

*This document is important and requires your immediate attention. If you are in doubt as to how to respond to the Hostile Bid, you should consult your investment dealer, stockbroker, lawyer or other professional advisor. Inquiries concerning the information in this document should be directed to Laurel Hill Advisory Group, the Information Agent retained by Bonterra, North America toll free at 1-877-452-7184 (416-304-0211 outside North America) or via e-mail at assistance@laurelhill.com.*



**DIRECTORS' CIRCULAR  
RECOMMENDING**

**REJECTION**

of the unsolicited offer by

**OBSIDIAN ENERGY LTD.**

to acquire all of the common shares of

**BONTERRA ENERGY CORP.**

for 2.0 Obsidian Shares for each Common Share of Bonterra

The Board of Directors unanimously concluded that the Hostile Bid significantly undervalues the Common Shares and is not in the best interests of Bonterra, its Shareholders or Bonterra's other stakeholders and recommends that you

**REJECT** the Hostile Bid by taking no action - **DO NOT TENDER** your Common Shares.

**NO ACTION IS REQUIRED** to **REJECT** the Hostile Bid

If you have already tendered your Common Shares to the Hostile Bid, you can withdraw them by contacting your broker or Laurel Hill Advisory Group Toll Free at

**1-877-452-7184**

(416-304-0211 outside North America) or via email at assistance@laurelhill.com

October 5, 2020

## SUMMARY

*The information set out below is intended to be a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Directors' Circular. This Directors' Circular should be read carefully and in its entirety by Shareholders as it provides important information regarding Bonterra, Obsidian and the Hostile Bid. All capitalized terms in the summary have the respective meanings ascribed to them in the Glossary attached as Schedule A to this Directors' Circular or elsewhere in this Directors' Circular.*

### **UNANIMOUS Recommendation of the Bonterra Board to REJECT the Hostile Bid**

The Bonterra Board has **UNANIMOUSLY** determined that the Hostile Bid significantly undervalues the Common Shares and is not in the best interests of Bonterra, its Shareholders or Bonterra's other stakeholders.

The Bonterra Board **UNANIMOUSLY** recommends that Shareholders **REJECT** the Hostile Bid by taking no action – **DO NOT TENDER** your Common Shares.

Any Shareholder who has tendered its Common Shares to the Hostile Bid should **WITHDRAW** those Common Shares.

See "Reasons for Rejecting the Hostile Bid" on page 7.

### **The Hostile Bid**

Obsidian has made an unsolicited offer to purchase all of the outstanding Common Shares, including Common Shares which may be issued and outstanding after the date of the offer and prior to the Expiry Time, on the basis of 2.0 Obsidian Shares for each Common Share. The Shareholders are at risk for any decline in the price of Obsidian Shares that may occur before the Expiry Time.

**YOU DO NOT HAVE TO DO ANYTHING TO REJECT THE HOSTILE BID. SIMPLY DO NOT TENDER YOUR BONTERRA SHARES.**

Any Shareholder who has tendered its Common Shares to the Hostile Bid should **WITHDRAW** those Common Shares.

The Hostile Bid is open for acceptance until next year, on January 4, 2021, unless extended, accelerated or withdrawn by Obsidian in accordance with its terms.

The Bonterra Board **UNANIMOUSLY** recommends that Shareholders **REJECT** the Hostile Bid by taking no action – **DO NOT TENDER** your Common Shares. Any Shareholder who has tendered its Common Shares to the Hostile Bid should **WITHDRAW** those Common Shares. Shareholders who have already tendered their Common Shares to the Hostile Bid and who wish to obtain assistance in withdrawing them are urged to contact their broker or Laurel Hill Advisory Group, the Information Agent retained by Bonterra, toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## Reasons for Rejection of the Hostile Bid

The Special Committee and the Bonterra Board have carefully reviewed and considered the Hostile Bid, with the benefit of advice from financial and legal advisors. The Bonterra Board, following receipt of the opinion of Peters & Co. that the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders and the unanimous recommendation of the Special Committee, has **UNANIMOUSLY** determined that the Hostile Bid is inadequate, is not in the best interests of Bonterra, its Shareholders or Bonterra's other stakeholders.

