Bonterra Energy Announces Q3 2023 Results Highlighted by Quarter-Over-Quarter Growth in Production, Funds Flow and Net Earnings With 25 Percent Lower Bank Debt

CALGARY, AB, Nov. 8, 2023 /CNW/ - Bonterra Energy Corp. (TSX: BNE) ("Bonterra" or the "Company") is pleased to announce its operating and financial results for the three and nine month periods ended September 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

As at and for the periods ended ($ 000s except for $ per share and $ per BOE)		Three months ended Sept. 30, 2023	Sept. 30, 2022	Nine months ended Sept. 30, 2023	Sept. 30, 2022
FINANCIAL					
Revenue - realized oil and gas sales		**84,909**	88,827	**237,778**	297,043
Funds flow[1]		**42,722**	35,454	**106,863**	144,438
Per share - basic		**1.15**	0.98	**2.87**	4.04
Per share - diluted		**1.14**	0.95	**2.86**	3.87
Cash flow from operations		**37,715**	48,810	**95,587**	148,059
Per share - basic		**1.01**	1.35	**2.57**	4.14
Per share - diluted		**1.01**	1.30	**2.56**	3.96
Net earnings		**13,486**	17,696	**29,970**	61,759
Per share - basic		**0.36**	0.49	**0.81**	1.73
Per share - diluted		**0.36**	0.47	**0.80**	1.65
Capital expenditures		**36,130**	20,452	**112,469**	67,127
Total assets				**955,484**	948,259
Net debt[2]				**167,449**	187,128
Bank debt				**26,613**	74,524
Shareholders' equity				**512,479**	461,199
OPERATIONS					
Light oil	-bbl per day	**7,177**	6,649	**7,176**	7,207
	-average price ($ per bbl)	**104.32**	111.44	**97.77**	116.57
NGLs	-bbl per day	**1,410**	1,206	**1,272**	1,119
	-average price ($ per bbl)	**49.19**	64.45	**49.08**	68.41
Conventional natural gas	-MCF per day	**34,241**	31,052	**32,669**	31,333
	-average price ($ per MCF)	**3.06**	4.73	**3.27**	5.47
Total barrels of oil equivalent per day (BOE)[3]		**14,294**	13,031	**13,893**	13,548

(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 Q3 2023 averaged 14,294 BOE per day, a three percent and ten percent increase over Q2 2023 and Q3 2022, respectively, and averaged 13,893 BOE per day in the first nine months of the year, reflecting Bonterra's continued efficient deployment of capital and the outperformance of new wells brought onstream to date in 2023.
- **Funds flow**[1] totaled $42.7 million ($1.14 per fully diluted share) in Q3 2023, increasing 23 percent and 20 percent over Q2 2023 and Q3 2022, respectively. During the first nine months of the year, funds flow totaled $106.9 million ($2.86 per fully diluted share).
- **Free funds flow**[1] totaled $6.6 million in the quarter, directed to reducing net debt, and further advancing

the Company's goal of reinstating a sustainable return of capital framework.

- **Net earnings** in the third quarter demonstrated full cycle profitability and totaled $13.5 million ($0.36 per diluted share), compared to $8.8 million and $17.7 million in Q2 2023 and Q3 2022, respectively; in the first nine months of 2023, net earnings totaled $30.0 million ($0.80 per diluted share).
- **Field netbacks**[1] averaged $40.38 per BOE in Q3 2023, an increase of 10 percent and 12 percent over Q2 2023 and Q3 2022; cash netbacks in the same period averaged $32.48 per BOE, an increase of 17 percent and 10 percent over Q2 2023 and Q3 2022, respectively, supported by higher field netbacks and streamlined general and administrative ("G&A") expenses per BOE.
- **Production costs** of $16.61 per BOE in Q3 2023 decreased by two percent and 18 percent compared to Q2 2023 and Q3 2022, respectively, due to lower well maintenance costs for well reactivations and the benefit of higher volumes from new wells which drive reduced per unit costs. Production costs for the first nine months of 2023 were $17.00 per BOE, a five percent decrease over the same period in 2022.
- **Capital expenditures** in the quarter totaled $36.1 million, of which $27.5 million was directed to the drilling of 12 gross (11.8 net) operated wells while 13 gross (13.0 net) operated wells were completed, equipped, and tied-in. Consistent with the end of Q2, Bonterra continued to have three drilled but uncompleted development wells at quarter-end. Two of the three wells were placed on production early in Q4 2023 and the remaining well is expected to be placed on production early in Q1 2024. Within the capital expenditures for the quarter, Bonterra drilled an exploration Montney well which was completed subsequent to quarter-end. The well is in early stages of flow back with an extended flow test planned in 2024.
- **Net debt**[1] totaled $167.4 million at September 30, 2023, representing a one percent decline from the previous quarter but a nine percent decrease from Q1 2023, a period during which the Company front end weighted its 2023 capital program. Bank debt at quarter-end decreased by 25 percent over June 30, 2023, reflecting a streamlined capital program combined with increased production levels and enhanced cash flow.

