Bonterra Energy Corp. Announces Second Quarter 2023 Results Highlighted by Increased Quarter-Over-Quarter Production, Cash Flow and Net Earnings with Lower Net Debt

CALGARY, AB, Aug. 10, 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 three and six month periods ended June 30, 2023. 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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		Three months ended		Six months ended	
As at and for the periods ended ($ 000s except for $ per share and $ per BOE)		**June 30, 2023**	June 30, 2022	**June 30, 2023**	June 30, 2022
FINANCIAL					
Revenue - realized oil and gas sales		**75,606**	116,674	**152,869**	208,216
Funds flow[1]		**34,799**	61,892	**64,141**	108,984
Per share - basic		**0.94**	1.72	**1.73**	3.06
Per share - diluted		**0.93**	1.63	**1.72**	2.90
Cash flow from operations		**33,854**	58,307	**57,872**	99,249
Per share - basic		**0.91**	1.62	**1.56**	2.79
Per share - diluted		**0.91**	1.53	**1.55**	2.64
Net earnings		**8,844**	33,544	**16,484**	44,063
Per share - basic		**0.24**	0.93	**0.44**	1.24
Per share - diluted		**0.24**	0.88	**0.44**	1.17
Capital expenditures		**16,116**	14,506	**76,339**	46,675
Total assets				**962,021**	934,303
Net debt[2]				**168,344**	211,284
Bank debt				**35,506**	111,476
Shareholders' equity				**498,449**	442,653
OPERATIONS					
Light oil	-bbl per day	**7,282**	7,623	**7,175**	7,490
	-average price ($ per bbl)	**93.21**	126.97	**94.44**	118.88
NGLs	-bbl per day	**1,248**	1,151	**1,202**	1,074
	-average price ($ per bbl)	**43.97**	77.23	**49.02**	70.67
Conventional natural gas	-MCF per day	**32,286**	33,323	**31,869**	31,476
	-average price ($ per MCF)	**3.01**	6.76	**3.39**	5.85
Total barrels of oil equivalent per day (BOE)[3]		**13,911**	14,328	**13,689**	13,810

(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) Net debt is not a recognized measure under IFRS. The Company defines net debt as current liabilities less current assets plus long-term bank debt, subordinated debt, subordinated debentures and subordinated term debt.
(3) 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 Q2 2023 averaged 13,911 BOE per day, three percent higher than Q1 2023, reflecting well outperformance from new production brought onstream late in Q1 2023, offset by the impact of the Alberta wildfires that required production to be shut-in for safety measures during the quarter of approximately 333 BOE per day.
- **Funds flow**[1] totaled $34.8 million ($0.93 per fully diluted share) in Q2 2023, an increase of 19 percent over the previous quarter, contributing to free funds flow of $18.7 million that supports Bonterra's debt reduction strategy and helps progress towards the Company's goal of reestablishing a sustainable shareholder returns strategy upon achieving optimal leverage metrics. During the first six months of 2023, funds flow totaled $64.1 million ($1.72 per fully diluted share).
- **Net earnings** in the second quarter demonstrated full cycle profitability and totaled $8.8 million ($0.24 per diluted share), 16 percent higher than Q1 2023 and 74 percent lower than Q2 2022, and in the first half of 2023 totaled $16.5 million ($0.44 per diluted share), which represents a decrease of 63 percent given higher commodity prices through the first half of 2022.
- **Production costs** of $16.88 per BOE in Q2 2023 decreased by four percent compared to the preceding quarter due to lower well maintenance costs for well reactivations and backstopping full year guidance in the $16.00 to $16.50 per BOE range.
- **Capital expenditures** in the quarter totaled $16.1 million, or 73 percent lower than the more active Q1 2023 period, reflecting lower activity levels which are common during spring break-up, with capital directed to drill four gross (4.0 net) operated wells, and the completion, equip and tie-in of seven gross (6.4 net) operated wells, and approximately $1.5 million for related infrastructure, recompletions and non-operated capital programs.
- **Net debt**[1] totaled $168.3 million at June 30 2023, 12 percent higher than year end 2022 and eight percent lower than the preceding quarter, reflecting a less active capital program in Q2 compared to Q1 2023, along with a decline in cash flow stemming from lower commodity prices year-to-date.
    - Bonterra's leverage profile remained strong in Q2, with bank debt totaling $35.5 million at quarter end, reflecting a decrease of 68 percent from $111.5 million at the same period in 2022, and an increase from $17.6 million at year-end 2022, due to the active capital program in Q1 2023.
    - During Q2 2023, Bonterra completed the renewal of its $110 million bank facility, which is structured as a normal course, reserve-based credit facility available on a revolving basis through April 30, 2024, with bi-annual borrowing base redeterminations and a maturity of April 30, 2025.

