Bonterra Energy Corp. Announces Third Quarter 2022 Results Highlighted by Continued Significant Debt Reduction

CALGARY, AB, Nov. 8, 2022 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce its financial and operating results for the three and nine month periods ended September 30, 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 periods ended ($ 000s except for $ per share and $ per BOE)	Three months ended **Sept 30, 2022**	Sept 30, 2021	Nine months ended **Sept 30, 2022**	Sept 30, 2021
FINANCIAL				
Revenue – realized oil and gas sales	**88,827**	64,457	**297,043**	172,414
Funds flow [1]	**35,454**	28,658	**144,438**	68,355
Per share – basic	**0.98**	0.85	**4.04**	2.03
Per share – diluted	**0.95**	0.83	**3.87**	1.98
Cash flow from operations	**48,810**	24,616	**148,059**	58,235
Per share – basic	**1.35**	0.73	**4.14**	1.73
Per share – diluted	**1.30**	0.71	**3.96**	1.69
Net earnings[2]	**17,696**	7,296	**61,759**	162,966
Per share – basic	**0.49**	0.22	**1.73**	4.84
Per share – diluted	**0.47**	0.21	**1.65**	4.72
Capital expenditures	**20,452**	18,578	**67,127**	49,646
Total assets			**948,259**	939,835
Net debt[3]			**187,128**	307,729
Bank Debt			**74,524**	224,784
Shareholders' equity			**461,199**	361,590
OPERATIONS				
Light oil -barrels (bbl) per day	**6,649**	6,948	**7,207**	7,051
-average price ($ per bbl)	**111.44**	78.42	**116.57**	70.68
NGLs -bbl per day	**1,206**	928	**1,119**	983
-average price ($ per bbl)	**64.45**	48.86	**68.41**	39.82
Conventional natural gas – MCF per day	**31,052**	27,995	**31,333**	26,131
– average price ($ per MCF)	**4.73**	3.94	**5.47**	3.60
Total barrels of oil equivalent per day (BOE)[4]	**13,031**	12,542	**13,548**	12,389

(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) In the second quarter of 2021 the Company recorded a $203,197,000 impairment reversal less a $47,149,000 deferred income tax expense related to its Alberta cash generating unit's ("CGU") oil and gas assets due to the stronger forward prices after the impact COVID-19 had on the forward benchmark prices for crude oil.

(3) 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.
(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 averaged 13,031 BOE per day in Q3 2022, four percent higher than Q3 2021, and averaged 13,548 BOE per day in the first nine months of 2022, a nine percent increase over the comparative period in the prior year, reflecting an active drilling program along with a continued reactivation of wells supported by stronger commodity prices.
- Realized oil and gas sales in Q3 2022 increased 38 percent over Q3 2021 to total $88.8 million, and increased 72 percent in the first nine months of 2022 compared to the same period of 2021, with growth primarily driven by significantly improved commodity prices and higher production volumes.
- Field netbacks[1] averaged $36.01 per BOE in Q3 2022 and $45.55 per BOE in the first nine months of 2022, an increase of 16 percent and 64 percent, respectively, over the same periods in 2021; cash netbacks in the same respective periods in 2022 averaged $29.57 per BOE and $39.05 per BOE, reflecting increases of 19 percent and 93 percent, respectively, due primarily to significantly higher commodity prices.
- Funds flow1 in Q3 2022 totaled $35.5 million ($0.95 per fully diluted share), an increase of 24 percent from Q3 2021, while funds flow[1] in the first nine months of 2022 totaled $144.4 million ($3.87 per fully diluted share) representing an increase of 111 percent over the same period in 2021.
- Funds flow[1] in excess of capital expenditures (“free funds flow”[1]) totaled $15.0 million in Q3 2022 and was $77.3 million in the first nine months of 2022, which was directed primarily to debt repayment.
- Capital expenditures in the first nine months of 2022 totaled $67.1 million and included $48.9 million directed to the drilling of 23 gross (22.7 net) wells and the completion, equip, and tie-in of 28 gross (27.7 net) wells, with six of the completed and equipped wells having been drilled late in 2021. All wells drilled were placed on production in the first nine months of 2022 except for one, which came on production in Q4 2022.
    - $5.5 million of the capital program was directed to the construction of a wholly owned gas plant, and $13.0 million was directed to related infrastructure and recompletions.
- Quarter-end bank debt totaled $74.5 million, a 33 percent reduction compared to the preceding quarter, as the Company continues its keen focus on net debt reduction. Net debt[1] of $187.1 million as at September 30, 2022, was 30 percent lower than year-end

2021, improving Bonterra's net debt to twelve-month trailing cash flow ratio[1] to 1.0 times compared to 2.8 times at December 31, 2021.

- Bonterra's improved debt profile and increased cash flow facilitated the removal of the term portion of the Company's bank debt, which had a less favorable interest rate grid.
- Progress has been made on re-constituting Bonterra's banking syndicate and credit facility, and an update will be provided upon finalization of the new arrangements.

- During the first nine months of 2022, Bonterra continued to focus on being a responsible corporate citizen, including efficiently managing its abandonment and reclamation obligations. The Company successfully abandoned 105.9 net wells, 29.0 net pipeline segments and decommissioned 2.0 net battery sites with support from the Alberta Site Rehabilitation Program ("SRP"). Before the end of 2022, a further 41.4 net wells and associated pipelines that have no further economic potential are targeted for abandonment.

