

Bonterra Energy Corp. Announces Fourth Quarter and Year End 2022 Results Highlighted by a 77% Increase in Funds Flow and 44% Decrease in Net Debt

- **5% Growth in production & 53% increase in oil & gas sales**
- **77% Increase in funds flow¹ and 182% growth in free funds flow¹ contributed significantly to improving the balance sheet**
- **44% lower net debt drove leverage ratio down to 0.8X while strategic debt restructuring affords Bonterra enhanced liquidity with approximately \$17 million drawn on a \$110 million bank credit facility**

CALGARY, AB, March 9, 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 fourth quarter and year ended December 31, 2022. The related financial statements and notes, as well as management's discussion and analysis ("MD&A") along with the annual information form ("AIF"), all for the period ended December 31, 2022, 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 year ended	December 31,	December 31,	December 31,
(\$000s except \$ per share)	2022	2021	2020
FINANCIAL			
Revenue - realized oil and gas sales	384,197	251,616	121,642
Funds flow ⁽¹⁾	185,583	104,843	27,789
Per share - basic	5.16	3.11	0.83
Per share - diluted	4.98	3.02	0.83
Cash flow from operations	183,553	96,103	32,073
Per share - basic	5.10	2.85	0.96
Per share - diluted	4.92	2.76	0.96
Net earnings (loss) ⁽²⁾	79,023	179,299	(306,889)
Per share - basic	2.20	5.32	(9.19)
Per share - diluted	2.12	5.16	(9.19)
Capital expenditures	79,769	67,282	43,728
Total assets	919,682	945,721	731,859
Net debt ⁽³⁾	149,831	267,179	315,573
Bank debt	17,601	162,945	252,255
Shareholders' equity	479,839	392,019	196,633

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

		December 31,	December 31,
		2022	2020
OPERATIONS			
Light oil	-bbl per day	7,095	5,832
	-average price (\$ per bbl)	113.93	44.31
NGLs	-bbl per day	1,141	1,032
	-average price (\$ per bbl)	66.00	18.65
Conventional natural gas	-MCF per day	31,023	22,268
	-average price (\$ per MCF)	5.44	2.46
Total barrels of oil equivalent per day (BOE) ⁽⁴⁾		13,407	10,575

(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 first quarter of 2020 the Company recorded a \$331,678,000 impairment provision less a \$54,107,000 deferred income tax recovery related to its Alberta CGU's oil and gas assets due to the impact of COVID-19 effect on the forward benchmark prices for crude oil. With stronger forward prices in Q2 2021,

the Company recorded a \$203,197,000 impairment reversal on its Alberta CGU's oil and gas assets less \$47,149,000 deferred income tax expense.

