Bonterra Energy Corp. Successfully Completes Financing Initiatives and Continues to Recommend That Shareholders Reject the Obsidian Hostile Bid

- ***Bonterra is one of the first Canadian energy producers to qualify and be approved for both the EDC and BDC government support programs, a condition of which is financial viability.***

- ***With the successful completion of its recent financing initiatives, Bonterra's go-forward strategic plan is expected to grow production by more than 30 percent and return the Company's average annual production to pre-COVID levels of approximately 13,000 BOE per day in 2021.***

- ***Bonterra's strategic plan has the support of its bank syndicate, which has agreed to extend the maturity date of its senior credit facility to December 31, 2021 and maintain Bonterra's current $300 million borrowing base.***

- ***BDC's commitment of $45 million strengthens Bonterra's liquidity and will provide optionality and funding for a development drilling program that will help create significant value for shareholders.***

- ***Through its commitment of $38.4 million, EDC has joined Bonterra's syndicate of lenders demonstrating strong alignment with the Company's current capital providers and management.***

- ***Bonterra's Board of Directors continues to advise shareholders to <u>REJECT</u> the hostile "take-under" bid by Obsidian, take no action and do not tender their shares.***

CALGARY, AB, Nov. 16, 2020 /CNW/ – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce that it has executed definitive documentation to successfully obtain financing required to implement Bonterra's go-forward strategic plan, which is expected to grow production by more than 30 percent and return the Company's average annual production to pre-COVID levels of approximately 13,000 BOE per day in 2021. The definitive documentation includes:

- amendments to the Company's senior credit facility (the "Senior Facility") to extend the Senior Facility's borrowing base redetermination date to June 30, 2021 (from April 28, 2021) and to extend the revolving maturity date to December 31, 2021 (from April 28,

2021); and
- lending commitments of $45 million from the Business Development Bank of Canada ("BDC") and $38.4 million from Export Development Canada ("EDC").

In addition, Bonterra continues to advise shareholders to **REJECT** the unsolicited "take-under" bid (the "Hostile Bid") by Obsidian Energy Ltd. ("Obsidian") to acquire Bonterra, as described more fully in the Company's October 5, 2020 Directors' Circular, filed on SEDAR and available on the Company's website at www.bonterraenergy.com. The Hostile Bid does not provide adequate value to Bonterra's shareholders and represents a **discount** of 46 percent to the market price of the Bonterra common shares (based on the respective closing prices of the common shares of Bonterra and Obsidian on November 13, 2020).

Senior Facility Amendments

Following approval of the Company's refinancing initiatives, Bonterra's syndicate of lenders has reviewed the Senior Facility and approved amendments to incorporate the EDC and BDC funding commitments. The Senior Facility's borrowing base redetermination date has been extended to June 30, 2021 from April 28, 2021, and the revolving maturity date has been extended to December 31, 2021 from April 28, 2021.

Bonterra is pleased to have successfully achieved the EDC and BDC funding which it believes will benefit all stakeholders. The ability of Bonterra to secure this funding demonstrates the viability of its business fundamentals (a key condition of the EDC and BDC programs), and the support from the Company's existing lenders.

EDC and BDC Arrangements

Documentation confirming the Company's previously announced lending commitments from EDC and BDC has been executed, providing Bonterra with a lending commitment of $38.4 million from EDC and a second lien non-revolving four-year term facility of $45 million from BDC, an existing member of Bonterra's lending syndicate.

The $38.4 million lending commitment from EDC, based on its Business Credit Availability Program (the "BCAP"), has a tenure of up to two years and is renewable at maturity at EDC's discretion. EDC joins Bonterra's syndicate of lenders as a highly aligned capital partner. These funds reduce existing lenders' commitments while maintaining the $300 million credit facility borrowing base under the Senior Facility.

The BDC commitment, also based on the BCAP with financial support from the Government of Canada, includes a second lien non-revolving four-year term facility of $45 million in principal. For the first year, interest costs are five percent and will be capitalized. The term facility is to be drawn within a 12-month period following closing of the financing, with the full amount due at maturity in four years. Bonterra is committed to employing local services in

the Drayton Valley area near its core operations and to being a meaningful economic contributor to rural and surrounding communities within central Alberta. The BDC funding will allow Bonterra to increase capital investment and support related and ancillary businesses, which is expected to enable hundreds of local Albertans to go back to work.