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

QUARTER IN REVIEW

Building on the successful execution of the Company's 2023 drilling and completions program to date, Bonterra's production profile increased to 14,294 BOE per day in Q3 2023 and averaged 13,893 BOE per day for the nine months ended September 30, 2023. With a full quarter of volume impact from new wells drilled in Q1 and Q2 2023, Bonterra's production for the third quarter and nine months ended September 30, 2023 increased ten percent and three percent over the same periods in 2022, respectively. The Company anticipates full year 2023 average production will reach or exceed the upper end of the annual guidance range of 13,500 to 13,700 BOE per day.

In addition to generating strong production and robust funds flow during the period, Bonterra executed a disciplined Q3 2023 capital expenditure program which included expanding the Company's operational footprint by drilling and completing its first Montney well within the existing capital budget. The well was completed after the quarter-end. The Company's net debt declined to $167.4 million at September 30, 2023, a reduction of $16.3 million over the more active capital investment period in Q1 2023, while bank debt materially declined to $26.6 million at quarter-end, a 25 percent decrease compared to the previous quarter, reflecting Bonterra's commitment to allocating free funds flow to debt reduction. The Company's leverage metrics at year-end are expected to be supportive of reinstating a return of capital focused framework by Q1 2024.

Revenue, Netbacks and Funds Flow

The price of crude oil and liquids remained elevated during the third quarter due to the ongoing impact of the Russia-Ukraine conflict, which has resulted in Russian crude oil embargos being imposed, and concerted efforts by OPEC and its allied nations to curtail production. Relative to the second quarter of 2023, the average West Texas Intermediate ("WTI") benchmark price in Q3 2023 was $82.26 per barrel, 11 percent higher. Although natural gas benchmark prices were six percent higher in Q3 2023 compared to the previous quarter, gas markets generally have remained weak due to high inventories across Europe and North America. As a result, Bonterra's realized price per BOE in the quarter was $64.57, eight percent higher than the previous quarter and 13 percent lower than Q3 2022.

Revenue from oil and gas sales in the third quarter increased 12 percent over the previous quarter due to the combination of higher realized crude oil prices and increased average production, but was four percent lower than the same period in 2022. While Bonterra's third quarter production is weighted approximately 60 percent to crude oil and liquids and 40 percent to natural gas, on a revenue weighting basis, crude oil and liquids represent approximately 89 percent of revenue while natural gas represents 11 percent, providing support for the Company to continue focusing on oil and liquids weighted opportunities.

Field netbacks in the third quarter averaged $40.38 per BOE, an increase of 10 percent over Q2 2023, with cash netbacks averaging $32.48 per BOE, 18 percent higher than the previous quarter, reflecting the impact of strong crude oil prices, controlled production costs and reduced G&A costs.

Bonterra continued to post positive net earnings in the three and nine month periods ended September 30, 2023, with $13.5 million ($0.36 per diluted share) and $30.0 million ($0.80 per diluted share) generated in the respective periods. Similarly, funds flow was $42.7 million ($1.14 per diluted share), an increase of 23 percent over the previous quarter and 20 percent higher over the same quarter in 2022, while funds flow for the first nine months of 2023 totaled $106.9 million ($2.86 per diluted share).

Modest Capital Program and Ongoing Reclamation

Through the first nine months of 2023, Bonterra invested $112.5 million into the Company's capital program, with $36.2 million invested during the third quarter. Activity in both the three and nine month periods was largely directed to the Company's drilling and completion activities which target high-quality, light oil weighted opportunities along with other incremental growth initiatives. In addition to allocating $86.9 million in capital for development drilling and completions in the nine month period, the Company invested $25.6 million to related infrastructure, recompletions, non-operated capital and drilling Bonterra's first Montney exploratory well. As a result of this capital program, the Company expects to exit 2023 with an inventory of four (3.6 net) drilled but uncompleted operated wells that are expected to be placed on production early in Q1 2024. The Company accelerated the completion of the Montney exploratory well into Q4 2023 given the ability to capture significant service cost savings and availability of services relative to Q1 2024.

