

Bonterra Energy Announces 2025 Preliminary Budget and Provides Operations Update

CALGARY, AB, Dec. 12, 2024 /CNW/ – Bonterra Energy Corp. (TSX: BNE) (“Bonterra” or the “Company”) is pleased to announce its 2025 preliminary budget, and an operations update.



PRELIMINARY 2025 BUDGET¹: MAXIMIZING FREE FUNDS FLOW⁵

Following a pivotal year in 2024, during which Bonterra added depth and quality to its drilling prospects through land acquisitions and experienced exploration success in both the Charlie Lake and Montney plays, the Company’s Board of Directors (the “Board”) has approved its 2025 preliminary budget (the “Budget”) along with the associated guidance outlined below:

- Approved capital expenditure range of \$65 million to \$75 million, fully funded by internally generated funds flow⁵;
- Annual average production expected to maintain production levels of 14,600 and 14,800 BOE per day², weighted approximately 52-54 percent to oil and liquids;
- Funds flow⁵ expected between \$108 million to \$112 million (\$2.89 per share³ to \$3.00 per share);
- Free funds flow⁵ of approximately \$32 million (\$0.86 per share³) generating approximately 26% Free Funds Flow Yield^{4,5}; and
- \$8 million allocated to abandonment and reclamation obligations (“ARO”) in 2025.

MANAGEMENT COMMENTARY

“Building on Bonterra’s successful execution within its new Charlie Lake and Montney plays in 2024, we are pleased to have established a second core area in the Charlie Lake and an emerging resource play in the Montney, toward which capital will be allocated in 2025 and beyond. The approved Budget, which includes \$65 million to \$75 million in capital expenditures, is designed to maximize Free Funds Flow in the prevailing commodity price environment through strategic capital allocation across the Company’s two core areas,” said Patrick Oliver, President and CEO of the Company.

“While continuing to prudently develop our high-quality, oil-weighted asset base, we intend to focus on debt repayment in 2025, a key initiative in supporting our ultimate goal of implementing a sustainable return of capital to shareholders,” added Mr. Oliver.

BUDGET AND GUIDANCE DETAILS

The 2025 Budget is structured to generate meaningful Free Funds Flow⁵ through focusing on the most economic projects in the Cardium, and strategically investing in further development of our Charlie Lake play. While the Company remains committed to establishing a long term and sustainable return of capital to shareholders, timing for implementation of a share buyback or dividend is largely dependent on the Company achieving its net debt target of \$135-145 million and a Net Debt to EBITDA⁵ ratio of 1.0 or less. At current market valuation levels the Company remains focused on ways to opportunistically enhance shareholder value.

The allocation of the Company’s 2025 planned capital expenditures is expected to be:

- approximately 60 percent towards the Charlie Lake core area, directed to the drilling and completion activities of 6 gross (5.4 net) wells, and infrastructure projects to support the area’s long term development;
- approximately 25 percent towards the Cardium core area, directed to the drilling and completions activities of its highest return projects; and
- approximately 15 percent to infrastructure and facilities improvements, and land.

To mitigate risk and add stability during periods of market volatility, hedges have been put in place on approximately 34 percent of Bonterra’s expected crude oil and 22 percent of Bonterra’s natural gas production, both net of royalties, through the third quarter of 2025. The Company expects to layer on additional hedges representing approximately 8 percent of natural gas production net of royalties through the third quarter of 2025, by the end of 2024. Through the next nine months, Bonterra has secured WTI prices between \$60.00 USD to \$86.35 USD per bbl on approximately 1,828 bbls per day; and natural gas prices between \$1.75 to \$3.30 per GJ on approximately 9,121 GJ per day.

Bonterra’s Budget is designed to enable the Company to responsibly manage the pace of the capital deployment and prioritize capital efficiencies in allocating capital. With the focus of debt repayment driven through Free Funds Flow allocation in 2025, Bonterra plans to regularly review the Budget and may elect to adjust the amount and timing of capital spending depending on the prevailing commodity price environment.

¹ Forecasts based on the pricing and production assumptions outlined in the Guidance Summary and Sensitivities table below.

² 2025 annual average volumes are anticipated to be comprised of approximately 6,250 bbl/d light and medium crude oil, 1,600 bbl/d NGLs and 41,100 mcf/d of conventional natural gas based on a midpoint of 14,700 BOE/d.

³ Based on annualized basic weighted average shares outstanding of 37,324,880.

⁴ Based on the closing price of the Company's Common Shares on the TSX on December 11, 2024 of \$3.35.

⁵ Non-IFRS Measure. See "Cautionary Statements" below.

