

# Bonterra Energy Corp. Announces First Quarter 2022 Results

## Highlighted by 184% Funds Flow Growth

CALGARY, AB, May 10, 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 month period ended March 31, 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 three months ended (\$000s except \$ per share)	<b>March 31, 2022</b>	December 31, 2021	March 31, 2021	
<b>FINANCIAL</b>				
Revenue – realized oil and gas sales	<b>91,542</b>	79,202	48,794	
Funds flow <sup>(1)</sup>	<b>47,092</b>	36,488	16,592	
Per share – basic	<b>1.34</b>	1.07	0.50	
Per share – diluted	<b>1.28</b>	1.03	0.50	
Cash flow from operations	<b>40,942</b>	37,868	14,745	
Per share – basic	<b>1.16</b>	1.11	0.44	
Per share – diluted	<b>1.11</b>	1.07	0.43	
Net earnings (loss)	<b>10,519</b>	16,333	(1,684)	
Per share – basic	<b>0.30</b>	0.48	(0.05)	
Per share – diluted	<b>0.29</b>	0.46	(0.05)	
Capital expenditures	<b>32,169</b>	17,636	23,461	
Total assets	<b>965,969</b>	945,721	748,543	
Net debt <sup>(2)</sup>	<b>260,670</b>	267,179	328,506	
Bank debt	<b>138,384</b>	162,945	238,865	
Shareholders’ equity	<b>405,148</b>	392,019	195,393	
<b>OPERATIONS</b>				
Light oil	-bbl per day	<b>7,356</b>	7,659	6,834
	-average price (\$ per bbl)	<b>110.41</b>	85.04	61.76
NGLs	-bbl per day	<b>996</b>	1,105	1,025
	-average price (\$ per bbl)	<b>63.02</b>	54.54	35.60
Conventional natural gas	-MCF per day	<b>29,609</b>	30,276	24,301
	-average price (\$ per MCF)	<b>4.80</b>	4.93	3.44
Total barrels of oil equivalent per day (BOE) <sup>(3)</sup>	<b>13,287</b>	13,810	11,909	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 13,287 BOE per day in Q1 2022, 12 percent higher than Q1 2021, reflecting an active drilling program along with the continued reactivation of wells that were previously shut-in voluntarily due to low commodity prices.
  - Q1 2022 production was offset by approximately 1,000 BOE per day of restricted production due to gas processing capacity limitations, which will be mitigated going forward by the commissioning of a wholly owned gas plant with a scheduled on-stream date in May 2022.
- Revenue from realized oil and gas sales totaled \$91.5 million in Q1 2022, an 88 percent increase over Q1 2021 and 16 percent higher than Q4 2021, due primarily to significantly improved commodity prices that drove strong netbacks coupled with a strong production profile.
- Generated funds flow<sup>1</sup> of \$47.1 million in the quarter (\$1.28 per diluted share), an increase of 184 percent over Q1 2021, and 29 percent higher than the preceding quarter.
- Generated funds flow<sup>1</sup> in excess of capital expenditures (“free funds flow”<sup>1</sup>) of \$14.9 million in Q1 2022 which was largely directed to debt repayment.
- Realized average field netbacks<sup>1</sup> of \$44.97 per BOE in Q1 2022, representing an increase of 83 percent over Q1 2021 and a 30 percent increase from the preceding quarter, primarily reflecting significantly higher per unit revenue offset by realized losses on risk management contracts, increased per unit royalty expenses and production costs.
- Capital expenditures totaled \$32.2 million in Q1 2022, with \$25.6 million directed to the drilling of 12 gross (11.8 net) operated wells and the completion, equip and tie-in of 11 gross (10.8 net) operated wells, with six of the completed and equipped wells having been drilled late in 2021. Five (5.0 net) of the remaining wells drilled in Q1 2022 were placed on production in Q2 2022. The balance of the capital was allocated to related infrastructure, recompletions and non-operated capital programs.
- Drilling, completion and equipping costs per well increased 27 percent in Q1 2022 compared to Q1 2021 due largely to supply chain issues, higher inflation rates, and labour shortages as the demand for drilling and completion services increased alongside commodity prices.
- Achieved a 15 percent reduction in quarter-end bank debt to total \$138.4 million compared to year-end 2021, largely as a result of the Company’s increased funds flow, while net debt<sup>1</sup> decreased by two percent to total \$260.7 million. Bonterra’s net debt to twelve-month trailing cash flow ratio<sup>1</sup> at quarter-end improved to 2.1 times compared to

2.8 times at year-end 2021.

- Demonstrated the Company's ongoing focus on environmental initiatives by successfully abandoning 51.2 net wells, 12.0 net pipeline segments and decommissioned 2.0 net battery sites with support from the Alberta Site Rehabilitation Program. Throughout 2022, a further 79.8 net wells and associated pipelines that have no further economic potential are targeted for abandonment.

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<sup>1</sup> "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**

Bonterra benefitted from significantly stronger commodity prices in Q1 2022 as global supply and demand dynamics created a positive tailwind for pricing. As a result, higher netbacks complemented by a successful drilling and completions program have led to improved quarterly sales revenue, funds flow and free funds flow, which could be directed towards further improving Bonterra's leverage profile. These results have strategically positioned the Company to continue pursuing the ongoing profitable development of its high-quality, light oil weighted asset base.

