

Bonterra Energy Corp. Announces 2021 Reserves and Provides Operational Update

CALGARY, AB, Feb. 10, 2022 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) (“Bonterra” or the “Company”) is pleased to announce the summary results of its independent reserve report (the “Sproule Report”) prepared by Sproule Associates Limited (“Sproule”) with an effective date of December 31, 2021, while also providing an operational update on key fourth quarter highlights and recent activities. The Company has not released its audited 2021 financial results, and therefore the financial figures provided herein are estimates and are unaudited.

The Sproule Report was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”) and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”). Additional reserves information as required under NI 51-101 will be included in the Company’s Annual Information Form which is expected to be filed on or about March 9th on SEDAR and posted to Bonterra’s website.

2021 CORPORATE OPERATIONS & RESERVES INFORMATION

- Averaged approximately 12,747 BOE per day¹ of production in 2021, representing a 21 percent increase over 2020 and in-line with the stated guidance range of 12,800 to 13,200 BOE per day. Volumes in the fourth quarter of 2021 are expected to average approximately 13,810 BOE per day², an increase of 37 percent compared to the fourth quarter of 2020.
- Invested capital of approximately \$67.3 million³ during 2021, with \$17.6 million invested in the fourth quarter of 2021.
- The Company’s 2021 capital program contributed to reserves growth of approximately four percent for both total proved (“TP”) and total proved plus probable (“TPP”) reserves.
- In 2021, proved developed producing reserves (“PDP”) totaled 32.5 million BOE (65 percent oil and liquids), TP reserves totaled 78.2 million BOE (64 percent oil and liquids), and TPP reserves totaled 97.4 million BOE (65 percent oil and liquids), while growth before production of 7,565 thousand BOE in the TP category resulted in production replacement of 163 percent.
- TP per fully diluted share⁴ totaled 2.25 BOE in 2021 while TPP per fully diluted share⁴ was 2.80 BOE.
- TP represented 80 percent of total TPP in 2021, consistent with 80 percent in 2020, exemplifying the low-risk nature of Bonterra’s asset base.
- Net present value of future net revenue discounted at 10 percent (before tax) (“NPV10

BT”) for TPP totaled \$1.3 billion, while TP totaled \$986.4 million and PDP totaled \$542.9 million.

- Reserve Life Index (“RLI”)⁵ for TPP, TP, and PDP was approximately 20.9 years, 16.8 years and seven years, respectively (based on 2021 average production of 12,747 BOE per day).

¹ 2021 volumes comprised of 7,204 bbl/d light and medium crude oil, 1,013 bbl/d NGLs and 27,176 mcf/d of conventional natural gas.

² Q4 2021 volumes comprised of 7,659 bbl/d light and medium crude oil, 1,105 bbl/d NGLs and 30,276 mcf/d of conventional natural gas.

³ All 2021 financial amounts are unaudited. See advisories.

⁴ Based on fully diluted common shares outstanding of 34,761,175.

⁵ “Reserve life index” does not have a standardized meaning. See “Information Regarding Disclosure on Oil and Gas Reserves and Operational Information” contained in this news release.

Summary of Gross Oil and Gas Reserves as of December 31, 2021

	Light and Medium Crude Oil (MBbl)	Conventional Natural Gas ⁴ (MMcf)	Natural Gas Liquids (MBbl)	Oil equivalent ⁵ (MBoe)	Future Development Capital (\$000s)
Proved					
Developed Producing	18,522	67,490	2,725	32,495	-
Developed Non-producing	2,335	5,990	229	3,562	6,793
Undeveloped	22,613	93,315	4,008	42,174	547,379
Total Proved	43,470	166,795	6,962	78,231	554,171
Total Probable	10,760	40,478	1,694	19,200	-
Total Proved plus Probable ^{1,2,3}	54,231	207,273	8,655	97,431	554,171

Notes for table above:

(1) Reserves have been presented on gross basis which are the Company’s total working interest share before the deduction of any royalties and without including any royalty interests of the Company.

(2) Totals may not add due to rounding.

(3) Based on Sproule’s December 31, 2021 industry average price deck.

(4) Conventional natural gas amounts shown include solution gas.