The following is a summary of the principal reasons for the Bonterra Board's **UNANIMOUS** recommendation that Shareholders **REJECT** the Hostile Bid by taking no action – **DO NOT TENDER** your Common Shares:

- The Hostile Bid is a “take-under” bid and does not provide adequate value for Shareholders;
- Bonterra has already received notice that in excess of 30% of Shareholders will not tender their Common Shares to the Hostile Bid, including every member of the Bonterra Board and management;
- Peters & Co. has delivered a written opinion to the Bonterra Board and Special Committee that the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders;
- The Hostile Bid does not attribute any value to the potential future success of Bonterra's actions to increase shareholder value;
- The Hostile Bid is highly opportunistic and timed to deprive Shareholders of recent positive market changes and value increasing initiatives achieved to date and that are being pursued by Bonterra;
- The Hostile Bid exposes Shareholders to an uncertain financing plan and a potential capital structure that could result in future dilution in equity ownership;
- Obsidian and its U.S. activist investor led management team have not demonstrated a track record of creating shareholder value or the ability to develop into a “Cardium Champion”;
- Obsidian's significantly higher asset retirement obligations leave the Shareholders carrying a disproportionate allocation of the long-term liability;
- The value of the consideration under the Hostile Bid is uncertain; and
- The Hostile Bid is highly conditional (15 separate conditions, several of which are highly unusual) and presents substantial completion risk.

See “*Reasons for Rejecting the Hostile Bid*” on page 7.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

**Rejection of the Hostile Bid by  
Directors and Officers and  
Significant Shareholders**

The directors and executive officers of Bonterra and other Shareholders, representing in excess of 30% of the Common Shares, have already indicated their intention to **REJECT** the Hostile Bid and **NOT TENDER** their Common Shares to the Hostile Bid.

**Right to Withdraw Common Shares  
tendered to the Hostile Bid**

If you have already tendered your Common Shares to the Hostile Bid, you can withdraw your Common Shares. See “*How To withdraw your Deposited Common Shares*” on page 13 of this Directors’ Circular for further instructions on how to withdraw Common Shares tendered to the Hostile Bid.

If you require assistance in withdrawing your Common Shares you should contact your broker or Laurel Hill Advisory Group, the Information Agent retained by Bonterra, toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## QUESTIONS AND ANSWERS ABOUT THE HOSTILE BID

*The information contained below is of a summary nature and therefore is not complete and is qualified in its entirety by the more detailed information contained elsewhere in this Directors' Circular, including the schedules to this Directors' Circular, all of which are important and should be reviewed carefully. Capitalized terms used in these questions and answers but not otherwise defined in this Question and Answer section have the respective meanings ascribed thereto in the Glossary set forth in Schedule A to this Directors' Circular and elsewhere in this Directors' Circular.*

**Q: Should I accept the Hostile Bid?**

A: **NO.** The Bonterra Board, following receipt of the opinion of Peters & Co. that the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders and the unanimous recommendation of the Special Committee, has unanimously determined that the Hostile Bid significantly undervalues the Common Shares and is not in the best interests of Bonterra, its Shareholders or Bonterra's other stakeholders. The Hostile Bid is an attempt by Obsidian to acquire all of the Common Shares without offering adequate consideration to Shareholders. A summary of all of the reasons for the recommendation of the Bonterra Board that Shareholders **REJECT** the Hostile Bid by taking no action – **DO NOT TENDER** your Common Shares – is included on pages 7 to 13 of this Directors' Circular under "*Reasons for Rejecting the Hostile Bid*". You are strongly encouraged to carefully review the full reasons for the Bonterra Board's unanimous recommendation.

**Q: Why should I not tender my Common Shares and why is the Bonterra Board recommending that I REJECT the Hostile Bid?**

A: The Bonterra Board and the Special Committee carefully reviewed and considered the Hostile Bid with their external legal and financial advisors and reached their unanimous conclusion for a number of reasons, including:

- The Hostile Bid is a "take-under" bid and does not provide adequate value for Shareholders;
- Bonterra has already received notice that in excess of 30% of Shareholders will not tender their Common Shares to the Hostile Bid, including every member of the Bonterra Board and management;
- Peters & Co. has delivered a written opinion to the Bonterra Board and Special Committee that the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders;
- The Hostile Bid does not attribute any value to the potential future success of Bonterra's actions to increase shareholder value;
- The Hostile Bid is highly opportunistic and timed to deprive Shareholders of recent positive market changes and value increasing initiatives achieved to date and that are being pursued by Bonterra;
- The Hostile Bid exposes Shareholders to an uncertain financing plan and a potential capital structure that could result in future dilution in equity ownership;
- Obsidian and its U.S. activist investor led management team have not demonstrated a track record of creating shareholder value or the ability to develop into a "Cardium Champion";
- Obsidian's significantly higher asset retirement obligations leave the Shareholders carrying a disproportionate allocation of the long-term liability;
- The value of the consideration under the Hostile Bid is uncertain; and
- The Hostile Bid is highly conditional (15 separate conditions, several of which are highly unusual) and presents substantial completion risk. See "*Reasons for Rejecting the Hostile Bid*" on page 7.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

