



NEWS RELEASE

Bonterra Energy Corp. Announces Second Quarter 2020 Results

August 11, 2020 | CALGARY, ALBERTA - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") today announces its operating and financial results for the three and six month periods ended June 30, 2020. 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, 2020	June 30, 2019	June 30, 2020	June 30, 2019
FINANCIAL				
Revenue - realized oil and gas sales	22,171	54,852	60,726	104,686
Funds flow ⁽¹⁾	4,249	26,247	18,919	50,610
Per share - basic and diluted	0.13	0.79	0.57	1.52
Dividend payout ratio	0%	4%	5%	4%
Cash flow from operations	4,429	25,468	26,902	40,591
Per share - basic and diluted	0.13	0.76	0.81	1.22
Dividend payout ratio	0%	4%	4%	5%
Cash dividends per share	0.00	0.03	0.03	0.06
Net earnings (loss) ⁽²⁾	(5,954)	23,131	(290,607)	24,588
Per share - basic and diluted	(0.18)	0.69	(8.70)	0.74
Capital expenditures	104	9,042	21,845	30,104
Total assets			732,462	1,123,513
Net debt ⁽³⁾			299,445	310,783
Shareholders' equity			212,342	507,659
OPERATIONS				
Oil				
-barrels per day	5,553	7,746	6,306	7,416
-average price (\$ per barrel)	33.31	71.27	42.47	68.23
NGLs				
-barrels per day	1,104	970	1,052	960
-average price (\$ per barrel)	12.14	25.53	15.50	28.41
Natural gas				
- MCF per day	21,142	23,750	22,503	23,843
- average price (\$ per MCF)	2.14	1.09	2.20	1.89
Total barrels of oil equivalent per day (BOE) ⁽⁴⁾	10,181	12,674	11,108	12,349

⁽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 first quarter of 2020 the Company recorded a \$331,678,000 impairment provision less a \$54,107,000 deferred income tax recovery related to its Alberta CGU's oil and gas assets for the COVID-19 effect on the forward benchmark prices for crude oil.

⁽³⁾ Net debt is comprised of current liabilities less current assets plus long-term bank debt.

⁽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.

Q2 2020 IN REVIEW

In the second quarter of 2020, crude oil supply and demand imbalances caused by the COVID-19 pandemic and OPEC+ policy changes continued to put negative pressure on global oil prices. Through this period, Bonterra acted quickly to take measures to protect the balance sheet, enhance previously implemented cost saving measures, identify new cost reduction initiatives and to strategically preserve the value of reserves by prudently managing production levels. Along with the application to several government stimulus programs and the bolstering of its hedging strategy, the Company elected to suspend its capital program and the monthly dividend in April 2020 in order to protect its financial position. With modest stability returning to oil and gas pricing markets subsequent to the quarter, the Company is evaluating the resumption of a limited capital program in Q3 2020.

As a result of the severe decrease in global commodity prices combined with shut-in production, Bonterra realized lower oil and gas sales in Q2 2020 compared to the year prior. The Company is positioned to take rapid action to leverage an improved pricing environment with a continued focus on generating funds flow¹ and will continue to evaluate and implement opportunities to further capture cost savings and operational efficiencies. The Company reduced net debt by \$1.2 million as at June 30, 2020 compared to the preceding quarter, and given Bonterra's low corporate decline rate of approximately 21 percent and its continued focus on proactive cost reduction initiatives, management intends to continue reducing net debt throughout 2020 assuming current forward commodity prices.

Q2 2020 HIGHLIGHTS

- Actively responded to the COVID-19 pandemic and a challenging commodity price environment by prudently managing production levels and locating administrative and operational cost savings across the organization.
- Averaged 10,181 BOE per day of production in Q2 2020 and 11,108 BOE per day in the first six months of the year, 20% and 10% lower than the same periods in 2019, respectively, reflecting the value preserving initiatives implemented in the second quarter including the suspension of the Company's capital program and approximately 1,800 BOE per day of production that was shut-in.
- Generated funds flow¹ of \$4.2 million in the quarter (\$0.13 per share) and \$18.9 million (\$0.57 per share) in the first half of 2020.
- Suspended both the capital program and dividend payments in Q2 2020 in response to the challenging operating environment and extremely weak commodity prices.
- Reduced net debt to \$299.4 million as at June 30, 2020, \$11.3 million less than at June 30, 2019, reflecting success with debt reduction over the past 12 months, and \$1.2 million lower than at March 31, 2020 due to operating cost reductions and the suspension of the capital program and dividend payments.
- Field netbacks averaged \$9.40 per BOE in Q2 2020 and \$14.22 per BOE in the six months ended June 30, 2020, and were impacted by lower per unit revenue, offset by reduced royalty expenses, lower production costs per BOE and a realized gain on risk management contracts.

