Bonterra Energy Corp. Announces First Quarter 2023 Results

Highlighted by an Active Capital Program Driving Record Production in April 2023

CALGARY, AB, May 11, 2023 /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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at and for the three months ended ($000s except $ per share)		**March 31, 2023**	December 31, 2022	March 31, 2022
FINANCIAL				
Revenue – realized oil and gas sales		**77,263**	87,154	91,542
Funds flow[(1)(2)]		**29,342**	41,145	47,092
Per share – basic		**0.79**	1.13	1.34
Per share – diluted		**0.79**	1.10	1.28
Cash flow from operations		**24,018**	35,494	40,942
Per share – basic		**0.65**	0.97	1.16
Per share – diluted		**0.64**	0.95	1.11
Net earnings		**7,640**	17,264	10,519
Per share – basic		**0.21**	0.47	0.30
Per share – diluted		**0.20**	0.46	0.29
Capital expenditures		**60,223**	12,642	32,169
Total assets		**963,890**	919,682	965,969
Net debt[(3)]		**183,674**	149,831	260,670
Bank debt		**12,388**	17,601	138,384
Shareholders' equity		**488,762**	479,839	405,148
OPERATIONS				
Light oil	-bbl per day	**7,068**	6,764	7,356
	-average price ($ per bbl)	**95.71**	105.59	110.41
NGLs	-bbl per day	**1,155**	1,209	996
	-average price ($ per bbl)	**54.54**	59.38	63.02
Conventional natural gas	-MCF per day	**31,448**	30,101	29,609
	-average price ($ per MCF)	**3.78**	5.36	4.80
Total barrels of oil equivalent per day (BOE)[(4)]		**13,464**	12,989	13,287

(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) Not included in funds flow for the three months ended March 31, 2023 is the use of $3.8 million (December 31, 2022 – $2.9 million, March 31, 2022- $Nil) of investment tax credits ("ITC") to settle federal income tax payable. These ITCs would decrease cash taxes owing and increase funds flow to $33,143,000 (December 31, 2022 – $44,084,000, March 31, 2022 – $47,092,000).

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

FINANCIAL & OPERATING HIGHLIGHTS

- **Production** in Q1 2023 averaged 13,464 BOE per day, four percent higher than Q4 2022, driven by an active, front-loaded capital program along with the reactivation of wells that had been shut-in during the previous quarter.
- **Record production** levels were realized subsequent to quarter end, with field estimate production volumes averaging **15,400 BOE per day**[1] during the month of April, stemming from the success of the Company's Q1 2023 drilling program.
- **Funds flow**[2] totaled $29.3 million ($0.79 per fully diluted share) in Q1 2023, compared to $41.1 million ($1.10 per fully diluted share) generated in Q4 2022, consistent with lower realized oil and gas sales of $77.3 million for the period due to reduced commodity prices, slightly offset by higher production.
    - Of the cash taxes owing in Q1 2023, $3.8 million of investment tax credit receivable ("ITC") were used to settle federal income tax owing. If ITCs used to settle cash taxes owing were included in funds flow, the Company's Q1 2023 cash netback would increase by $3.14 per BOE to $27.35 per BOE and funds flow would increase to $33.1 million ($0.89 per fully diluted share).
- **Production costs** of $17.54 per BOE in Q1 2023 were comparable to Q1 2022 but increased nine percent from the previous quarter. With significantly reduced capital spending and field activity planned in Q2 2023 compared to Q1 2023, along with higher expected average production, the Company anticipates operating costs per BOE to return to lower levels in the second quarter.
- **Capital expenditures** totaled $60.2 million in Q1 2023, 87 percent higher than the same quarter in 2022, with $48.4 million directed to the drilling of 22 gross (20.6 net) operated wells and the completion, equip and tie-in of 15 gross (14.2 net) operated wells, $3.7 million directed to expanding a wholly-owned gas plant to alleviate processing capacity limitations, and an additional $8.1 million allocated to related infrastructure, recompletions and non-operated capital programs
    - Seven (6.4 net) remaining wells drilled in Q1 2023 were placed on production in early Q2 2023, contributing to the record field estimate production volumes realized in April.
- **Bank debt** reduced by 30 percent over year-end 2022, totaling $12.4 million at March 31, as the Company continues to focus on enhancing financial flexibility and sustainability. Net debt[2] totaled $183.7 at March 31, 2023 as a result of increased capital investments and decrease in cash flow from lower commodity prices during the

period, leading to a net debt to twelve-month trailing cash flow ratio[2] of 1.1 times compared to 0.8 times at December 31, 2022.

