

BONTERRA ENERGY REPORTS THIRD QUARTER 2023 FINANCIAL AND OPERATING RESULTS

HIGHLIGHTS

As at and for the periods ended (\$ 000s except for \$ per share and \$ per BOE)	Three months ended		Nine months ended		
	September 30, 2023	September 30, 2022	September 30, 2023	September 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	-barrels (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.

REPORT TO SHAREHOLDERS

I am proud to provide this stakeholder update designed to share highlights of the strong operating and financial results reported by Bonterra Energy Corp. (“Bonterra” or the “Company”) during the three and nine-month periods ended September 30, 2023. Building on momentum realized by our team to date in 2023, Bonterra has achieved meaningful quarter-over-quarter increases in production, funds flow and earnings, all while continuing to reduce net debt.

For context, over the two-year period from Q3 2021 to Q3 2023, Bonterra achieved a net debt reduction of 46 percent (or \$140.3 million), while successfully increasing production by 14 percent, clearly demonstrating the free funds flow capability of our Cardium asset base. Bonterra’s production 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, reflecting the impact of numerous wells outperforming type curve estimates.

In order to capture the benefit of stronger oil prices and higher production volumes during the period, Bonterra’s operational team continued to focus on cost control and execution efficiency to help optimize netbacks. With a realized price per BOE of \$64.57, our field netbacks averaged \$40.38 per BOE, or 10 percent higher than the previous quarter, reflecting our successful operations combined with lower per unit production costs.

Quarter over Quarter Financial & Operating Snapshot

I am extremely pleased with the metrics Bonterra recorded during the third quarter of 2023:

- Production averaged **14,294 BOE per day**, three percent higher than the previous quarter;
- Funds flow totaled **\$42.7 million (\$1.14 per fully diluted share)**, 23 percent higher than the previous quarter;
- Generated **\$6.6 million of free funds flow**, which was allocated to debt reduction;
- Net earnings totaled **\$13.5 million (\$0.36 per diluted share)**, an increase of 52 percent over the previous quarter; and
- Net debt declined one percent compared to June 30, 2023 to \$167.4 million, with **bank debt decreasing 25 percent**, reflecting the impact of a streamlined capital program combined with increased production levels and strong cash flow.

Efficient Capital Program Underpins Continued Growth

Bonterra’s capital expenditures in 2023 have been front-end loaded and totaled \$112.5 million to date, of which \$36.2 million was invested during the third quarter. This includes \$27.5 million which was directed to drill 12 gross (11.8 net) operated wells and the completion, equip and tie-in of 13 gross (13.0 net) operated wells targeting high-quality, light-oil weighted locations, and other incremental growth initiatives.

As a result of our ongoing capital efficient execution, combined with exceptional Cardium drilling results, we anticipate that Bonterra’s annual production for 2023 will exceed the top end of our guidance range, while spending is anticipated to be at the high end of our guided capital of \$120 to \$125 million. Further, this capital range will include approximately \$8 million that the Company allocated to the successful drilling and completion of our first Montney well, which was not contemplated within the original 2023 budget, demonstrating our ability to exceed production forecasts while under-spending on capital.

Bonterra’s first Montney well was successfully drilled in Q3 2023. The Montney well was completed subsequent to quarter-end and is in the early stages of flow back with an extended flow test planned in 2024. The well was drilled and completed under budget and within our existing capital guidance. The horizontal multistage fracked well was drilled to a total measured depth of approximately 5,500 meters with a horizontal leg of 3,200 meters, and completed with 134 individual stages.

The Company elected to accelerate completion of the well in 2023 given the greater availability of services in Q4 2023 relative to Q1 2024, and our ability to capture significant savings in service costs by proceeding prior to industry's more active winter drilling period. We have not included any production impact from this well within our 2023 production guidance. We look forward to Bonterra's Montney Valhalla area providing greater optionality and an expanded potential development runway over the longer term.

Bonterra's Bold Future

While we are excited by the inherent opportunity we see in our Montney asset, and proud of the demonstrated free funds flow potential of our Cardium play, the Company has also assessed multiple mandates for new potential acquisitions. We intend to continue looking at accretive opportunities while exercising diligence and remaining prudent in our approach to pursue only those transactions that meet our stringent investment thresholds.

Bonterra has a proven history of returning capital to shareholders, and we remain committed to implementing a sustainable dividend model supported by our forecast free funds flow and strategic hedging program. Under such a return of capital framework, the Company expects to allocate up to 25 percent of free funds flow towards a base dividend, with the balance being directed to organic growth, continued debt repayment and the pursuit of acquisitions.

We have signaled that dividend triggers include a targeted net debt range of \$135 to \$145 million and a debt to EBITDA ratio of under one. Based on current strip commodity prices as well as our performance subsequent to the end of the third quarter, we believe Bonterra is positioned to achieve these targeted leverage metrics by the end of 2023. As a result, we expect to initiate returning capital to shareholders by commencing a dividend in the first quarter of 2024.

I want to extend my gratitude to our stakeholders, shareholders and employees for their unwavering support of, and belief in, Bonterra, and our committed Board of Directors for their valued oversight and guidance that will continue to propel us towards our successful future.



Patrick Oliver
President and Chief Executive Officer