Production averaged 13,287 BOE per day for the first three months of 2022, an increase of 12 percent over Q1 2021 despite temporary shut-ins due to gas processing capacity limitations. These limitations are expected to be mitigated going forward by the commissioning of a wholly-owned gas plant, which has a scheduled on-stream date in May 2022. When compared to Q1 2021, the increase in production was the result of Bonterra's active drilling program which delivered new volumes into a strong commodity price environment along with the reactivation of wells that were previously shut-in due to low commodity prices.

Bonterra invested total capital expenditures of \$32.2 million in the first quarter of 2022, representing approximately half of its anticipated annual capital program. Of the total capital invested, approximately 80 percent was directed to the drilling of 12 gross (11.8 net) operated wells and the completing, equipping, tying-in and placing on production of 11 gross (10.8 net) operated wells, six of which were drilled late in 2021. The balance of the capital was directed to related infrastructure, recompletions and non-operated capital programs. Five (5.0 net) of the remaining wells drilled in Q1 2022 were placed on production in Q2 2022. Bonterra intends to continue investing capital for incremental growth initiatives to support increased free funds flow<sup>1</sup> generation that can be allocated to further reducing outstanding bank debt and balance sheet improvements.

A strong commodity price environment was leveraged throughout the quarter, contributing to the generation of \$47.1 million of funds flow<sup>1</sup> and \$14.9 million of free funds flow<sup>1</sup> during the

period. In Q1 2022, Bonterra realized average oil prices of \$110.41 per bbl, average NGL prices of \$63.02 per bbl, and average natural gas prices of \$4.80 per mcf, representing increases of 79 percent, 77 percent and 40 percent, respectively, compared to the same period in 2021. With stronger prices and higher revenues, the Company's Q1 2022 field and cash netbacks<sup>1</sup> increased 83 percent and 154 percent, respectively, compared to the same period in the prior year, averaging \$44.97 per BOE and \$39.38 per BOE, respectively.

Bonterra remained committed to efficiently managing its abandonment and reclamation obligations during the quarter. With support from the Alberta Site Rehabilitation Program, the Company successfully abandoned 51.2 net wells, 12.0 net pipeline segments and decommissioned 2.0 net battery sites. Through the balance of 2022, a further 79.8 net wells and associated pipelines are forecast to be abandoned, representing approximately 25 percent of the Company's current inventory of wells that have no further economic potential identified. Bonterra will continue to review its inactive well inventory to identify additional well bores that should be reactivated, repurposed, or abandoned.

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<sup>1</sup> 2022 volumes expected 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..

## **OUTLOOK**

Based on a successful first quarter of 2022, the Company is pleased to reaffirm its previously announced 2022 production guidance of 13,300 to 13,700 BOE per day<sup>[2]</sup> based on a capital expenditure budget range of \$55 million to \$65 million. With a strong first quarter and the remaining 2022 capital program, the Company estimates \$100 million of free funds flow<sup>1</sup> for fiscal 2022 (assuming US\$70 WTI price for the remaining three quarters), which is expected to drive continued improvement in leverage metrics.

To further support stability, and as part of Bonterra's ongoing efforts to diversify commodity pricing and to protect future cash flows, the Company has executed physical delivery sales and risk management contracts to the end of Q1 2023 on approximately 30 percent of its expected crude oil and natural gas production. For the next twelve months, Bonterra has secured a WTI price between \$48.00 USD to \$100.00 USD per bbl on 2,398 bbls per day, with a WTI to Edmonton par differential average of approximately \$5.82 per bbl on 1,226 bbls per day. In addition, the Company has secured natural gas prices between \$2.00 to \$5.00 per GJ on 11,055 GJ per day for the next twelve months.

With a stronger financial and operating position combined with a proven track record of operational execution, Bonterra remains focused on generating long-term returns for shareholders while prioritizing economic and environmental sustainability. Today, the Company's stable and high-quality production base is realizing strong oil prices and

enhanced netbacks, driving robust funds flow. With its focus on cost control and capital efficiencies, Bonterra plans to continue generating free funds flow that can be directed to ongoing balance sheet strengthening, ultimately supporting its goal of returning capital to shareholders. Bonterra remains committed to employing local services, being a key economic contributor to rural and surrounding communities located within central Alberta, upholding a responsible abandonment and reclamation program, and maintaining rigorous safety measures.

## **ANNUAL SHAREHOLDER MEETING WEBCAST**

Bonterra's 2022 Annual Meeting of Shareholders (the "Meeting") will be held virtually via live audio webcast, online at <https://web.lumiagm.com/#/249874837>, on Wednesday, May 18, 2022, at 10:00 a.m. (Calgary time). Due to the ongoing public health guidelines related to COVID-19 at the time of the meeting organization, the Corporation is holding the Meeting as a virtual (by electronic means) shareholder meeting only. Although shareholders will not be able to attend the Meeting in person, registered shareholders and duly appointed proxyholders will be able to attend, participate and vote at the Meeting online at <https://web.lumiagm.com/#/249874837>.

Shareholders can find detailed information on how to attend, vote and submit questions during the Meeting within Bonterra's Information Circular, found on the Company website and filed on SEDAR.

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](http://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.