



NEWS RELEASE

Bonterra Energy Corp. Announces Fully-Funded 2023 Annual Capital Program

December 15, 2022 | CALGARY, ALBERTA – Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) (“Bonterra” or the “Company”) announced today that the Company’s Board of Directors has approved a fully-funded 2023 capital expenditures budget ranging between \$120 to \$125 million, which is expected to grow production volumes through the year to exit 2023 between 14,100 and 14,400 BOE per day³ with annual average production between 13,500 and 13,700 BOE per day¹. This budget incorporates measured capital allocation opportunities and affords Bonterra the ability to adjust capital spending in response to changes in the commodity markets, while also enabling the pursuit of growth-oriented acquisition opportunities designed to enhance the production base, formulate new core areas and expand the Company’s drilling inventory in the high-value Cardium fairway.

“2023 represents a new era for Bonterra as we advance forward with new leadership, a refreshed vision, and a more supportive debt structure that affords us flexibility to freely allocate capital across our high-quality, oil-weighted Cardium asset base,” said Patrick Oliver, President and CEO of the Company. “We are very pleased to outline this fully-funded 2023 capital program and guidance, designed to expand production and reserves while generating Free Funds Flow² that can support further growth initiatives, continued strengthening of the balance sheet, and pursuing strategic acquisitions that enhance our production base and add quality drilling inventory. Our 2023 budget supports Bonterra’s ultimate goal of restoring a returns-based business model that is structured to deliver sustainable dividends to shareholders by the end of 2023.”

Fully Funded 2023 Capital Budget

The Company’s 2023 budget is designed to provide optionality around the capital program’s execution, and provide a base level of stability to support modest growth in 2023, which is expected to build momentum for growth in 2024. Through 2023, a primary goal for Bonterra is to generate meaningful funds flow² net of development capital and decommissioning expenditures settled (“Free Funds Flow²”), and ramp up production through the year with a targeted exit rate between 14,100 and 14,400 BOE per day³, representing approximately 10 percent growth in exit rate volumes year-over-year, setting the Company up for continued growth through 2024. Focusing on the generation of Free Funds Flow² supports Bonterra’s strategy to revert to a shareholder returns-based model that balances continued debt repayment, sustainable dividends for shareholders and modest production growth.

Through 2023, the Company intends to invest \$120 to \$125 million in high rate-of-return, lower-risk light oil opportunities across Bonterra’s extensive drilling inventory and direct the pace of the capital program to maintain flexibility throughout the year, while optimally responding to a shifting commodity price environment. Consistent with 2022, Bonterra expects to direct Free Funds Flow¹ to ongoing bank debt reduction, further improving leverage metrics and enhancing long term sustainability.

¹ 2023 annual average volumes are anticipated to be comprised of approximately 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.

² Non-IFRS Measure. See “Cautionary Statements” below.

³ 2023 exit volumes are anticipated to be comprised of approximately 7,350 bbl/d light and medium crude oil, 1,200 bbl/d NGLs and 34,200 mcf/d of conventional natural gas based on a mid-point of 14,250 BOE/d.

Approximately 85 percent of the 2023 budget is expected to be allocated to the drilling and completion of new wells, and recompletions of existing wells, in the Pembina Cardium and Willesden Green areas with the balance directed to land, expanded facilities to support future growth and pipeline integrity programs. In addition, the Company will continue to advance abandonment and reclamation activities with a robust program targeting inactive wells with no further potential, along with pipelines and facilities, further supporting Bonterra's commitment to environmental, social and governance ("ESG") initiatives.

In the interests of maintaining prudent risk management, Bonterra has hedges on approximately 30 percent of its expected crude oil and natural gas production to the end of Q3 2023. Primarily through the use of costless collars, the Company has established downside protection by establishing floors of approximately \$70 USD WTI on 30 percent of its forecast light oil production and \$3 per GJ on its anticipated natural gas production. 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.

Budget Highlights (Forecasts based on the pricing and production assumptions outlined below)

- Year-over-year exit rate growth of approximately 10 percent reflecting planned 2023 exit volumes between 14,100 and 14,400 BOE per day;
- Average annual production of 13,500 to 13,700 BOE per day, weighted approximately 60 percent to oil and liquids;
- \$45-\$50 million of Free Funds Flow⁴ generated from \$170-\$175 million in corporate funds flow⁴;
- 25–30 percent reduction in forecast year end 2023 net debt⁴ which is expected to range between \$120-\$125 million and drive a year-end net debt⁴ to EBITDA ratio⁴ of 0.7 times; and
- \$5.0-\$6.0 million allocated to abandonment and reclamation obligations ("ARO") related to inactive wells with no further potential, along with pipelines and facilities in 2023.