(5) Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

Reconciliation of Company Gross Reserves by Principal Product Type as of

December 31, 2021 ^{1,2}

	Light & Medium Crude Oil		Conventional Natural Gas ⁵		Natural Gas Liquids		Oil Equivalent	
	Total Proved (MBbl)	Proved + Probable (MBbl)	Total Proved (MMcf)	Proved + Probable (MMcf)	Total Proved (MBbl)	Proved + Probable (MBbl)	Total Proved (MBoe)	Proved + Probable (MBoe)
Opening Balance, December 31, 2020	43,067	53,729	150,476	187,462	7,172	8,938	75,319	93,910
Extensions & Improved Recovery ²	3,856	4,823	15,621	19,510	731	914	7,191	8,989
Technical Revisions	(2,858)	(3,833)	3,945	3,736	(848)	(1,100)	(3,048)	(4,310)

Discoveries	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-
Dispositions ³	-	-	-	-	-	-	-	-
Economic Factors	2,034	2,141	6,673	6,484	276	273	3,423	3,495
Production	(2,630)	(2,630)	(9,919)	(9,919)	(370)	(370)	(4,653)	(4,653)
Closing Balance, December 31, 2021⁴	43,470	54,231	166,795	207,273	6,962	8,655	78,231	97,431

Notes for table above:

- (1) Gross Reserves means the Company's working interest reserves before calculation of royalties, and before consideration of the Company's royalty interests.
- (2) Increases to Extensions & Improved Recovery include infill drilling and are the result of step-out locations drilled by Bonterra and other operators on and near Company-owned lands.
- (3) Includes volumes associated with Farm outs.
- (4) Totals may not add due to rounding.
- (5) Conventional natural gas amounts shown include solution gas.

Summary of Net Present Values of Future Net Revenue as of December 31, 2021

(\$M)	Net Present Value Before Income Taxes Discounted at (% per Year)			
	0%	5%	10%	15%
Reserves Category:				
Proved				
Producing	742,567	651,462	542,915	463,927
Non-producing	102,439	71,406	55,012	45,066
Undeveloped	941,525	583,748	388,505	272,631
Total Proved	1,786,531	1,306,616	986,432	781,625
Probable	678,326	404,334	279,419	212,060
Total Proved plus Probable^{1,2,3}	2,464,857	1,710,950	1,265,851	993,685

Notes for table above:

- (1) Evaluated by Sproule as at December 31, 2021. Net present value of future net revenue does not represent fair value of the reserves.
- (2) Net present values equal net present value before income taxes based on Sproule's forecasted costs and industry average prices as of December 31, 2021. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material.
- (3) Includes abandonment and reclamation costs as defined in NI 51-101.

FUTURE DEVELOPMENT CAPITAL, F&D COSTS⁶ AND RECYCLE RATIOS⁶

Future development capital ("FDC") reflects the future capital costs, as provided by the Company and included in the Sproule Report, to bring Bonterra's proved and probable developed and undeveloped reserves on production. Changes in forecasted FDC occur annually as a result of development activities, acquisition and disposition activities, changes in capital cost estimates based on improvements in well design and performance, and changes in service costs.

Over the past three years, Bonterra has incurred the following finding, development and acquisition ("FD&A")⁶ and finding and development ("F&D")⁶ costs both excluding and

including FDC:

	TP Reserves Net Additions				TPP Reserves Net Additions			
	2021	2020	2019	3 Yr Avg ⁴	2021	2020	2019	3 Yr Avg ⁴
FD&A Costs per BOE ^{1,2,3,6}								
Including FDC	\$6.90	\$12.46	\$14.32	\$9.44	\$5.64	\$9.87	\$18.24	\$10.06
Excluding FDC	\$8.68	\$(18.21)	\$9.94	\$15.27	\$8.23	\$(13.26)	\$12.35	\$17.86
F&D Costs per BOE ^{1,2,3,6}								
Including FDC	\$6.90	\$12.46	\$14.32	\$9.44	\$5.64	\$9.87	\$18.24	\$10.06
Excluding FDC	\$8.68	\$(18.21)	\$9.94	\$15.27	\$8.23	\$(13.26)	\$12.35	\$17.86
Recycle Ratio ^{2,5,6}								
F&D (including FDC)	4.3	1.2	1.8	2.5	5.3	1.5	1.5	2.8

Notes for table above:

- (1) Barrels of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (2) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development capital generally will not reflect total finding and development costs related to reserve additions for that year.
- (3) The calculation of F&D and FD&A costs both includes or excludes, as labelled, the change in FDC required to bring proved undeveloped and developed reserves into production. The F&D or FD&A number is calculated by dividing the identified capital expenditures by applicable reserve additions including extensions, infills. Revisions, acquisitions and disposals, and economic factors, after or before changes in FDC costs (as labelled).
- (4) Three-year average is calculated using three-year total capital costs and reserve additions on both a TP and TPP reserves on a weighted average basis.
- (5) Recycle ratio is defined as field netback per BOE divided by F&D costs on a per boe basis. Field netback is a Non-IFRS Measure and calculated as revenue minus royalties, operating expenses and realized gain or loss on risk management contracts. Bonterra's field netback in 2021, used in the above calculations, averaged \$29.62 per BOE (unaudited).
- (6) "FD&A Cost", "F&D Cost", and "Recycle Ratio" do not have standardized meanings and therefore may not be comparable with the calculation of similar measures for other entities. See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" in this news release.

