



Bonterra Energy Announces 2024 Budget Focused on Maximizing Free Funds Flow with Modest Production Growth and Provides Preliminary Montney Well Test Results

December 13, 2023 | CALGARY, ALBERTA - Bonterra Energy Corp. (TSX: BNE) (“Bonterra” or the “Company”) today announced that the Company’s Board of Directors (the “Board”) has approved its 2024 capital expenditures budget and associated guidance, as detailed in the section and tables below. The Company is also pleased to provide preliminary results from the successful drilling of Bonterra’s first Montney well, with test results outlined further in this release.

KEY BUDGET HIGHLIGHTS¹

- Approved capital expenditure range of \$90 million to \$100 million, fully funded by internally generated funds flow (the “Budget”);
- Annual average production expected between 13,800 and 14,200 BOE per day², weighted approximately 60 percent to oil and liquids;
- Free funds flow³ of \$20 million to \$25 million in 2024, defined as funds flow³ net of development capital and decommissioning expenditures settled (“Free Funds Flow³”), generated from \$125 million to \$130 million in corporate funds flow³;
- Net debt³ of \$125 million to \$130 million at year-end 2024, driving a year-end net debt to trailing twelve months’ EBITDA ratio³ of 0.8 to 0.9 times; and
- \$6 million to \$7 million allocated to abandonment and reclamation obligations (“ARO”) in 2024, related to inactive wells with no further potential, along with pipelines and facilities.

“Building on Bonterra’s disciplined and successful execution through 2023, we have established a strong foundation on which to drive forward in 2024 and beyond, demonstrated by the approval of our \$90 million to \$100 million capital expenditure budget designed to maximize Free Funds Flow, modestly grow production, and reduce net debt,” said Patrick Oliver, President and CEO of the Company. “While continuing to prudently develop our high-quality, oil-weighted asset base in the Cardium and pursuing development in the Montney, we intend to secure financial flexibility by maintaining a strong balance sheet that will support our ultimate goal of implementing a return of capital model.”

BUDGET AND GUIDANCE DETAILS

The Company’s 2024 budget is structured to generate meaningful Free Funds Flow³, which can be allocated to further strengthening the balance sheet and modest production growth. While the Company remains committed to establishing a sustainable return of capital model, timing for implementation is largely dependent on a favourable commodity price environment. Given recent market volatility and softening in both crude oil and natural gas prices, Bonterra intends to prudently focus on optimizing Free Funds Flow and strengthening the balance sheet.

¹ Forecasts based on the pricing and production assumptions outlined in the Guidance Summary and Sensitivities table below.

² 2024 annual average volumes are anticipated to be comprised of approximately 6,850 bbl/d light and medium crude oil, 1,450 bbl/d NGLs and 35,000 mcf/d of conventional natural gas based on a midpoint of 14,000 BOE/d.

³ Non-IFRS Measure. See “Cautionary Statements” below.



The allocation of the Company's 2024 Budget is expected to be approximately 66 percent to drilling and completion activities and ongoing recompletions of existing wells in the Company's high rate-of-return, lower-risk light oil core Pembina Cardium and Willesden Green areas; approximately 24 percent to non-operated activities, infrastructure and facilities; and the balance to land and ARO.

In order to mitigate risk, 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 20 percent of Bonterra's natural gas production through Q3 2024. Bonterra expects to layer on additional hedges representing approximately 10 percent of natural gas production through Q3 2024 by the end of 2023. Through the next nine months, Bonterra has secured WTI prices between \$50.00 USD to \$93.75 USD per bbl on approximately 2,133 bbls per day; and natural gas prices between \$2.15 to \$3.56 per GJ on approximately 6,974 GJ per day.

Bonterra's Budget is designed to enable the Company to responsibly manage the pace of the capital program, maintain flexibility, maximize capital efficiencies and optimize marketing and hedging opportunities. Bonterra plans to regularly review the Budget and may elect to adjust the amount and timing of capital spending to ensure alignment with the broader commodity price environment and in keeping with the target of a return of capital model.