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

QUARTER IN REVIEW

Having successfully executed an active Q1 winter drilling and completions program, Bonterra entered Q2

2023 with strong production from wells drilled late in Q1 2023. Production for the quarter averaged 13,911 BOE per day and was 13,689 BOE per day for the six months ended June 30, 2023, reflecting a three percent and a one percent decrease compared to the same respective periods in 2022. The reduced production is directly attributable to 333 BOE per day shut-in during Q2 2023 due to the wildfires in central Alberta. Bonterra continues to anticipate annual average production will be at the upper limit of its 2023 average annual guidance range of between 13,500 to 13,700 BOE per day.

As anticipated, net debt declined quarter-over-quarter to $168.3 million at June 30, 2023 compared to $183.7 million at March 31, 2023, a function of lower capital spending and field activity combined with higher production volumes, offset by lower realized prices per BOE. These higher volumes in the quarter also contributed to lower operating costs of $16.88 per BOE compared to $17.54 per BOE in the previous quarter.

Revenue, Netbacks and Funds Flow

During the second quarter, the Company realized oil and natural gas sales of $75.6 million, and in the first six months of the year generated $152.9 million, compared to $116.7 million and $208.2 million in the same respective periods of 2022. With oil and liquids revenue representing approximately 87 percent of the total, the approximately 27 percent decline in light oil prices in Q2 2023 compared to Q2 2022 contributed to lower field and cash netbacks. Bonterra's field and cash netbacks were $36.78 per BOE and $27.49 per BOE in Q2 2023, respectively, compared to $34.90 per BOE and $24.21 per BOE in Q1 2023, respectively, and $54.86 per BOE and $47.47 per BOE, respectively, in Q2 of 2022.

Through the second quarter, oil prices continued to soften due to macroeconomic uncertainty which impacted demand, including concerns about high inflation, rising interest rates and recessionary fears, yet supply remained resilient. With expectations that OPEC+ will continue to manage global oil supply, prices are expected to be supported through the balance of 2023 and into 2024. Similarly, natural gas pricing remained weak through the second quarter, as inventories rose steadily given muted heating and cooling demand caused by unusually mild weather conditions, coupled with a continued strong supply of natural gas from North America. These market and pricing factors resulted in Bonterra realizing an average price of $93.21 per bbl for oil, $43.97 per bbl for NGL, and $3.01 per mcf for natural gas, which represent decreases of three, 19 and 20 percent over the previous quarter, respectively.

The Company recorded net earnings for the three and six month periods ended June 30 2023, generating $8.8 million ($0.24 per diluted share) and $16.5 million ($0.44 per diluted share), respectively. Funds flow for the quarter totaled $34.8 million ($0.93 per diluted share) and for the six months ended June 30, 2023 was $64.1 million ($1.72 per diluted share), representing declines of 44 percent and 41 percent, respectively, compared to the same periods in 2022, due primarily to lower commodity pricing in 2023.

