



NEWS RELEASE

Bonterra Energy Corp. Announces the Sale of a Two Percent Gross Overriding Royalty Interest in the Pembina Cardium Pool for Total Consideration of \$52 Million and its 2018 Operational and Financial Budget

December 20, 2017 | CALGARY, ALBERTA - Bonterra Energy Corp. (www.bonterraenergy.com) (TSX: BNE) ("Bonterra" or "the Company") is pleased to announce that it has entered into a definitive agreement for the sale of a two percent non-convertible gross overriding royalty ("GORR") in the Pembina Cardium pool for cash consideration of \$52 million plus the assignment of the purchaser's working interest in certain PNG rights, Tangibles (wells, pipelines, facilities) and Miscellaneous Interests (contracts, surface agreements and permits) (the "GORR Agreement"). The disposition represents a 14 times multiple of 2018 forecasted cash flow.

GORR Agreement Details

Under the terms of the GORR Agreement, Bonterra will sell a two percent GORR on its Pembina Cardium pool. The Pembina Cardium pool represents approximately 90 percent of total Corporate petroleum and natural gas sales. Total consideration from the acquirer includes \$52 million of cash, plus 2.5 net sections of land and approximately 115 BOE per day of associated potential production in the Pembina and Willesden Green Fields. The Company estimates five to seven additional net internally identified drilling locations on the land acquired. The GORR Agreement has a closing date of December 20, 2017 with an effective date of January 1, 2018.

This transaction is immediately accretive to Bonterra and enables the Company to crystallize value from its attractive, long-life and predictable asset base, while strengthening the balance sheet and capturing significant value for its shareholders. This improved liquidity and financial position are expected to enhance the Company's ability to pursue acquisition opportunities and to continue investing in drilling projects that offer strong returns in the current price environment. The sale of the GORR is not anticipated to materially impact the overall economics of Bonterra's future cash flows, but does provide an immediate cash injection at very attractive metrics. The Pembina Cardium assets have delivered some of the best operating metrics in the industry and continue to be a core component of Bonterra's value and long-term growth strategy.

Based on forward strip commodity prices, the assets acquired under the GORR Agreement are anticipated to generate approximately \$1 million of potential funds flow annually, supporting the Company's yield plus growth model. With the \$52 million applied to the balance sheet, Bonterra's debt to funds flow ratio is forecast to improve from approximately 3.7 times to 3.1 times in the near term, and assuming the successful execution of its capital program, is forecast to fall to between 2.5 to 2.1 times at year end 2018, which is more in line with the Company's peers.

2018 Operational and Financial Budget

In the interests of maintaining a prudent balance between funds flow and capital spending plus dividends, Bonterra also announces that it has set the Company's 2018 capital expenditures budget at approximately

\$75 million which will largely be directed to new wells and facility upgrades and focused primarily in the Pembina Cardium area. Given Bonterra's low corporate production decline rate of approximately 20 percent, the capital budget is anticipated to increase annual production by approximately two to four percent over 2017, with volumes expected to range between 13,200 and 13,500 BOE per day.

After the impact of the GORR Agreement, Bonterra's 2018 forecasted funds flow is expected to be approximately \$125 million, assuming commodity price levels for 2018 averaging US\$57/bbl WTI oil, C\$1.75/mcf AECO natural gas and an exchange rate of \$0.78 \$US/\$CDN.

The Company's base capital program will allocate \$67 million to drill 31 wells, plus \$8 million for facilities and pipelines investment, for a total base budget of \$75 million. Assuming \$125 million in forecast corporate funds flow, this base capital program is expected to result in funds flow net of development capital expenditures ("Free Funds Flow") of \$50 million. This Free Funds Flow will be used to fund Bonterra's monthly dividend of \$0.10 per share representing approximately \$40 million annually. The Company anticipates the remaining \$10 million will be available to further reduce outstanding bank debt. Bonterra's total payout ratio, which represents the annual capital program plus its dividend divided by corporate funds flow, is expected to be 92 percent for 2018.

Bonterra Energy Corp. is a conventional oil and gas corporation with operations in Alberta, Saskatchewan and British Columbia. The shares are listed on The Toronto Stock Exchange under the symbol "BNE".

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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; cash dividends; 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; 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; 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.