OPERATIONAL UPDATE⁶

During the last quarter of 2021, Bonterra invested a total of \$17.6 million, taking advantage of stronger commodity prices and successfully brought six gross operated (6.0 net) new wells onto production into a more robust price environment, further supporting its objective of increasing Funds Flow. Bonterra has continued to be active executing its 2022 capital program budgeted at \$55 to \$65 million, and in the first six weeks of 2022 have drilled six gross operated (5.8 net) wells, completed 11 gross operated (10.8 net) wells and brought on production six gross operated (6.0 net) wells which were previously drilled in 2021.

As part of its ongoing field operations, the Company has continued to focus on responsible

environmental initiatives, including a targeted abandonment and reclamation program. Throughout 2021, Bonterra successfully abandoned 221 wells, and plans to abandon an additional 120 wells in 2022 based on expenditures between \$4 million and \$5 million, supported by the Alberta Site Rehabilitation Program. By the end of 2022, this abandonment and reclamation activity will represent approximately 60 percent of all wells that have no further potential identified.

Bonterra is pleased to reiterate its previously released 2022 guidance:

- Capital expenditure budget ranging from \$55 to \$65 million, allocated approximately 75 percent to drilling and completing new Cardium wells in Pembina and Willesden Green, with the balance directed to facilities, pipelines and a continued commitment to ongoing abandonment and reclamation activities;
- 2022 production volumes are expected to average between 13,300 and 13,700 BOE per day⁷, driving year-over-year production growth of approximately five percent; and
- Based on pricing (assuming US\$70 WTI) and production assumptions for 2022, outlined fully in the Company's December 16, 2021 press release, Bonterra anticipates generating approximately \$150 million in corporate Funds Flow⁸ for the year, resulting in meaningful Free Funds Flow (defined as Funds Flow net of development capital and decommissioning expenditures settled) of approximately \$90 million⁸, which is expected to drive a 33 percent reduction in forecasted year end 2022 net debt.

Certain financial and operating information, such as production information, and F&D costs included in this press release are based on estimated unaudited financial results for the quarter and year ended December 31, 2021 and are subject to the same limitations as discussed under Forward Looking Statements set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2021 and changes could be material.

⁶ All 2021 financial amounts are unaudited. See advisories.

⁷ 2022 volumes are anticipated to be comprised of 7,320 bbl/d light and medium crude oil, 1,320 bbl/d NGLs and 29,200 mcf/d of conventional natural gas based on a midpoint of 13,500 BOE/d.

⁸ Funds Flow is estimated using a Canadian realized oil price of \$79.66/bbl, a realized natural gas price of \$3.96/mcf; and a realized NGL price of CAD \$45.92/bbl.

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 “funds flow”, “free funds flow”, “net debt” and “field 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 excluding effects of changes in non-cash working capital items and commissioning 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 current liabilities less current assets plus long-term subordinated debt and subordinated debentures. Field netback is defined as revenue minus royalties, operating expenses and realized gain or loss on risk management contracts.

Information Regarding Disclosure on Oil and Gas Reserves and Operational Information

All amounts in this news release are stated in Canadian dollars unless otherwise specified. Bonterra’s oil and gas reserves statement for the year ended December 31, 2021, which will include complete disclosure of its oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within its Annual Information Form which will be available on Bonterra’s SEDAR profile at www.sedar.com or on the Company’s website on or before March 30, 2022. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties or subsets thereof, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The Company’s belief that it will establish additional reserves over time with conversion of probable undeveloped reserves into proved reserves is a forward-looking statement and is based on certain assumptions and is subject to certain risks, as discussed below under the heading “Forward-Looking Information and Statements”.

This press release contains metrics commonly used in the oil and natural gas industry, such as “reserve life index”, “recycle ratio”, “finding and development costs”, “finding and development recycle ratio”, “finding, development and acquisition costs”, and “field netbacks”. Each of these metrics are determined by Bonterra as specifically set forth in this news release. These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other

companies, and therefore should not be used to make such comparisons. Such metrics have been included to provide readers with additional information to evaluate the Company's performance however, such metrics should not be unduly relied upon for investment or other purposes. Management uses these metrics for its own performance measurements and to provide readers with measures to compare Bonterra's performance over time.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves additions for that year. Finding and development costs both including and excluding acquisitions and dispositions have been presented in this press release because acquisitions and dispositions can have a significant impact on Bonterra's ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of its cost structure.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Bonterra's performance over time, however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

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; 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.