Bonterra Energy Corp. Announces Second Quarter 2022 Results Highlighted by 13% Production Growth and 168% Increase in Funds Flow

CALGARY, AB, Aug. 9, 2022 /CNW/ - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce its operating and financial results for the three and six month periods ended June 30, 2022. 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 **June 30, 2022**	Three months ended June 30, 2021	Six months ended **June 30, 2022**	Six months ended June 30, 2021
FINANCIAL					
Revenue - realized oil and gas sales		**116,674**	59,163	**208,216**	107,957
Funds flow (1)		**61,892**	23,105	**108,984**	39,697
Per share - basic		**1.72**	0.69	**3.06**	1.18
Per share - diluted		**1.62**	0.67	**2.90**	1.16
Cash flow from operations		**58,307**	18,874	**99,249**	33,619
Per share - basic		**1.62**	0.56	**2.79**	1.00
Per share - diluted		**1.53**	0.55	**2.64**	0.98
Net earnings(2)		**33,544**	157,354	**44,063**	155,670
Per share - basic		**0.93**	4.68	**1.24**	4.63
Per share - diluted		**0.88**	4.55	**1.17**	4.53
Capital expenditures		**14,506**	7,607	**46,675**	31,068
Total assets				**934,303**	948,260
Net debt(3)				**211,284**	319,310
Long-term debt				**95,748**	46,169
Shareholders' equity				**442,653**	353,431
OPERATIONS					
Light oil	- barrels (bbl) per day	**7,623**	7,370	**7,490**	7,103
	- average price ($ per bbl)	**126.97**	71.49	**118.88**	66.84
NGLs	- bbl per day	**1,151**	996	**1,074**	1,011
	- average price ($ per bbl)	**77.23**	35.59	**70.67**	35.59
Conventional natural gas	- MCF per day	**33,323**	26,057	**31,476**	25,184
	- average price ($ per MCF)	**6.76**	3.37	**5.85**	3.40
Total barrels of oil equivalent per day (BOE)(4)		**14,328**	12,709	**13,810**	12,311

(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 second quarter of 2021 the Company recorded a $203,197,000 impairment reversal less a $47,149,000 deferred income tax expense related to its Alberta cash generating unit's ("CGU") oil and gas assets due to the stronger forward prices after the impact COVID-19 had on the forward benchmark prices for crude oil.

(3) Net debt is not a recognized measure under IFRS. The Company defines net debt as current liabilities less current assets plus long-term subordinated debt and subordinated debentures.

(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.

FINANCIAL & OPERATING HIGHLIGHTS

- Production averaged 14,328 BOE per day in Q2 2022, 13 percent higher than Q2 2021, and averaged 13,810 BOE per day in the first six months of 2021, a 12 percent increase over the comparative period the prior year, reflecting an active drilling program along with the continued reactivation of wells that were previously shut-in voluntarily due to low commodity prices.
- Realized oil and gas sales in Q2 2022 increased 97 percent over the same period the prior year and totaled $116.7 million, while in the first half of 2022 increased by 93 percent over the corresponding period in

2021 with growth primarily driven by higher production volumes and a significantly improved commodity price environment that drove strong netbacks.