⁽¹⁾ "Funds Flow" does not have a standardized meaning. See "Cautionary Statements" below.

RESPONDING TO CONTINUED UNCERTAINTY

A key priority for Bonterra during the COVID-19 pandemic is to ensure a safe and healthy work environment for employees and contractors, including remote working protocols and added safety measures in the field. The Company's swift actions to adjust operationally since the start of the pandemic has helped to protect the balance sheet and safeguard its financial position, while physical delivery sales and risk management contracts further supported netbacks in Q2 2020.

Through the second quarter, Bonterra actively implemented key cost saving initiatives across the organization, including:

- Monthly operating cost reductions totaling approximately \$1.5 million related to shutting-in higher-cost production volumes;
- Monthly general and administrative cost savings of approximately \$0.2 million (or 40 percent) related to compensation reductions and shorter work weeks;
- Applying for, and receiving, the Canada Emergency Wage Subsidy ("CEWS");
- Working with suppliers and vendors to streamline costs across all areas of operations and administration;
- Submitted applications to Alberta's Site Rehabilitation Program ("SRP") to alleviate abandonment obligations, for which Bonterra received approval of approximately \$6.6 million of abandonment obligation relief, with further applications subsequently submitted; and
- Applied for federal economic relief and liquidity stimulus programs through the Export Development Bank of Canada ("EDC") and the Business Development Bank of Canada ("BDC").

To further preserve capital and as a result of road bans in place during Q2 spring breakup, the Company also suspended its abandonment program after successfully abandoning 45 inactive well bores and associated pipelines during the first quarter. Bonterra has submitted applications under Alberta's SRP to abandon over 600 well bores, pipelines and well sites and has applied to similar programs in Saskatchewan and British Columbia. The Government of Alberta will administer the SRP in various phases to provide grant funding through service providers for the abandonment or remediation of oil and gas sites. As a result of these programs, the Company expects to recover approximately \$6.6 million of abandonment costs in total. The Company will continue its efforts to utilize these programs for its asset retirement obligations as more information is provided.

On July 14, 2020 Bonterra's bank facility was confirmed at \$300 million, including a \$125 million syndicated revolving credit facility, a \$25 million non-syndicated revolving credit facility and a term loan of \$150 million. Exiting the second quarter, \$277.8 million was drawn under the total bank facility, with the loan revolving to August 31, 2020, and a maturity date of April 28, 2021. In the interests of securing financial flexibility, Bonterra has submitted applications to EDC and BDC for liquidity guarantees and backstop funding related to the facility and could potentially see an increase in the reserves-based lending value with rising commodity prices. Bonterra is currently assessing opportunities for short-term or longer-term financing alternatives.

OUTLOOK

Bonterra's focus remains on balance sheet protection and retaining financial flexibility. The Company's efficient operations, recent cost reductions, lean overhead, enhanced risk management profile and defensive stance position the organization well to manage through market uncertainty. Management will

continue monitoring prices and economics to determine whether shut-in production can be brought back on stream and is also assessing the reactivation of a limited capital program in the third quarter of 2020, depending on the pricing environment and its ability to further reduce debt levels.

To mitigate continued commodity price volatility, diversify price exposure and protect cash flows for the remainder of the year, Bonterra has secured crude oil prices averaging \$40.72 per barrel on 2,495 barrels per day through Q3 2020 and an average price of \$46.33 per barrel on 1,500 barrels per day in Q4 2020. In addition, the Company has diversified its natural gas pricing for the warmer months of 2020 by entering into physical delivery sales contracts on 5,000 GJs per day from April 1, 2020 to October 31, 2020, with prices ranging between \$1.55 to \$1.64 per GJ.

The Company remains committed to being a positive and meaningful contributor to the economic success of the communities where it operates in central Alberta, to employing local services and to upholding stringent safety measures to ensure the health and well-being of its employees, contractors and partners during the continued pandemic.

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".

For further information please contact:

George F. Fink, Chairman and CEO

Robb D. Thompson, CFO

Adrian Neumann, COO

Telephone: (403) 262-5307

Fax: (403) 265-7488

Email: info@bonterraenergy.com

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 certain terms such as "Payout Ratio" and "Funds Flow" to analyze operating performance, which are not standardized measures recognized under IFRS and do not have standardized meanings 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. The Company defines Funds Flow as funds provided by operations excluding effects of changes in non-cash working capital items and decommissioning expenditures settled.

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 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; 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; 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.