Bonterra will regularly review the program and may elect to adjust the amount and timing of capital spending to ensure growth is aligned with the broader commodity pricing environment, while continuing to prioritize sustainability in the interests of maximizing Free Funds Flow⁴.

2023 Guidance Summary and Sensitivities

	2023 Guidance
Pricing	
WTI (\$US per bbl)	\$74.80
AECO Natural Gas Prices (\$ per GJ)	\$4.07
U.S.\$ to Canadian \$ exchange rate	\$0.73
Canadian Realized Oil Price (\$ per bbl)	\$94.83
Canadian Realized Average Price (\$ per BOE)	\$65.02

⁴ "Non-IFRS Measure. See "Cautionary Statements" below.

	2023 Guidance
Operating & Financial	
Average Daily Production (BOE per day)	13,500 – 13,700
Oil and NGL Weighting (percent)	60
2023 Exit Production (BOE per day)	14,100 - 14,400
Funds Flow ^{1,2} (millions)	\$170-\$175
Per share – diluted ³	\$4.55-\$4.69
Net Capital Expenditures (millions)	\$120-\$125
Operating Costs (\$ per BOE)	\$16.00-\$16.50
Free Funds Flow ¹ (millions)	\$45 - \$50
Year-End 2023 Net Debt ¹	\$120-\$125
Net Debt to Last Twelve Months' EBITDA ¹	0.60x-0.70x
Field Net Back (\$ per BOE)	\$41.00-\$43.00
Cash Net Back (\$ per BOE)	\$36.00-\$38.00
Asset Retirement Obligations (millions)	\$5.0-\$6.0

Notes:

¹ Canadian realized oil price is based on WTI US \$74.80 per barrel; Edmonton par differential of US \$(2.84) per barrel; CAD/USD exchange rate of \$0.73 and a quality adjustment of CAD \$(3.40) per barrel. Pricing includes hedges currently in place.

² Funds Flow is estimated using the Canadian realized oil price above, a realized natural gas price of \$4.85 per mcf; and a realized NGL price of CAD \$54.84 per barrel. Pricing includes hedges currently in place.

³ Based on annualized diluted shares outstanding of 37,329,901.

The following chart shows the Company's sensitivity to key commodity price variables. The sensitivity calculations are performed independently and show the effect of changing one variable while holding all other variables constant.

Annualized sensitivity analysis on Funds Flow, as estimated for 2023¹

Impact on funds flow	Change	\$MM	\$ per share ²
Realized crude oil price (\$/bbl)	\$1.00	\$2.147	\$0.06
Realized natural gas price (\$/mcf)	\$0.10	\$1.059	\$0.03
U.S.\$ to Canadian \$ exchange rate	\$0.01	\$1.503	\$0.04

Notes:

¹ This analysis uses current royalty rates, annualized estimated average production of 13,600 BOE per day and no changes in working capital.

² Based on annualized diluted shares outstanding of 37,329,901.

SUSTAINABILITY REPORT

Bonterra's commitment to responsible operations has been a focus throughout 2022, as the Company maintained its dedication to safety, continuous improvement and being a positive contributor to the economic success of the communities where it operates in central Alberta. The Company plans to release its second Sustainability Report during Q1 2023, which is expected to align with the Task Force for Climate-related Financial Disclosure ("TCFD") and outline details of Bonterra's commitment to ESG principles and related activities.

ABOUT BONTERRA

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".

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Use of Non-IFRS Financial Measures

Throughout this release the Company uses the terms “funds flow”, “free funds flow”, “net debt”, “net debt to EBITDA ratio”, “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 cash flow provided by operating activities 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 current liabilities less current assets plus long-term bank debt and subordinated debt. Net debt to EBITDA ratio is defined as net debt at the end of the period divided by EBITDA for the period. EBITDA is defined as net income for the period excluding finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and impairment of assets. Field netback is defined as revenue minus royalties, realized gain or loss on risk management contracts and production costs. Cash netback is defined as field netback less interest expense and general and administrative expense divided by total BOEs for the period.

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: the Company’s 2023 budget and 2023 financial and operating guidance relating to production, funds flow, free funds flow, capital expenditures, operating costs, asset retirement obligations, netback, indebtedness and pricing; expectations relating to debt repayment and the payment of dividends; abandonment and reclamation activities; risk management strategy; 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; maintenance of existing customer, supplier and partner relationships; 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.