8,823	**8,052**	8,478
	- average price ($ per barrel)	**51.64**	64.27	**44.24**	56.85
NGLs	- barrels per day	**877**	677	**861**	734
	- average price ($ per barrel)	**20.79**	21.35	**17.81**	21.89
Natural gas	- MCF per day	**21,771**	19,452	**22,022**	19,580
	- average price ($ per MCF)	**1.48**	2.83	**1.75**	2.90
Total barrels of oil equivalent per day (BOE) (3)		**12,285**	12,743	**12,584**	12,475

(1) Three and six month figures for 2015 include the results of a purchase (the acquisition) of primarily Pembina Cardium oil and gas assets (Pembina Assets) for the period of April 15, 2015 to June 30, 2015. For the six months ended June 30, 2015 production includes 76 days for Pembina Assets and 182 days for Bonterra

(2) 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.

(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.

(4) Corporate cash netback is not a recognized measure under IFRS. For these purposes, the Company defines corporate 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.

For 2015, includes the Acquisition that closed April 15, 2015 for $170,430,000 (a deposit of $17,200,000

(5) was paid in Q1 2015)

During the second quarter of 2016, Bonterra remained focused on the continued execution of its long-term strategy, including ensuring funds flow remains greater than the combination of capital spending and dividends paid. Due to rising oil prices during the period, Bonterra's average Canadian dollar realized price per BOE increased 29 percent quarter over quarter, along with a 75 percent increase in corporate cash netbacks over the same period. Funds flow for the second quarter of 2016 increased 82 percent due to higher cash netbacks and the sale of investments compared to the first quarter 2016.

Production in the second quarter averaged 12,285 BOE per day, which reflects the impact of delays in drilling and completing wells in the second quarter due to a prolonged spring break -up and a lower level of capital spending through the first quarter resulting in only two new wells being brought on production in Q2. For the first six months of 2016, Bonterra averaged 12,584 BOE per day, which is in-line with the Company's annual guidance of 12,500 BOE per day and comparable to the first six months of 2015.

Bonterra increased its capital spending through the second quarter in response to a strengthening benchmark oil price. The Company invested $9.4 million to activities that included the completion and tie-in of two gross (2.0 net) wells drilled in the first quarter, and the drilling of four gross (3.3 net) wells, which were completed and tied-in early in the third quarter. Bonterra also increased its well maintenance program during the period and in early July, approximately half of the 1,100 BOE per day that was shut-in or in need of repair during the first six months of 2016 was successfully reactivated following an improvement in weather conditions and the removal of a portion of previously imposed pipeline restrictions. These improvements, coupled with the combination of new wells coming on, increased Bonterra's production to over 13,000 BOE per day early in the third quarter. The Company constantly monitors and assesses the impact of WTI oil prices and will continue to adjust its capital investment decisions on a monthly basis in response to changing prices.

Bonterra's focus on cost control continued through the second quarter with the Company achieving all-in cash costs per BOE of $18.76. Second quarter 2016 production costs improved three percent relative to the same quarter in 2015 due to field optimizations, more efficient produced water handling and decreased services and chemical costs, but were slightly higher compared to the first quarter due to the increased maintenance activity and reactivated volumes coming back on-stream. Royalties per BOE decreased significantly quarter over quarter due to a 20 percent drop in the Alberta crown reference price for oil used to calculate crown royalties, offset by the impact of a one-time freehold royalty rework that occurred in Q1 2016 related to prior periods.

Following the semi-annual review of its credit facilities mid-quarter, Bonterra's borrowing base was adjusted from $425 million to $380 million, comprised of a $330 million syndicated revolving credit facility, and a $50 million non- syndicated revolving credit facility. The revolving period for both expires on April 30, 2017 with a maturity date of April 30, 2018. As a result of Bonterra's funds flow generated in the second quarter exceeding capital spending and dividends paid, the Company was able to reduce its outstanding debt at June 30, 2016 to $337 million, a 2.3 percent reduction over the outstanding debt of $345 million at March 31, 2016. Bonterra believes that it has sufficient liquidity and financial flexibility to continue executing on its business plan, and remains committed to steadily reducing debt levels over time.