Modest Capital Program and Ongoing Reclamation

Consistent with previous years, Bonterra's Q2 2023 capital program was lower than the previous quarter and totaled $16.1 million, which was a function of spring breakup. Capital was allocated to the drilling of four gross (4.0 net) operated wells that were brought on-line early in Q3, and the completion, equip and tie-in of seven gross (6.4 net) operated wells, with approximately $1.5 million for related infrastructure, recompletions and non-operated capital programs. The project to expand Bonterra's wholly-owned gas plant was completed during the first half of 2023, and is anticipated to eliminate processing capacity limitations and support future growth.

While executing on a modest capital program during the second quarter, Bonterra continued to progress its ongoing abandonment and reclamation efforts and leveraged support of the Alberta Site Rehabilitation Program ("SRP"), which concluded in Q2 2023. During the three and six months ended June 30, 2023, the

Company abandoned 13.9 net wells and 24 pipelines, and 60.1 net wells and 60 pipelines, respectively. By year end 2023, Bonterra expects to have abandoned approximately 75 percent of all wells identified as having no further economic potential, building on the successful abandonment of 547.6 net wells, 347 pipelines and six facilities since the beginning of 2020.

First Montney Test Well

The Company is also pleased to confirm that before the end of 2023, Bonterra plans to drill its first Montney test well on Bonterra's contiguous 45 section (28,880 acres) 100 percent working interest land base situated north of Grand Prairie (Valhalla) within the guided capital budget of $120 - $125 million. The Montney is recognized as one of Canada's highest impact and economic plays, and as such, the successful testing and delineation of Bonterra's strategic Valhalla asset is expected to provide greater optionality and an expanded potential development runway for the future.

OUTLOOK

Following a successful second quarter of 2023, along with positive movements in forward commodity prices for the remainder of the year, Bonterra is pleased to reaffirm its previously released 2023 guidance as outlined in the Company's December 15, 2022 press release. In light of asset outperformance, annual average production volumes are trending towards the high end of the previously provided guidance range of between 13,500 and 13,700 BOE per day[1], and are expected to be weighted approximately 60 percent to oil and liquids. Bonterra is targeting to drill approximately 14.6 net wells in the second half of 2023, including the new Montney test well, along with directing capital to facilities, pipelines and a continued commitment to ongoing abandonment and reclamation activities, and expects to remain within the original 2023 capital expenditure budget of $120 to $125 million.

In addition to maintaining operational excellence through the ongoing development of its high-quality Cardium asset base, to date in 2023 Bonterra has remained sharply focused on continued debt reduction and strengthening the balance sheet to support long-term resilience and sustainable growth. The Company is targeting a return of capital strategy over the coming quarters, contingent on minimal bank debt drawn and net debt to EBITDA of less than 1.0:1.0. Bonterra will also seek to identify and transact on accretive acquisitions that can increase production, add to the drilling inventory, generate free cash flow and further bolster the balance sheet.

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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.

Risk Management Underpins Sustainability

As a means of further supporting Bonterra's stability during periods of continued market volatility, protecting future cash flows and aiming to diversify the Company's commodity price exposure, hedges have been layered on approximately 30 percent of Bonterra's expected crude oil and natural gas production through Q1 2024. For the next nine months, Bonterra has secured the following:

- WTI prices between $50 USD to $98.65 USD per bbl on approximately 2,200 bbls per day; and
- Natural gas prices between $2.50 to $5.00 per GJ on approximately 10,784 GJ per day.

Bonterra is proud to be one of Canada's longest standing and most resilient junior oil and gas companies, with an established name, track record and history of value creation for shareholders. As the Company continues to evolve and grow under a refreshed board, a new CEO and a revitalized strategy, this fall Bonterra is excited to also unveil novel branding and new corporate materials that better reflect its current strengths and innovative approach to leveraging future opportunities. With a moderate annual production decline rate, extensive inventory of economically viable undrilled locations, an early stage, high impact Montney exploration play and a strategic hedging program to reinforce economics, the Company is positioned to focus on enhancing financial flexibility and undertaking safe, responsible and efficient operations to achieve measured growth.

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, general and administrative expense and current income tax 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.

SOURCE Bonterra Energy Corp.

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