

Bonterra Energy Corp. Announces Fully-Funded 2022 Annual Guidance

CALGARY, AB, Dec. 16, 2021 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) (“Bonterra” or the “Company”) announced today that the Company’s Board of Directors has approved initial 2022 capital guidance ranging from \$55 to \$65 million, which incorporates measured capital allocation with the optionality to adjust spending dependent on the strength of the commodity markets as recovery from the COVID-19 pandemic continues.

Fully Funded 2022 Capital Guidance

Building off a successful development program in 2021, Bonterra has increased current average production for the month of December to approximately 14,000 BOE per day¹, or 32 percent, compared to average annual production of 10,575 BOE per day for 2020. The Company’s 2022 capital budget is designed to afford optionality around the execution of the capital program with a goal to generate meaningful Free Funds Flow², defined as funds flow² net of development capital and decommissioning expenditures settled (“Free Funds Flow”) which is expected to lead to significantly improved leverage metrics.

2022 Objectives

- Invest in high rate-of-return, lower-risk light oil opportunities within the Company’s extensive drilling inventory;
- Maintain an all-in payout ratio² of less than 100 percent;
- Direct the pace of the capital program to maintain spending flexibility throughout the year and optimally respond to a shifting commodity price environment; and
- Maintain financial flexibility to achieve longer-term growth in production, reserves and funds flow per share while generating positive returns for shareholders.

Bonterra’s 2022 capital is expected to be allocated approximately 75 percent to drilling and completing new wells that primarily target the Cardium formation in Pembina and Willesden Green with the balance directed to facilities, pipelines and a continued commitment to ongoing abandonment and reclamation activities.

2022 Guidance Highlights

- 5 percent production growth year-over-year;
- \$90 million Free Funds Flow² generated assuming \$70 WTI;
- 33 percent reduction in forecasted year end 2022 net debt assuming \$70 WTI; and
- 120 inactive wells forecasted to be abandoned in 2022.

Annual 2022 production volumes are expected to grow and average between 13,300 and

13,700 BOE per day³. In the context of the ongoing recovery in commodity prices, Bonterra will regularly review the program and may elect to adjust the amount and timing of capital spending to ensure growth is aligned with the broader pricing environment, while prioritizing sustainability and achieving an all-in payout ratio of less than 100 percent of funds flow.

The Company's 2022 guidance also anticipates a significant well abandonment program targeting 120 wells based on expenditures between \$4 million and \$5 million, supporting Bonterra's ongoing commitment to environmental, social and governance ("ESG") initiatives.

Based on the pricing and production assumptions for 2022 outlined below, Bonterra anticipates generating approximately \$150 million in corporate funds flow for the year, resulting in meaningful Free Funds Flow of approximately \$90 million. Bonterra expects to direct Free Funds Flow to further reduce bank debt and significantly improve leverage metrics, thereby enhancing long term sustainability and setting the stage to optimize shareholder value. Bonterra may consider expanding its growth capital program or returning capital to shareholders if market conditions and corporate metrics continue to improve through 2022.

2022 Guidance Summary and Sensitivity

	2022 Guidance
Canadian Realized Oil Pricing per bbl	\$79.66
Average Daily Production (BOE per day) ³	13,300 – 13,700
Oil and NGL weighting	64%
Funds Flow (millions)	\$150
Capital Expenditures (millions)	\$60
Free Funds Flow (millions) ⁵	\$90

Notes:

⁽¹⁾ Canadian realized oil price is based on WTI US \$70.00 per barrel; Edmonton par differential of US \$(4.00) per barrel; CAD/USD exchange rate of \$0.79 and a quality adjustment of CAD \$(3.25) per barrel.

⁽²⁾ Funds Flow is estimated using the Canadian realized oil price above, a realized natural gas price of \$3.96 per mcf; and a realized NGL price of CAD \$45.92 per barrel.

Annualized sensitivity analysis on funds flow, as estimated for 2022

Impact on funds flow	Change	\$MM
WTI crude oil price (US\$/bbl)	\$1.00	\$2.3
AECO C Gas price (\$/GJ)	\$0.10	\$0.6
U.S.\$ to Canadian \$ exchange rate	\$0.01	\$2.1
Oil Production (bbl/d)	100	\$1.8
Gas Production (Mcf/d)	1,000	\$0.6

Sustainability Report

Bonterra's commitment to responsible operations has been a focus throughout 2021, as the Company maintained its dedication to safety, continuous improvement and being a positive contributor to the economic success of the communities where it operates in central Alberta. The Company plans to release its inaugural Sustainability Report before the end of

December, 2021, which will align with the Task Force for Climate-related Financial Disclosure (“TCFD”) and outline details of Bonterra’s commitment to ESG principles and related activities.

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”.

¹ Current run-rate volumes comprised of 7,922 bbl/d light & medium crude oil, 1,105 bbl/d NGLs and 30,379 mcf/d of conventional natural gas.

² “Non-IFRS Measure. See “Cautionary Statements” below.

³ 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.

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”, “all-in payout ratio”, “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 decommissioning expenditures settled. Free funds flow is defined as funds flow less dividends paid to shareholders, capital and decommissioning expenditures settled. All-in payout ratio is defined as capital and decommissioning expenditures settled divided by funds flow. Net debt is defined as current liabilities less current assets plus long-term bank debt and subordinated debt. Field netback is defined as revenue minus royalties, operating expenses and transportation expenses.

Unaudited Financial Information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2021 are based on estimated unaudited financial results for the quarter and year then ended, and are subject to the same limitations as discussed under

Forward Looking Information 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.

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” 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.

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