- (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** in 2022 averaged 13,407 BOE per day, five percent higher than in 2021, while fourth quarter volumes averaged 12,989 BOE per day, six percent lower than the same period last year.
- **Realized oil and gas sales** in 2022 increased 53 percent over 2021 to total \$384.2 million, and rose ten percent in Q4 2022 over the same period in 2021, primarily driven by significantly higher realized prices and stronger production volumes for the full year.
- **Funds flow**¹ totaled \$185.6 million (\$4.98 per fully diluted share) in 2022, a 77 percent increase over \$104.8 million (\$3.02 per fully diluted share) generated in 2021, while funds flow¹ in Q4 2022 totaled \$41.1 million (\$1.10 per fully diluted share) or 13 percent higher than Q4 2021.
- **Free funds flow**¹ increased 182 percent over 2021 to total \$105.8 million in 2022 and \$28.5 million in Q4 2022, and was directed primarily to debt repayment.
- **Field netbacks**¹ averaged \$44.93 per BOE in 2022 and \$42.99 per BOE in Q4 2022, representing increases of 52 percent and 25 percent over the same respective periods in 2021; cash netbacks averaged \$37.92 per BOE in 2022 and \$34.43 per BOE in Q4 2022, reflecting increases of 68 percent and 20 percent, over the same respective periods in 2021, due primarily to significantly higher commodity prices.
- **Production costs** declined in Q4 2022 by 21 percent to average approximately \$16.11 per BOE compared to \$20.33 per BOE in Q3 2022, further reducing the annual average production costs to \$17.45 per BOE.
- **Capital expenditures** totaled \$79.8 million during 2022 and \$12.6 million in Q4 2022. Of the full year capital, 71 percent was directed to drilling 25 gross (24.7 net) operated wells and having 31 gross (30.7 net) operated wells tied-in and placed on production, six of which were drilled late in 2021.
- **Bank debt** totaled \$17.6 million at year-end, 89 percent lower than year-end 2021, while net debt¹ declined 44 percent to \$149.8 million exiting 2022, improving Bonterra's net debt to twelve-month trailing cash flow ratio¹ to 0.8 times compared to 2.8 times at December 31, 2021. Bonterra's improved debt profile and increased cash flow helps set the stage to reintroduce a shareholder returns-based business model by the end of 2023.
- **Strategic debt restructuring** was completed in Q4 2022 as Bonterra closed on two new credit facilities, comprised of a \$110 million first lien secured bank credit facility and a \$95 million second lien secured term debt facility, while simultaneously repaying the \$47 million Business Development Bank of Canada ("BDC") Term Facility. Bonterra is now well positioned with a stable capital base, a supportive bank syndicate and increased liquidity with only 16 percent utilization of the banking facility.
- **Responsible operations** remained a top priority through 2022 and Bonterra is pleased to confirm the completion of its second environmental, social and governance ("ESG") report, which is now available on the Company's website. The report highlights Bonterra's recent ESG highlights and initiatives, profiling the Company's progress in its sustainability journey.

YEAR IN REVIEW

Bonterra experienced a landmark year in 2022, having achieved significant progress on financial, operational and corporate objectives. With an active capital program that grew production into a strong commodity price environment, Bonterra was able to generate robust netbacks, funds flow¹, and free funds flow¹. As a result, the Company successfully redirected free funds flow¹ towards debt reduction, augmenting its long-term financial sustainability. With free funds flow¹ of \$105.8 million generated in 2022, Bonterra exceeded its initial guidance of \$90 million, as presented in March 2022, by 18 percent, reflecting the Company's unwavering focus on financial discipline and value creation.

The Company exhibited notable operational progress in 2022 as it executed a successful drilling program, reactivated off-line wells in response to the stronger commodity price environment, and commissioned a wholly-owned gas plant to alleviate processing capacity limitations. Throughout the year, these efforts collectively enabled the Company to achieve an average daily production of 13,407 BOE while also paving the way for the bank credit facility restructuring.

With the appointment of Patrick Oliver as the new CEO in September, Bonterra is well-positioned to advance its

strategic objectives and implement a return of capital model for its stakeholders. The Company's achievements in 2022 underscore this new strategic footing and reflect its commitment to sustainable growth, prudent capital allocation, and strong operational performance.

Revenue, Netbacks and Funds Flow

Oil and liquids revenue represented 84 percent of the Company's total realized oil and gas sales in 2022, driving strong field and cash netbacks¹ of \$44.93 per BOE and \$39.92 per BOE, representing increases of 52 percent and 68 percent, respectively, over 2021. Revenue and netback growth was largely attributable to improved realized commodity pricing, with the Company having realized an average per unit light oil price of \$113.93 per bbl, NGL price of \$66.00 per bbl, and natural gas price of \$5.44 per mcf, reflecting increases of 53 percent, 50 percent and 37 percent, respectively, compared to 2021. Strong realized pricing also contributed to the generation of \$185.6 million of funds flow¹ (\$4.98 per diluted share) and \$105.8 million of free funds flow¹ in 2022.

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

Active Capital Program

Bonterra successfully executed an active capital program in 2022 that was largely directed to the development of its high-quality, light oil weighted asset base and other incremental growth initiatives. Capital expenditures totaled \$79.8 million in 2022, with \$56.7 million being directed to the drilling of 25 gross (24.7 net) operated wells and completing, equipping, tying-in and placing on production 31 gross (30.7 net) operated wells, six of which were drilled late in 2021. Of the full year capital, \$6.1 million was allocated to the construction of a wholly owned gas plant that is expected to successfully resolve gas handling capacity limitations, while an additional \$17.0 million was directed to related infrastructure, recompletions and non-operated capital programs.