- Field netbacks[1] averaged $54.86 per BOE in Q2 2022 and $50.13 per BOE in the first half of 2022, representing increases of 99 percent and 92 percent over the same periods in 2021, respectively, while cash netbacks in the same respective periods averaged $47.47 per BOE and $43.60 per BOE, reflecting increases of 138 percent and 145 percent, respectively, largely due to much higher commodity prices year-over-year.
- Funds flow[1] in Q2 2022 totaled $61.9 million ($1.62 per fully diluted share), an increase of 168 percent from $23.1 million ($0.67 per fully diluted share) in Q2 2021, while funds flow[1] in the first half of 2022 totaled $109.0 million ($2.90 per fully diluted share) representing an increase of 175 percent from the same period in 2021.
- Funds flow[1] in excess of capital expenditures ("free funds flow"[1]) totaled $47.4 million in Q2 2022 and $62.3 million in the first half of 2022, which Bonterra directed primarily to debt repayment.
- Capital expenditures in the first half of 2022 totaled $46.7 million and included the majority of Bonterra's planned infrastructure budget to address gas handling issues, along with drilling 15 gross (14.7 net) wells and completing, equipping, tying-in and placing on production 21 gross (20.7 net) wells, with six of the completed and equipped wells having been drilled late in 2021. Approximately $9.6 million of the capital program was directed to the construction of a wholly owned gas plant, related infrastructure, recompletions and non-operated capital programs.
- Quarter-end bank debt totaled $111.5 million, a 19 percent reduction compared to Q1 2022, largely as a result of the Company's increased free funds flow[1]. Net debt[1] of $211.3 million as at June 30, 2022 was 21 percent lower than year-end 2021, improving Bonterra's net debt to twelve-month trailing cash flow ratio[1] to 1.3 times compared to 2.8 times at December 31, 2021.
- During the first half of 2022, Bonterra successfully abandoned 73.1 net wells, 26.0 net pipeline segments and decommissioned 2.0 net battery sites with support from the Alberta Site Rehabilitation Program ("SRP"). Before the end of 2022, a further 58.5 net wells and associated pipelines that have no further economic potential are targeted for abandonment.
- Subsequent to the end of the quarter, Bonterra announced the retirement of Mr.George Fink as President & CEO, and the appointment of Mr. Patrick Oliver as his successor, effective September 6, 2022. Mr. Fink will remain on the Company's Board and Mr. Oliver will be appointed to the Board.

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[1] "Funds Flow", "Field Netback", "Free Funds Flow", "Net Debt" and "Net Debt to Twelve-Month Trailing Cash Flow Ratio" are not recognized measures under IFRS. See "Cautionary Statements" below.

QUARTER IN REVIEW

Following a successful drilling program, the reactivation of off-line wells due to increased commodity prices, and the commissioning of a wholly owned gas plant to alleviate processing capacity limitations during the first half of 2022, Bonterra realized higher production volumes both quarter-over-quarter and year-over-year. In the second quarter, Bonterra's production averaged 14,328 BOE per day and was 13,810 BOE per day in the first half, increasing 13 percent and 12 percent, respectively, over the same periods in 2021. Continued strength in commodity prices through Q2 2022 drove higher netbacks, particularly given the 78 percent increase in Bonterra's realized crude oil prices in the period. This, combined with Bonterra's increased average production volumes, enhanced funds flow[1] and free funds flow[1] in the period, which enabled the Company to further reduce indebtedness and improve the balance sheet.

Revenue, Netbacks and Funds Flow

Oil and liquids revenue represented 84% of the Company's total realized oil and gas sales in the first half of 2022, driving field and cash netbacks[1] that were 92 percent and 145 percent higher, respectively, over the first half of the prior year. In Q2 2022, the Company's average realized oil price was $126.97 per bbl, the NGL price was $77.23 per bbl, and the average natural gas price was $6.76 per mcf; increases of 78 percent, 117 percent and 101 percent, respectively, compared to the same period in 2021. This led to robust field netbacks of $54.86 per BOE and cash netbacks of $47.47 per BOE in Q2 2022, 99 percent and 138 percent higher than Q2 2021, respectively.

Bonterra generated $61.9 million of funds flow[1] ($1.62 per diluted share) and $47.4 million of free funds flow[1] in Q2 2022, with $109.0 million in funds flow[1] ($2.90 per diluted share) and $62.3 million of free funds flow[1] generated during the first six months of the year. The Company intends to maintain its focus on generating robust free funds flow[1] that can be allocated to further reducing outstanding bank debt and improving the balance sheet.

Capital Expenditures

To date in 2022, industries and organizations around the world have experienced inflationary pressures and cost increases driven by ongoing supply chain issues, labour shortages and increased inflation rates. In the energy sector specifically, higher commodity prices have led to stronger demand for well drilling and completion services.

Throughout the first half of 2022, Bonterra continued to invest capital targeting incremental growth initiatives that support development of its high-quality, light oil weighted asset base. Approximately 70 percent, or $46.7 million, of the Company's original annual capital budget was invested to June 30, 2022, and included the majority of its planned infrastructure budget to address gas handling issues.

Debt Reduction

Through the past few years, Bonterra has managed cash flow and capital expenditures while prioritizing debt reduction, and will continue to assess this balance on a quarterly basis. By the end of Q2 2022, the Company's net debt to twelve-month trailing cash flow ratio was 1.3 to 1 times, a significant improvement over the 2.8 to 1 times at year end 2021.