2024 Guidance Summary and Sensitivities

	2024 Guidance
Pricing	
WTI (\$US per bbl)	\$73.00
AECO Natural Gas Prices (\$ per GJ)	\$2.50
Canadian \$ to U.S. \$ exchange rate	\$0.725
Canadian Realized Oil Price (\$ per bbl) ¹	\$92.46
Canadian Realized Average Price (\$ per BOE)	\$56.55
Operating & Financial	
Average Daily Production (BOE per day)	13,800 – 14,200
Oil and NGL Weighting (percent)	60
Net Capital Expenditures (millions)	\$90-\$100
Free Funds Flow ² (millions)	\$20 - \$25
Year-End 2024 Net Debt ¹ (millions)	\$125-\$130
Net Debt to Last Twelve Months' EBITDA ¹	0.8x-0.9x
Asset Retirement Obligations (millions)	\$6.0-\$7.0

Notes:

¹ Canadian realized oil price is based on WTI US \$73.00 per barrel; Edmonton par differential of US \$(3.50) per barrel; CAD/USD exchange rate of \$0.725 and a quality adjustment of CAD \$(3.40) per barrel. Pricing includes hedges currently in place.

² Free Funds Flow is estimated using the Canadian realized oil price above, a realized natural gas price of \$2.98 per mcf; and a realized NGL price of CAD \$43.51 per barrel. Pricing includes hedges currently in place.

The following table shows Bonterra'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 2024¹**

Impact on funds flow	Change	\$MM	\$ per share²
Realized crude oil price (\$/bbl)	\$1.00	\$2.3	\$0.06
Realized natural gas price (\$/mcf)	\$0.10	\$1.2	\$0.03
U.S.\$ to Canadian \$ exchange rate	\$0.01	\$1.7	\$0.05

Notes:

¹ This analysis uses current royalty rates, annualized estimated average production of 14,000 BOE per day and no changes in working capital.² Based on annualized basic weighted average shares outstanding of 37,244,467.**SETTING THE STAGE FOR A RETURN OF CAPITAL**

As previously communicated, Bonterra intends to prioritize sustainability and responsible Free Funds Flow¹ allocation, with the ultimate goal of implementing a sustainable dividend once specific metrics are achieved and commodity prices are conducive. These required metrics include a targeted net debt range of \$135 to \$145 million and a debt to EBITDA ratio¹ of under one times. Should low commodity prices persist, the Company intends to prioritize the continued management of the balance sheet and maintaining ongoing financial flexibility.

PRELIMINARY MONTNEY TEST WELL RESULTS

Bonterra is pleased to announce a significant Montney discovery at Valhalla. The Company's first Montney test well was drilled in Q3 2023 at 04-03-074-6W6 (the "04-03 Well") on Bonterra's block of 100 percent owned lands covering 45 sections.

- The 04-03 Well was drilled to a total measured depth of approximately 5,500 meters, including a horizontal leg of 3,200 meters for \$3.5 million, and was completed early in Q4 2023 with 134 individual stages for \$4.2 million.
- Bonterra performed a flow test over 17.8 days at restricted rates which averaged 523 BOE per day (340 Bbls per day of 40 degree API crude oil and 1,100 Mcf per day of natural gas). Production rates were restricted to ensure compliance with applicable regulatory requirements.
- The well achieved a peak daily rate of 753 BOE per day (469 BBL per day and 1,707 MCF per day) during the flow test.
- Currently, the Company is exploring various options to tie-in the 04-03 Well to third party gas processing facilities.
- Should an egress solution be secured in the area, a second delineation well will be considered later in the year.

Bonterra is very encouraged with the test results from the 04-03 Well and the potential for Valhalla to emerge as an exciting new core area. This first well supports continued testing and delineation of the Company's strategic Valhalla asset, which is expected to provide greater optionality for shareholders and an expanded development runway for Bonterra in the future. The Company will exercise discipline to align the pace of future development in the area with available egress solutions.

¹ Non-IFRS Measure. See "Cautionary Statements" below.



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 provides a foundation for implementing a return of capital strategy over time, which is 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.

For further information please contact:

Patrick Oliver, CEO
Robb D. Thompson, CFO
Telephone: (403) 262-5307
Fax: (403) 265-7488
Email: info@bonterraenergy.com

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, subordinated debentures and subordinated term debt. Net debt to EBITDA ratio is defined as net debt at the end of the period divided by EBITDA for the trailing twelve months. 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. 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, general and administrative expense and current income tax 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 2024 budget and 2024 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.