Q2 and the Six Months Ended June 30, 2016 Highlights:

- Production averaged 12,285 BOE per day in Q2 2016, a reduction of five percent compared to Q1 and two percent lower than the same quarter in 2015, but increased to over 13,000 BOE per day subsequent to the end of the Q2. Production for the six months ended June 30, 2016 was 12,584 BOE per day compared to 12,475 BOE per day for the same period in 2015;

- Average Canadian dollar realized commodity price per BOE was $36.81 in Q2 2016, an increase of 29 percent compared to $28.59 per BOE generated in Q1 2016, but lower than $49.95 per BOE in the same quarter in 2015. Average Canadian dollar realized commodity price for the six months ended June 30, 2016 was $32.60 per BOE compared to $44.47 for the same period in 2015;

- Corporate cash net back per BOE of $18.76 in Q2 2016 compared to $30.22 per BOE in Q2 2015 and $14.62 per BOE for the six months ended June 30, 2016 compared to $25.63 per BOE for the same period in 2015;

- Continued to focus on cost reduction initiatives, resulting in production costs of $11.62 per BOE, a modest increase over Q1 2016 of $10.89 per BOE, reflecting increased field maintenance activity, but lower than $12.01 per BOE incurred in Q2 2015. Production costs for the six months ended June 30, 2016 were $11.25 per BOE compared to $11.97 per BOE for the same period in 2015;

- Corporate funds flow of $29.8 million ($0.90 per diluted share) increased 82 percent compared to Q1 2016 driven by higher realized prices, continued cost reduction initiatives and sale of investments, but was 31 percent lower than Q2 2015 due to lower commodity prices year over year. Corporate funds flow for the six months ended June 30, 2016 was $46.2 million ($1.39 per diluted share) compared to $65.1 million ($2.03 per diluted share) for the same period in 2015;

- Capital investment activity was increased as oil prices strengthened. Bonterra completed and tied-in two (2.0 net) wells that were drilled in Q1 2016, plus drilled four gross (3.3 net) new wells which were completed and tied-in early in Q3; and
- Further reduced long-term bank debt during the period as corporate funds flow exceeded capital spending and dividends paid, enabling Bonterra to lower its long-term bank debt to $337 million at June 30, 2016 from $345 million at March 31, 2016.

Kindly refer to the "Highlights" and "Quarterly Comparisons" sections of the full Q2 2016 quarterly report for further details.

LMR Update

On June 20, 2016, the Alberta Energy Regulator increased the Liability Management Ratio ("LMR") threshold for license transfers to 2.0. At the time, Bonterra's LMR of assets versus liabilities, as determined by the formula set out in the program, was 1.74. The Company reacted immediately to the regulatory changes and began an internal program to bring the LMR to 2.0.

Without spending any money, the Company has been able to increase the LMR rating to 2.12. The Company does not expect that with its current LMR there will be any impediments to future acquisition opportunities.

Outlook

Bonterra has remained committed to its long-term strategy of building a sustainable, dividend-paying growth Company, despite the commodity price volatility facing the oil and gas industry over the past two years. The Company will continue to closely monitor commodity prices and act swiftly in response to a changing environment, as evidenced by the decision to increase activity and capital spending in Q2 2016.

While commodity prices did improve during the second quarter, price weakness returned through the latter part of July due to ongoing market concerns over supply and demand imbalances of oil and natural gas liquids pricing and an excess supply of natural gas. In response to lower prices, Bonterra is prepared to make capital spending adjustments to ensure investments are directed to the highest value, lowest cost initiatives, such as well work- overs and reactivations. With a very low production decline rate, the Company's maintenance capital requirements to hold production flat are manageable, and Bonterra is confident in its ability to meet the full year annual production target of 12,500 BOE per day.

With price uncertainty, Bonterra will continue to focus on controlling costs while developing its high-quality Cardium asset base. Additional clarity regarding the Government of Alberta's Modernized Royalty Framework ("MRF") were released during the second quarter, and based on currently expected commodity price ranges, the Company does not anticipate the MRF will have a material impact on the results of operations on a go forward basis. Capital spending levels and dividend payments will continue to be actively managed to ensure total outflows remain below incoming funds flow, with any excess funds continuing to be directed to debt reduction.

Bonterra Energy Corp. is a conventional oil and gas corporation with operations in Alberta, Saskatchewan and British Columbia. The 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 "corporate 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; plans to increase the LMR ratio 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: "bbl" refers to barrel, "NGL" refers to Natural gas liquids, "MCF" refers to thousand cubic feet 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.

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