Net debt at June 30, 2022 totaled $211.3 million, lower than the comparable period in 2021 by $108.0 million, primarily due to increased cash flow from higher commodity prices and greater production volumes. The total draw on Bonterra's bank facility at quarter end was $111.5 million, on a total bank facility of $155.0 million ($140.0 million syndicated revolving credit facility and $15.0 million non-syndicated revolving facility). Commencing on July 31, 2022, the Company has committed to four monthly step down commitments of $10 million, concluding on October 31, 2022, which will reduce the available amount on the syndicated revolving credit facility.

Environmental Responsibility

Through the first half of 2022, Bonterra continued to focus on being a responsible corporate citizen, including efficiently managing its abandonment and reclamation obligations leveraging support from Alberta's SRP. As part of this, the Company's continuously analyzes its inactive well inventory for future potential to determine whether a well bore could be reactivated, repurposed, or if it should be abandoned. Over the remainder of this year, Bonterra forecasts abandoning a further 58.5 net wells and associated pipelines which are deemed to have no future economic potential.

Executive Changes

On July 22, 2022, Bonterra announced that its founder, George Fink, would be retiring effective September 6, 2022, having served as its President and CEO since 1998 and Chair of the Board until March of 2021. With an equity ownership stake of 14 percent, Mr. Fink is the largest single shareholder in Bonterra and has been critically important in building and maintaining a longstanding retail shareholder base that differentiates the Company from its peers. He will remain on Bonterra's Board of Directors who appreciate and thank George for his efforts and support through the CEO transition. The Board looks forward to working alongside George to represent the Company's shareholders going forward.

Succeeding Mr. Fink as President and CEO is Mr. Patrick Oliver, a seasoned industry executive bringing more than 35 years of experience in the upstream oil and gas sector in Western Canada and a proven track record leading several companies from start-up to a successful sale. Mr. Oliver will also join the Board upon assuming the new executive role.

OUTLOOK

The first half of 2022 enabled the Company to build momentum for continued positive results and performance. This supports affirming Bonterra's previously communicated 2022 production guidance of 13,300 to 13,700 BOE per day[2] with an increased capital expenditure budget range of $70 million to $75 million, due to additional infrastructure costs and inflationary pressures.

Although the commodity price environment has remained strong to date in 2022, Bonterra has taken steps to protect future cash flows by layering in hedges on approximately 30 percent of its expected crude oil and natural gas production to the end of Q2 2023. For the next 12 months, Bonterra has secured a WTI price between $48.00 USD to $103.30 USD per bbl on 2,261 bbls per day, with a WTI to Edmonton par differential average of approximately $5.97 on 1,346 bbls per day. In addition, the Company has secured natural gas prices between $2.50 to $5.00 on 10,556 GJ per day for the next 12 months.

Bonterra's high-quality and oil-weighted asset base is realizing strong oil prices with enhanced netbacks in the current environment, allowing the Company to generate robust funds flow[1] and free funds flow[1]. By maintaining control over costs in the face of inflationary pressures while driving enhanced capital efficiencies, Bonterra anticipates directing further funds to debt repayment and ultimately establishing a position that would allow a return of capital to shareholders. The Company believes this offers the greatest opportunity to generate long-term returns while maintaining Bonterra's economic and environmental sustainability.

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.

Non-IFRS and Other Financial Measures

Throughout this release the Company uses the terms "funds flow", "free funds flow", "net debt", "field netback" 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 defines funds flow as funds provided by operations including proceeds from sale of investments and investment income received excluding effects of changes in non-cash working capital items and decommissioning expenditures settled. Free funds flow is defined as funds flow less dividends paid to shareholders, capital and decommissioning expenditures settled. Net debt is defined as long-term subordinated debt and subordinated debentures plus working capital deficiency (current liabilities less current assets). Field netback is defined as revenue and realized risk management contract gain (loss) minus royalties and operating expenses divided by total BOEs for the period. Cash netback is defined as Field netback less interest expense and general and administrative expense divided by total BOEs for the period. Net debt to twelve-month trailing cash flow ratio is defined as net debt at the end of the period divided by cash flow for the trailing twelve months.

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; 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; cyber security; climate change; 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 or maintain its syndicated bank facility; 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" is the benchmark price for natural gas 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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