2025 Guidance Summary and Sensitivities

	2025 Guidance
Pricing	
WTI (\$US per bbl)	\$70.00
AECO Natural Gas Prices (\$ per GJ)	\$2.25
Canadian \$ to U.S. \$ exchange rate	\$0.72
Canadian Realized Oil Price (\$ per bbl) ¹	\$88.56
Canadian Realized Average Price (\$ per BOE)	\$50.36
Operating & Financial	
Average Daily Production (BOE per day)	14,600 – 14,800
Oil and NGL Weighting (percent)	52-54
Funds Flow ² (millions)	\$108-112
Capital Expenditures (millions)	\$65-75
Free Funds Flow (millions)	\$32
Asset Retirement Obligations (millions)	\$8.0

Notes:

¹ Canadian realized oil price is based on WTI US \$70.00 per barrel; Edmonton par differential of US \$(3.50) per barrel; CAD/USD exchange rate of \$0.72 and a quality adjustment of CAD \$(3.80) per barrel. Pricing includes hedges currently in place.

² Funds Flow is estimated using the Canadian realized oil price above, a realized natural gas price of CAD \$2.78 per mcf; and a realized NGL price of CAD \$48.19 per barrel. Pricing includes hedges currently in place.

The following table shows Bonterra's sensitivity to key commodity price variables. The sensitivity calculations are performed independently and show the effect of changing one variable while holding all other variables constant.

Annualized sensitivity analysis on funds flow, as estimated for 2025¹

Impact on funds flow	Change \$MM \$ per share²		
WTI crude oil price (US\$/bbl)	\$1.00	\$2.4	\$0.06
AECO natural gas price (\$/GJ)	\$0.10	\$1.4	\$0.04
U.S.\$ to Canadian \$ exchange rate	\$0.01	\$2.2	\$0.06

Notes:

¹ This analysis uses current royalty rates, annualized estimated average production of 14,700 BOE per day and no changes in working capital.

² Based on annualized basic weighted average shares outstanding of 37,324,880.

OPERATIONS UPDATE

Charlie Lake

Bonterra's Charlie Lake asset is located northwest of Grand Prairie, Alberta (Bonanza), on a contiguous 118 sections (75,837 net acres) of land with two extensive land blocks of 91 and 100% percent working interest. The Company drilled, completed, tied in and brought on production four gross wells in 2024 in the Charlie Lake play. Production from the four wells is restricted due to the most recent two wells exceeding current gathering infrastructure capacity. The Company's plans to resume unrestricted operations remains unchanged targeting early Q1 2025.

Current production from the four Charlie Lake wells is approximately 1,915 BOE per day, including approximately 580 barrels per day of light crude oil, 7.0 mmcf per day of conventional natural gas and 170 barrels per day of natural gas liquids.

Montney

Bonterra's Montney asset is located directly north of Grand Prairie, Alberta (Valhalla), on a contiguous 52 sections (33,280 acres) of land with 100 percent working interest. The Company is pleased to announce updated results from both of its Montney wells, both of which are exceeding internal expectations. In the fourth quarter of 2024 new compression was added and brought online to better service the Company's two Montney wells in the area.

Bonterra's first Montney well (the "4-3 well") is currently producing approximately 725 BOE per day, including approximately 205 barrels per day of light crude oil, 2.8 mmcf per day of conventional natural gas and 65 barrels per day of natural gas liquids. To date, the 4-3 well has cumulatively produced 43,500 barrels of light crude oil, 355 mmcf of conventional natural gas and 10,100 barrels of natural gas liquids over a 10 month period, of which the majority of the producing time has been restricted.

The Company is pleased with the results of its second Montney well (the "102/4-28 well"), which continues to clean up, and has recently been brought inline flowing unrestricted. A seven day raw production rate of 570 BOE per day, including approximately 400 barrels per day of light crude oil and 1.0 mmcf per day of raw conventional natural gas has been achieved. The 102/4-28 well was drilled to a total measured depth of approximately 5,500 metres, including a horizontal leg of 3,350 meters for \$3.4 million, and was completed in Q3 2024 with 182 individual stages for \$4.9 million.

The Company is pleased with its two Montney wells drilled to date which has allowed for favourable land tenure in the play, where now, over 85% of the lands are held into 2029 and beyond. The Company will continue to monitor the progress of production results from the

two wells and assess long term egress solutions over the coming quarters before allocating further capital to the Montney play.

ABOUT BONTERRA

Bonterra Energy Corp. is a conventional oil and gas corporation forging a grounded path forward for Canadian energy. Operations include a large, concentrated land position in Alberta's Pembina Cardium, one of Canada's largest oil plays. Bonterra's liquids-weighted Cardium production provides a foundation for implementing a return of capital strategy over time, which is focused on generating long-term, sustainable growth and value creation for shareholders. Emerging Charlie Lake and Montney resource plays are expected to provide enhanced optionality and an expanded potential development runway for the future. Our shares are listed on the Toronto Stock Exchange under the symbol "BNE" and we invite stakeholders to follow us on LinkedIn and X (formerly Twitter) for ongoing updates and developments.