- On May 9th, 2023, Bonterra completed the renewal of its $110 million bank facility, which is structured as a normal course, reserve-based credit facility available on a revolving basis through April 30, 2024, with bi-annual borrowing base redeterminations and a maturity of April 30, 2025.
- Bonterra's strong debt profile continues to support the reintroduction of a shareholder returns-based business model by the end of 2023.

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[1] April 2023 volumes were comprised of 8,200 bbl/d light and medium crude oil, 1,328 bbl/d NGLs and 35,284 mcf/d of conventional natural gas.
[2] Non-IFRS measure. See advisories later in this press release.

QUARTER IN REVIEW

The first quarter of 2023 was an extremely active period operationally and included the efficient execution of Bonterra's Q1 winter drilling and completions program, the reactivation of off-line wells, and capital directed to the expansion of the Company's wholly owned gas plant to increase Bonterra's throughput processing capacity. The combination of these efforts contributed to average production of 13,464 BOE per day in Q1 2023, a four percent increase over Q4 2022 and one percent over Q1 2022, and directly drove Bonterra's ability to realize record field estimate production volumes of 15,400 BOE per day for the month of April, 2023.

Although Bonterra's more active capital program contributed to slightly higher planned net debt at the end of the quarter relative to year end 2022, the first quarter operational performance positions the Company with strong momentum to build on for the balance of 2023. The Company anticipates significantly reduced capital spending and field activity combined with higher average production in Q2 2023 compared to Q1 2023, driving a projected reduction in net debt in the second and third quarters of 2023 with lower operating costs per BOE.

Revenue, Netbacks and Funds Flow

The Company's realized oil and natural gas sales in Q1 2023 totaled $77.3 million, reflecting strong production volumes with lower realized commodity prices relative to both the previous quarter and the same period in 2022. Oil and liquids revenue represented 86 percent of the Company's total realized oil and gas sales in Q1 2023, and contributed to field and cash netbacks[1] of $34.90 per BOE and $24.21 per BOE, respectively, with field and cash netbacks that were 19 and 30 percent lower, respectively, compared to the previous quarter. Revenue and netbacks were muted by lower realized commodity prices in the quarter as global supply and demand imbalances caused downward pressure on oil prices, while a warmer winter in

North America reduced natural gas demand into a period of growing supply from increased drilling activity, leading to a sharp price decline. The Company realized average prices of $95.71 per bbl for oil, $54.54 per bbl for NGL, and $3.78 per mcf for natural gas, declines of nine, eight and 29 percent from the previous quarter, respectively. The combination of pricing and production supported the generation of $29.3 million of funds flow[1] ($0.79 per diluted share) in the quarter, a 29 percent decrease from Q4 2022.

Successful Capital Program

Bonterra's Q1 2023 capital program was executed safely and efficiently, with approximately 80 percent allocated to drilling and completions activities across its high-quality, light oil weighted Cardium asset base. Capital expenditures totaled $60.2 million in the quarter, with $48.4 million directed to the drilling of 22 gross (20.6 net) operated wells and the completion, equip and tie-in of 15 gross (14.2 net) operated wells. Of the wells drilled in Q1 2023, seven (6.4 net) have since been completed and placed on production in April, resulting in record field estimate volumes for the month. Bonterra also invested $3.6 million of its quarterly capital into expanding a wholly owned gas plant with the goal of eliminating current processing capacity limitations to support continued growth, while the remaining $8.1 million was directed to related infrastructure, recompletions and non-operated capital expenditures.

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[1] Non-IFRS measure. See advisories later in this press release.

In concert with the active drilling and completions program, the Company continued to advance its abandonment and reclamation program with support of the Alberta Site Rehabilitation Program ("SRP"), by investing $4.2 million resulting in the abandonment of 46.2 net wells and 36 pipelines during Q1 2023. By the end of 2023, Bonterra expects that approximately 80 percent of all wells across the portfolio which are not expected to provide future economic contribution will have been abandoned.