[1] "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 has built significant momentum year-to-date, realizing positive financial and operating results largely driven by production expansion, funds flow growth and meaningful debt repayment. During the first nine months of 2022, the Company executed a successful drilling program, reactivated off-line wells in response to stronger commodity prices, and commissioned a wholly-owned gas plant to alleviate processing capacity limitations, all of which contributed to average production of 13,548 BOE per day for the period. In the third quarter, Bonterra's production averaged 13,031 BOE per day, an increase of four percent over the same period in 2021. The benefit of increased production volumes was enhanced further by continued strength in commodity prices that resulted in strong netbacks, and growing funds flow[1] and free funds flow[1], which enabled the Company to further improve its balance sheet.

Revenue, Netbacks and Funds Flow

Supported by robust benchmark commodity prices in the third quarter of 2022, the Company's average realized light oil price was $111.44 per bbl, the NGL price was $64.45 per bbl, and the average natural gas price was $4.73 per mcf, reflecting increases of 42 percent, 32 percent and 20 percent, respectively, compared to the same period in 2021. Oil and liquids revenue represented 85 percent of the Company's total realized oil and gas sales in

Q3 2022, driving field and cash netbacks[1] of $36.01 per BOE and $29.57 per BOE, respectively, increases of 16 percent and 19 percent, respectively, over Q3 2021.

Strong realized pricing also contributed to the generation of $35.5 million of funds flow[1] ($0.95 per diluted share) and $15.0 million of free funds flow[1] in Q3 2022, and $144.4 million in funds flow[1] ($3.87 per diluted share) and $77.3 million of free funds flow[1] during the first nine months of the year. The Company intends to maintain its focus on generating robust free funds flow[1] that can be allocated to ongoing debt reduction designed to further strengthen the balance sheet.

Successful Capital Program

Through the first nine months of 2022, Bonterra continued to execute an active capital program largely directed to the drilling and development of its high-quality, light oil weighted asset base and other incremental growth initiatives. As of September 30, 2022, $67.1 million of the Company's annual capital budget has been invested which included $48.9 million allocated to drilling and completions activities, $5.5 million to a wholly-owned gas plant and $13.0 million primarily to related infrastructure expenditures and well recompletions.

Improved Financial Flexibility

Consistent with Bonterra's previous communications, the Company has maintained a sharp focus on strengthening the balance sheet, the results of which are highlighted by the achievement of a net debt to twelve-month trailing cash flow ratio[1] of 1.0 times at quarter end, a significant improvement over 2.8 times recorded at year-end 2021. Net debt[1] at September 30, 2022 totaled $187.1 million, a 30 percent reduction from December 31, 2021, reflecting the Company's steadfast commitment to allocating free funds flow to bank debt reduction and continuing to prudently manage the business.

Bonterra's bank facility at quarter end was drawn $74.5 million on a $125.0 million total facility ($110.0 million syndicated revolving credit facility and $15.0 million non-syndicated revolving facility), representing a 33 percent reduction in outstanding bank debt compared to the previous quarter. Following a facility step-down commitment of $10.0 million on October 31, 2022, the Company's total available bank facility going forward is $115.0 million.

OUTLOOK

Bonterra has built significant momentum in the first nine months of 2022, setting the stage for continued positive results and performance to the end of the year and into 2023. Furthermore, the Company remains committed to further decreasing bank debt which supports its goal of restoring a shareholder returns-based business model focused on continued net debt repayment and sustainable dividends.

During the final quarter of 2022, Bonterra anticipates executing the balance of its capital program within a revised 2022 capital expenditure budget range of $75 million to $80 million. Given continued drilling success and a supportive commodity price environment for well reactivations, Bonterra anticipates average production for 2022 to be within its previously announced annual guidance range of 13,300 to 13,700 BOE per day[2]. Production for the month of October 2022 averaged approximately 13,510 BOE per day[3], with three gross (3.0 net) operated wells to be placed on production in November 2022.

Recognizing the volatility of commodity prices through Q2 and Q3 2022 and in the interests of protecting future cash flows, Bonterra has prudently layered in hedges on approximately 30 percent of its expected crude oil and natural gas production to the end of Q3 2023. Through the coming 12 months, Bonterra has secured a WTI price range between $48.00 USD to $103.30 USD per bbl on 2,261 bbls per day, with a WTI to Edmonton par differential price ranging from approximately $4.80 to $6.05 per barrel on 1,123 bbls per day. In addition, the Company has secured natural gas prices between $3.00 to $5.00 on 9,674 GJ per day over the same period. This risk management position enables Bonterra to benefit from upward price movement while retaining the certainty of a floor price on a portion of production.

Financial discipline and cost control continue to be priorities as the Company remains committed to the responsible generation of robust funds flow[1] and free funds flow[1]. With ongoing bank debt reduction, Bonterra aims to further strengthen the balance sheet and secure a financially flexible position free from capital allocation constraints, enabling the Company to advance its goal of returning capital to shareholders. Progress has been made regarding the re-constitution of Bonterra’s banking syndicate and credit facility, which is scheduled to mature on November 30, 2022. The Company plans to provide an update when new banking arrangements have been finalized.

Bonterra believes that through continued execution of its focused business strategy and development of its high-quality, oil-weighted asset base, the Company will be ideally positioned to generate positive returns supported by long term economic and environmental sustainability.

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 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.

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