Bonterra Energy Corp. Provides Operations Update and Announces Fully Funded 2021 Budget and Guidance

CALGARY, AB, Feb. 16, 2021 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") today confirms that the Company's Board of Directors has approved a fully-funded 2021 capital budget of between $65 to $75 million, along with the associated guidance, and provides an operational update.

Operational Update

Through 2020, Bonterra invested approximately $44 million[1] in capital projects, a substantial reduction from its original annual capital budget of $70 million, reflecting the economic impact of COVID-19 and associated weak commodity pricing. The Company directed approximately $37 million[1] to drilling 27 gross (23.8 net) wells, with 22 gross (22.0 net) wells tied-in and placed on production in 2020. In addition, Bonterra directed approximately $7 million[1] towards infrastructure costs, resulting in average daily production of approximately 10,575 BOE per day[2], reflecting approximately 875 BOE per day of average production being shut-in through the year related to facility maintenance and low commodity prices.

Despite the challenging environment in 2020, the Company achieved many milestones, including material cost savings and efficiencies, funding secured through the Business Development Bank of Canada ("BDC") and Alberta's Site Rehabilitation Program ("SRP"), as well as a lending backstop from Export Development Canada ("EDC").

Supported by the SRP, Bonterra successfully abandoned 143 net wells during 2020, and as the Company continues to execute its abandonment program through 2021, a further 191 net wells are forecast to be abandoned. Bonterra expects to reduce its inactive well count by approximately 60 percent by the end of 2021 under current approvals.

During January 2021, the Company drilled five gross (5.0 net) wells, with four gross (3.8 net) wells tied-in and placed on production. Current production volumes based on field estimates are estimated at approximately 11,800 BOE per day[3], an increase of 17 percent over the fourth quarter of 2020.

Bonterra's focus on sustainability and ongoing efforts to generate free funds flow (defined as funds flow net of development capital expenditures and abandonment costs) are expected to enable the Company to withstand market uncertainty. The Company remains committed to being a positive and meaningful contributor to the economic success of the communities where it operates in central Alberta, by employing local services and to upholding stringent safety measures to ensure the health and well-being of its employees, contractors and partners.

[1] All 2020 financial amounts are unaudited. See advisories.
[2] Comprised of 5,832 bbls per day of light and medium crude oil; 22,268 MCF per day of conventional natural gas; and 1,032 bbls per day of natural gas liquids.
[3] Comprised of 6,920 bbls per day of light and medium crude oil; 22,600 MCF per day of conventional natural gas; and 1,110 bbls per day of natural gas liquids.

2021 Budget Designed to Return Production to Pre-COVID-19 Levels

Bonterra's total capital expenditures budget in 2021 is expected to range between $65 and $75 million, of which approximately $58 million will be allocated to DCT 43 gross (38.1 net) wells with a single drilling rig running, and the balance directed to facilities, pipelines, recompletion and workover costs. The amount and timing of capital spending is subject to adjustment should commodity prices dictate.

The 2021 capital budget is structured to return average annual production to pre-COVID-19 levels ranging between 12,800 and 13,200 BOE per day[4], by strategically allocating the $45 million of lending commitment from BDC to the development drilling program with asset retirement obligations ("ARO") reduction initiatives. Based on the Company's forecast commodity price outlook and contemplated drilling program, Bonterra does not anticipate adding incremental net debt during 2021; the Company expects to generate sustainable free funds flow which can be used to reduce net debt and bolster its competitive position. Most of the budgeted capital is expected to be allocated to new Cardium wells across the Company's Carnwood and Rose Creek areas, with approximately $3 million allocated to ARO expenditures, further supporting Bonterra's ongoing focus on responsible environmental, social and governance ("ESG") initiatives.

2021 Capital Budget Objectives

- Target high rate-of-return, low-risk light oil opportunities within the Company's extensive Cardium drilling inventory.
- Maintain a fully funded capital program that is less than annual forecast funds flow, resulting in free funds flow which can be directed to meaningful debt reduction.
- Direct the pace of the capital program to maintain flexibility and be positioned to rapidly respond to commodity price changes.
- Aim to further improve drilling and completions efficiencies, with estimated per well drill, complete and tie-in ("DCT") costs forecast to be approximately $1.4 to 1.6 million.

Based on the commodity prices, capital budget and production forecasts for 2021 outlined in the table below, Bonterra anticipates generating meaningful funds flow[5] of approximately $80 to $88 million, with free funds flow[5] of approximately $13.0 to 13.9 million. Holding all other variable constant, should WTI increase to US $60.00 per barrel, the Company anticipates free

funds flow[5] in excess of $20 million. Bonterra expects to direct any free funds flow generated in 2021 to further reduce outstanding bank debt, which will support enhanced financial flexibility.

Budget Summary

	2021 Budget
Canadian Realized Oil Pricing per Bbl [6]	$61.99
Average Daily Production (BOE per day) [4]	12,800 – 13,200
Oil and NGL weighting	67%
Funds Flow (millions) [5,7]	$80-$88
Capital Expenditures (millions)	$65-$75
Free Funds Flow (millions) [5]	$13.0-$13.9

[4] Comprised of 7,050 to 7,400 bbls per day of light and medium crude oil; 26,100 to 26,500 MCF per day of conventional natural gas; and 1,390 to 1,400 bbls per day of natural gas liquids.
[5] "Funds Flow" and "Free Funds Flow" do not have standardized meanings. See "Cautionary Statements" below.
[6] Canadian realized oil price is based on WTI US $55.97 per barrel; Edmonton par differential of $(4.67) per barrel; CAD/USD exchange rate of $0.79; and a quality differential of CAD $(3.25) per barrel.
[7] Funds Flow is estimated using the Canadian realized oil price above, a natural gas price of $3.31 per mcf; and an NGL price of CAD $30.99 per barrel.

Bonterra will continue to closely monitor changes in commodity prices as the economy recovers from COVID-19. The Company's primary objective is to generate free funds flow that can be used to reduce debt and strengthen its financial position. Through a combination of BDC and SRP funding, Bonterra has established a strong position to enhance financial flexibility while executing its strategic plan that is structured to create lasting shareholder value.

Recommendation for Shareholders to Reject the Hostile Bid

Bonterra and its Board of Directors reiterates the previous recommendation that shareholders reject Obsidian Energy Ltd.'s ("Obsidian") highly-conditional, unsolicited bid to acquire all of the issued and outstanding common shares of Bonterra in exchange for shares of Obsidian (the "Hostile Bid") and continues to strongly recommend that Bonterra shareholders **TAKE NO ACTION** and **REJECT** the Hostile Bid by **NOT TENDERING** their shares.

For more information, including the Company's recent shareholder letters, Directors' Circular and other relevant materials, please visit Bonterra's website at www.bonterraenergy.com or the Company's profile on the SEDAR website at https://www.sedar.com/.

Shareholder Questions

Shareholders with questions related to the Hostile Bid are encouraged to call Bonterra's information agent, Laurel Hill Advisory Group at 1-877-452-7184 (+1-416-304-0211 outside North America) or email assistance@laurelhill.com.

Bonterra Energy Corp. is a conventional oil and gas production corporation with operations in Alberta, Saskatchewan and British Columbia, focused on its long-term model of generating 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

Use of Non-IFRS Financial Measures

Throughout this release the Company uses the terms "funds flow" and "free funds flow" 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.

Unaudited Financial Information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2020 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, 2020 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 ARO; 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; 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; 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; the continuing and uncertain impact of COVID-19; 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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