The Company continues to responsibly pursue abandonment and reclamation efforts and in the first nine months of the year, leveraged support from the Alberta Site Rehabilitation Program ("SRP"), which concluded in Q2 2023. To the end of September 2023, the Company has abandoned 62.1 net wells and 123 pipelines, representing a total pipe length of 108.8 kilometers. By the end of 2023, Bonterra plans to abandon an additional 54 pipelines, and anticipates that approximately 75 percent of all wells identified as having no further economic potential will have been successfully abandoned.

Drilling and Completion of First Montney Test Well

Bonterra's first Montney test well was successfully drilled in the third quarter of 2023 to a total measured depth of approximately 5,500 meters, including the horizontal leg of 3,200 meters, and was drilled under budget. Subsequent to September 30, 2023, the Company completed the 4-13 well with 134 individual stages. Bonterra chose to accelerate completion of the well due to significant service cost savings and the availability of services in Q4 2023 compared to Q1 2024. The Montney well is in the early stages of flow back with an extended flow test planned into 2024. As such, the Company has not included any production from the 4-13 well in its 2023 forecast.

With a significant Montney land base situated north of Grand Prairie (Valhalla), Bonterra's asset features a contiguous 45 sections (28,880 acres) of land and 100 percent working interest. The Montney is recognized as one of Canada's top five plays for economics and productivity, and as such, the successful testing and delineation of the Company's strategic Valhalla asset is expected to provide greater optionality for shareholders and an expanded development runway for the future.

OUTLOOK

Bonterra is pleased to reaffirm previously released 2023 guidance as outlined in the Company's December 15, 2022 press release, targeting capital expenditures at the high end of the guidance range of $120 to $125 million. In light of a successful third quarter capital program and the outperformance of new wells drilled in 2023, annual average production volumes are anticipated to be at or above the high end of Bonterra's previously provided guidance range of 13,500 to 13,700 BOE per day[1], weighted approximately 60 percent to oil and liquids. The Company expects to drill approximately three operated wells (2.8 net) in the final quarter of 2023 along with investing capital into facilities, pipelines and ongoing abandonment and reclamation.

[1] 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.

Dividend Triggers

Having a proven history of returning capital to shareholders, Bonterra remains committed to implementing a sustainable return of capital model that is underpinned by forecast free funds flow and a strategic hedging program. Under its return of capital framework, the Company intends to prioritize sustainability and responsible free funds flow[1] allocation, with dividend triggers including a targeted net debt range of $135 to $145 million and a debt/EBITDA ratio[3] of under one. Up to 25 percent of free funds flow[1] is expected to be allocated to funding a base dividend with the balance being directed to organic growth, continued debt repayment and the pursuit of accretive acquisition opportunities. At September 30, 2023, Bonterra had achieved a debt to EBITDA ratio[1] of 1.0 and based on current strip commodity pricing, anticipates being less than 1.0 by year end 2023.

Risk Management Drives Sustainability

In order to protect future cash flows, diversify the Company's commodity price exposure and add stability during periods of market volatility, hedges have been layered on approximately 30 percent of Bonterra's expected crude oil and natural gas production through Q2 2024. Through the next nine months, Bonterra has secured the following risk management contracts:

- WTI prices between $50.00 USD to $93.75 USD per bbl on approximately 2,368 bbls per day; and
- Natural gas prices between $2.15 to $3.75 per GJ on approximately 11,172 GJ per day.

Bonterra believes that through continued execution of its focused business strategy along with the ongoing development of its high-quality, oil-weighted asset base, the Company will be ideally positioned to generate sustainable profitability that can drive positive returns for shareholders.

About Bonterra

Bonterra Energy Corp. is a conventional oil and gas corporation forging a grounded path forward for Canadian energy. Operations include a large, concentrated land position in Alberta's Pembina Cardium, one of Canada's largest oil plays. Bonterra's liquids-weighted Cardium production supports the Company's return of capital strategy, focused on generating long-term, sustainable growth and value creation for shareholders. An emerging Montney exploration opportunity is expected to provide enhanced optionality and an expanded potential development runway for the future. Our shares are listed on the Toronto Stock Exchange under the symbol "BNE" and we invite stakeholders to follow us on LinkedIn and X (formerly Twitter) for ongoing updates and developments.

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

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. EBITDA is defined as net earnings excluding deferred consideration, finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and unrealized gain or loss on risk management contracts. Net debt to EBITDA ratio is defined as net debt at the end of the period divided by EBITDA 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: expansion and other development trends of the oil and gas industry; business strategy and outlook; and expansion and growth of our business and operations.

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.

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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