Also during the quarter, Bonterra released its second Sustainability Report, following the guidance provided by the Task Force on Climate-related Financial Disclosures (TCFD) framework and guidance provided by the Sustainability Accounting Standards Board (SASB). The report highlights the Company's success across environmental, social and governance initiatives through 2022, including Bonterra's successful reduction of 26,000 tonnes of CO_2 annually, the equivalent of removing 5,650 cars from the road for one year.

OUTLOOK

Following on a successful first quarter of 2023, Bonterra is pleased to reaffirm its previously released 2023 guidance:

- Annual production volumes averaging between 13,500 and 13,700 BOE per day[1] in

2023, weighted approximately 60 percent to oil and liquids;

- Year-over-year expected exit rate growth exceeding 10 percent, reflecting planned 2023 exit volumes between 14,100 and 14,400 BOE per day[2];
- Capital expenditure budget ranging from $120 to $125 million in 2023, 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; and
- Corporate funds flow ranging from $170 to $175 million, resulting in free funds flow[3] of approximately $45 to $50 million in 2023 (assuming US$74.85 WTI price for the remaining three quarters), which is expected to drive continued improvement in leverage metrics and a year-end net debt to EBITDA[3] ratio of 0.7 times.

Update on Current Alberta Wildfire Situation

Bonterra is actively monitoring the wildfire situation near to its operations in the Pembina area within Brazeau County. The Company has approximately 2,400 boe/d awaiting reactivation once access becomes available.

Bonterra wishes to thank its dedicated staff and emergency responders for their tireless efforts dealing with the wildfire situation and the Company sends thoughts and best wishes to everyone affected.

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[1] 2023 volumes are anticipated to be comprised of 7,000 bbl/d light and medium crude oil, 1,200 bbl/d NGLs and 32,400 mcf/d of conventional natural gas based on a midpoint of 13,600 BOE/d.

[2] Exit 2023 volumes are anticipated to be comprised of 7,428 bbl/d light and medium crude oil, 1,223 bbl/d NGLs and 33,593 mcf/d of conventional natural gas based on a midpoint of 14,250 BOE/d.

[3] Non-IFRS measure. See advisories later in this press release.

Focusing on Sustainability

As a means of further supporting Bonterra’s stability during periods of continued market volatility, protecting future cash flows and aiming to diversify the Company’s commodity price exposure, hedges have been layered on approximately 30 percent of Bonterra’s expected crude oil and natural gas production through the end of December 2023. For the balance of 2023, Bonterra has secured the following:

- WTI prices between $50.00 USD to $103.30 USD per bbl on 2,183 bbls per day, with a WTI to Edmonton par differential at prices between approximately $3.50 USD to $4.95 USD per barrel on 998 bbls per day; and
- Natural gas prices between $2.50 to $5.00 per GJ on 11,611 GJ per day.

With an increasingly robust financial and operating position, along with a proven track record of operational execution, Bonterra intends to carve a new path forward towards the implementation of a sustainable dividend-paying business model by the end of 2023. In support of this strategy, the Company will continue to actively pursue accretive acquisitions that can bolster production, expand the drilling inventory, contribute to free cash flow generation and further enhance the balance sheet. Based on Bonterra's current projections at strip pricing, the Company forecasts having minimal bank debt and being in a position to fund its capital expenditures and dividends, while still generating free cash flow.

As one of Canada's longest standing and most resilient junior oil and gas companies, Bonterra has established a strong position from which to build. In addition to benefiting from a moderate annual production decline rate, an extensive inventory of economically viable undrilled locations, and a strategic hedging program to reinforce economics, the Company intends to continue focusing on enhancing financial flexibility and undertaking safe, responsible and efficient operations to achieve measured growth.

Bonterra again wishes to sincerely thank Mr. George Fink, former founder, CEO and Director, for his contributions, vision and leadership of the Company over the past 25 years as he will not be standing for re-election at the Company's upcoming Annual and Special Meeting of Shareholders on May 18, 2023. The Board has conferred on Mr. Fink the honorary title of Director Emeritus, which will take effect immediately following his formal retirement from the Board, and enable the Company to benefit from his insight, advice and guidance.

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 term debt, subordinated debentures and bank debt 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.

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