Use of Non-IFRS Financial Measures

In this release, the Company refers to certain financial measures 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. In addition, this release contains the terms "funds flow", "capital expenditures", "free funds flow", "free funds flow yield", "net debt", and "net debt to EBITDA ratio" to analyze operating performance. Non-IFRS and other financial measures within this release may refer to forward-looking Non-IFRS and other financial measures and are calculated consistently with the three and nine months ended September 30, 2024 reconciliations as outlined below.

Funds Flow

Management considers funds flow from operations to be a key measure to assess the Company's management of capital. Funds flow is an indicator as to whether adjustments are necessary to the level of capital expenditures. For example, in periods where funds flow from operations is negatively impacted by reduced commodity pricing, capital expenditures may need to be reduced or curtailed to preserve the Company's capital. Management believes that by excluding the impact of changes in non-cash working capital, decommissioning expenditures, adjusting for interest expense in the period, and including investment income received and proceeds on sale of investments funds flow from operations provides a useful measure of Bonterra's ability to generate the funds necessary to manage the capital needs of the Company.

Funds Flow

(\$ millions)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cash flow from operating activities	31.5	37.7	86.4	95.6
Adjusted for:				
Changes in non-cash working capital	(2.6)	4.9	(3.2)	6.5
Interest expense	(4.4)	(4.9)	(13.5)	(15.2)
Interest paid	3.1	3.6	12.2	13.8
Decommissioning expenditures	2.4	1.4	5.0	5.7
Investment income received	0.1	0.1	0.3	0.3
Proceeds on sale of investments	-	-	1.4	-
Funds flow	30.1	42.7	88.6	106.9

Capital Expenditures

Management utilizes capital expenditures to measure total cash capital expenditures incurred in the period. Capital expenditures represent exploration and evaluation, property, plant and equipment and oil and gas property acquisition less proceeds on sale of property in the statement of cash flows in the Company's interim financial statements as follows:

Capital Expenditures

(\$ millions)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Comprised of:				
Exploration and evaluation expenditures	0.2	0.7	0.9	1.2
Property, plant and equipment expenditures	23.9	35.4	77.7	111.2
Oil and gas property acquisition	-	-	23.6	-
Capital Expenditures	24.1	36.1	102.2	112.4

Reconciled from cash used in investing activities in the statement of cash flows in the Company's interim financial statements.

Capital Expenditures

(\$ millions)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cash used in investing activities	26.8	24.1	99.2	89.8
Adjusted for:				
Changes in non-cash working capital	(2.8)	11.9	1.3	22.3
Investment income received	0.1	0.1	0.3	0.3
Proceeds on sale of investments	-	-	1.4	-
Net Capital Expenditures	24.1	36.1	102.2	112.4

Free Funds Flow

Management utilizes free funds flow to assess the amount of funds available for future capital allocation decisions. It is calculated as funds flow less capital expenditures and decommissioning expenditures settled.

Free Funds Flow

(\$ millions)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Funds flow	30.1	42.7	88.6	106.9
Adjusted for:				
Capital expenditures	(24.1)	(36.1)	(102.2)	(112.4)
Decommissioning expenditures	(2.4)	(1.4)	(5.0)	(5.8)
Free funds flow (deficiency)	3.6	5.2	(18.7)	(11.3)

Free Funds Flow Yield

Free funds flow yield is a non-IFRS ratio used by management to quantify how much free cash flow is generated by Bonterra relative to its market value. Free funds flow yield is defined as free funds flow divided by the weighted average basic shares outstanding multiplied by the Company's common share price for the relevant periods.

Net Debt and Net Debt to EBITDA Ratio

Net debt is defined as current liabilities less current assets plus long-term bank debt, subordinated debentures and subordinated term debt. Net debt to EBITDA ratio is defined as net debt at the end of the period divided by EBITDA for the trailing twelve months. EBITDA is defined as net earnings excluding deferred consideration, finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and unrealized gain or loss on risk management contracts. For more information about net debt or net debt to EBITDA ratio please refer to Note 11 of Bonterra's September 30, 2024 condensed financial statements.

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: the Company's 2025 budget and 2025 financial and operating guidance relating to production, funds flow, free funds flow, capital expenditures, operating costs, asset retirement obligations, netback, indebtedness and pricing; expectations relating to debt repayment and return of capital strategy; abandonment and reclamation activities; risk management strategy; 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; maintenance of existing customer, supplier and partner relationships; supply channels; 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 may limit growth or operations within the oil and gas industry; the impact of climate-related financial disclosures on financial results; the ability of the Company to raise capital, maintain its syndicated bank facility and refinance indebtedness upon maturity; 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; credit risks; climate change risks; cyber security; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive. Readers are encouraged to review the material risks discussed in the Company's latest annual information forum under the heading "Risk Factors".

In addition, to the extent that any forward-looking information presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of the Company and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to the Company's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose.

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 therefrom. 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.