During 2022, Bonterra continued to drive an active abandonment and reclamation program, which successfully abandoned 123.5 net wells, 53 pipelines and two facilities, leveraging support from the Alberta Site Rehabilitation Program. Looking ahead into 2023, Bonterra is targeting to abandon an additional 55.0 net wells and 153 pipelines that have no further economic potential. By the end of 2023, Bonterra expects to have abandoned approximately 82 percent of all wells identified as having no further economic potential.

Strategic Debt Restructuring

Strengthening the balance sheet remained a significant priority throughout the year with substantial free funds flow¹ being directed to deleveraging, as demonstrated by a material reduction in bank debt and net debt, and a vastly improved net debt to cash flow ratio. Bonterra closed out the year with a net debt to twelve-month trailing cash flow ratio¹ of 0.8 times at December 31, 2022, compared to 2.8 times recorded at year-end 2021. Year-end net debt¹ totaled \$149.8 million, a 44 percent reduction from December 31, 2021, while bank debt decreased by 89 percent over the same period to total \$17.6 million.

With the new strategic footing offered by Bonterra's improved leverage profile, the Company successfully completed a restructuring of its debt capitalization through the closing of two new credit facilities (the "New Credit Facilities"). As previously announced, the New Credit Facilities are comprised of a \$110 million first lien secured bank credit facility, and a \$95 million second lien secured term debt facility. Simultaneous with the closing of the New Credit Facilities, Bonterra fully repaid its previous \$47 million Business Development Bank of Canada term facility. The New Credit Facilities represent a significant step forward toward the Company's goal of implementing a shareholder returns-based business model focused on a combination of debt repayment, sustainable dividends and modest production growth.

OUTLOOK

Bonterra is pleased to reaffirm its previously released 2023 guidance:

- Capital expenditure budget ranging from \$120 to \$125 million, 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;
- 2023 production volumes are expected to average between 13,500 and 13,700 BOE per day², 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 day³; and

- Based on pricing (assuming US\$74.80 WTI) and production assumptions for 2023, as outlined fully in the Company's [December 15, 2022 press release](#), Bonterra anticipates generating approximately \$170 to \$175 million in corporate funds flow¹ for the year resulting in meaningful free funds flow¹ of approximately \$45 to \$50 million, which is expected to drive a year-end net debt to EBITDA¹ ratio of 0.7 times.

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

² 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.

³ 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.

To further support stability while facing continued market volatility, and as part of Bonterra's ongoing efforts to diversify commodity pricing and to protect future cash flows, the Company has layered in hedges on approximately 30 percent of its expected crude oil and natural gas production to the end of Q3 2023. For the next nine months, Bonterra has secured a WTI price between \$50.00 USD to \$103.30 USD per bbl on 2,282 bbls per day, with a WTI to Edmonton par differential at prices ranging from approximately \$3.50 USD to \$4.95 USD per barrel on 1,161 bbls per day; the Company has also secured natural gas prices between \$3.85 to \$5.00 per GJ on 9,333 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.

Looking forward, the Company will continue to pursue strategic acquisitions that serve to enhance Bonterra's production base, drilling inventory and further deleverage the balance sheet. The acquisition strategy will support and align with returning to a sustainable dividend paying business model before the end of 2023, at which time the Company expects to have eliminated its outstanding bank debt and commenced building cash reserves based on Bonterra's current forecasts using strip pricing. With a moderate annual production decline rate and a significant inventory of economic undrilled locations, the Company is well positioned to continue building on the significant momentum generated in 2022 and to date in 2023.

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 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.

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.

SOURCE Bonterra Energy Corp.

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<https://bonterraenergy.mediaroom.com/2023-03-09-Bonterra-Energy-Corp-Announces-Fourth-Quarter-and-Year-End-2022-Results-Highlighted-by-a-77-Increase-in-Funds-Flow-and-44-Decrease-in-Net-Debt>