The Senior Facility redetermination, the EDC and BDC financings, and the benefit to be received through Alberta's Site Rehabilitation Program (the "SRP"), will together provide Bonterra with significant additional liquidity and strategically position the Company to combat continued market volatility, and the ability to take advantage of any potential improvement in crude oil, liquids and natural gas prices.

Bonterra Go-Forward Strategic Plan

The Company is well-positioned to implement its strategic plan based on the newly-available liquidity profile, and a continued focus on sustainability and free cash flow generation. Bonterra has the assets and the people to continue pursuing profitable development of its high-quality, Cardium light oil asset base in order to generate long-term net asset value growth as the economy recovers from the COVID-19 pandemic.

With a more secure liquidity position, Bonterra has shifted its focus to the execution of numerous near-term operational and corporate initiatives:

- During Q4 2020 and assuming supportive commodity prices, the Company plans to drill 14 gross wells (12.9 net) and complete 13 gross wells (13.0 net);
- Over the first six months of 2021, Bonterra is budgeting to drill 13 gross wells (13 net) and complete 17 gross wells (16.6 net);
- Based on the operational activities planned through Q2 2021, the Company anticipates average production volumes will return to 2019 pre-COVID levels of approximately 13,000 BOE per day;
- The Company expects to incur capital expenditures of approximately $23 million in Q4 2020 and approximately $29 million during the first six months of 2021;
- Through the SRP, and other provincial programs, Bonterra expects to reduce its inactive well count by 58 percent over the next two years under current approvals. The overall impact will reduce the annual spending commitments under Alberta's Area Based Closure ("ABC") program from $3.3 million to $2.0 million starting in 2023; and
- The Company intends to expand cost reductions achieved during the first nine months of 2020, which included lowering annual operating costs and general and administrative costs by approximately $8 million (before approximately $1.3 million of non-recurring general and administrative costs related to the Hostile Bid), a 15 percent improvement over 2019 levels.

Response to Obsidian's Hostile Bid

The Company's Board of Directors reiterates its recommendation to Bonterra shareholders to **REJECT** the Hostile Bid and to take no action. With the successful completion of its financing initiatives, the Company is well-positioned to implement its go-forward strategic plan to create significant value for shareholders. As a result, the Board of Directors continues to believe that the Hostile Bid is inadequate and is not in the best interests of Bonterra, its shareholders or other stakeholders for the reasons described in the Directors' Circular, including:

- **Take-Under**: The Hostile Bid is a "take-under" bid offered at a **discount** of 46 percent to the market price of the Bonterra common shares (based on the respective closing prices of the common shares of Bonterra and Obsidian on November 13, 2020) and does not provide adequate value to shareholders. Since Obsidian's formal launch, the Hostile Bid has never offered Bonterra shareholders a premium.[1]

- **Opportunistic Timing:** The Hostile Bid is highly opportunistic and timed to deprive Bonterra shareholders of recent positive market changes and value-increasing initiatives both achieved to date and that are being pursued by Bonterra, including the EDC and BDC funding and the go-forward strategic plan (as outlined above).
- **Bonterra Shareholder Support**: Shareholders representing more than 33 percent of the Company's outstanding common shares have already confirmed to Bonterra that they will not tender to the Hostile Bid. As a result, it is highly unlikely that the Hostile Bid can be completed in accordance with its current terms, as the Hostile Bid is conditional upon at least 66⅔ percent of the outstanding common shares being validly deposited to the Hostile Bid and not withdrawn.

Bonterra is proud of its established history of creating long-term sustainability and growth for shareholders. With significant recent funding advancements from the BDC, EDC, and additional abandonment capital from the SRP, the Company is well-positioned to continue generating sustained value.

[1] Based on the proposed share exchange ratio and the respective trading prices of the Bonterra and Obsidian common shares.

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".

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: credit commitments pursuant to the EDC, BDC and SRP programs and the anticipated amount and terms of funding that will become available to the Company pursuant to such programs; the Company’s spending commitments under the ABC program; the Company’s inactive well count; the Company’s strategic plan and drilling program; expectations regarding production growth, production volumes, capital expenditures, operating costs and general and administrative costs; business strategy and outlook; expansion and growth of our business and operations; 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: risks and uncertainties relating to the satisfaction of all conditions relating to the availability of funding pursuant to government programs; 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; 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 therefrom. 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.

Oil and Gas Information

“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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