**Q: How do I reject the Hostile Bid?**

A: Shareholders are recommended to **TAKE NO ACTION** and **NOT TENDER** their Common Shares to the Hostile Bid. If you are contacted by Obsidian or its information or solicitation agent, do not complete any documents they may provide (e.g., letter of transmittal, notice of guaranteed delivery, etc.).

See “*How to Withdraw Your Deposited Common Shares*” on page 13.

**Q: Have other Shareholders indicated an intention NOT to tender their Common Shares?**

A: **YES.** Every director and officer of Bonterra and other Shareholders, together with their respective associates and affiliates, who hold or exercise control or direction over an aggregate of over 30% of the outstanding Common Shares, have already advised Bonterra of their intention, as of the date of this Directors’ Circular, **NOT** to tender their Common Shares to the Hostile Bid.

See “*Intention of Directors, Officers and other Shareholders with respect to the Hostile Bid*” on page 20.

**Q: Can I withdraw my Common Shares if I have already tendered?**

A: **YES.** According to the Obsidian Circular and in accordance with the Hostile Bid, and by law, among other circumstances, you can withdraw your Common Shares at any time before your Common Shares have been taken up by Obsidian pursuant to the Hostile Bid, which cannot occur until next year, January 4, 2021. If you need help withdrawing your Common Shares contact Laurel Hill Advisory Group, the Information Agent retained by Bonterra, toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

See “*How to Withdraw Your Deposited Common Shares*” on page 13.

**Q: How do I withdraw my Common Shares?**

A: For information as to how to withdraw your Common Shares, we recommend that you contact as soon as possible your broker or Laurel Hill Advisory Group, the Information Agent retained by Bonterra, toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

See “*How to Withdraw Your Deposited Common Shares*” on page 13.

**Q: My broker advised me to tender my Common Shares. Should I?**

A: **NO.** The Obsidian Circular states that, although Obsidian has not agreed to pay any fees or commissions to any stockbroker, dealer or other person for soliciting tenders or deposits of Common Shares under the Hostile Bid other than as disclosed in the Obsidian Circular, Obsidian may, however, make arrangements with soliciting dealers, dealer managers or information agents, either within or outside Canada, for compensation during the Hostile Bid if it considers it appropriate to do so. As a result, their advice with respect to a decision to tender may not be impartial.

**Q: Is this a “hostile” take-over bid?**

A: **YES.** Obsidian initiated the Hostile Bid without the support of the Bonterra Board. As a result, the Hostile Bid should be considered a hostile take-over bid. In a friendly take-over, the two companies would work together to come to an agreement that would enhance value for shareholders of both Bonterra and Obsidian. Obsidian may also choose to purchase Common Shares outside the Hostile Bid to dilute Shareholders’ voting power. See “*The Hostile Bid*” on page 5.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

**Q: Will Obsidian increase the Hostile Bid?**

A: Bonterra does not know if Obsidian will increase the consideration provided for under the Hostile Bid. It is important to note that the Hostile Bid is not a cash offer and therefore the value of the consideration to be received by Shareholders is uncertain.

See “*The Hostile Bid*” on page 5.

**Q: Do I have to decide now?**

A: **NO.** You do not have to take any action at this time. The Hostile Bid is currently scheduled to expire next year, at 5:00 p.m. (Mountain Standard Time) on January 4, 2021, and is subject to a number of conditions that have yet to be satisfied and may never be satisfied. You do not have to take any action until close to the expiry date of the Hostile Bid to ensure that you are able to consider all of the options available to you.

If you have already tendered your Common Shares to the Hostile Bid and you decide to withdraw these Common Shares from the Hostile Bid, you must allow sufficient time to complete the withdrawal process prior to the expiry of the Hostile Bid. For more information on how to withdraw your Common Shares, you should contact your broker or Laurel Hill Advisory Group, the Information Agent retained by Bonterra, at the phone numbers listed below.

**Q: Is there an opinion of a financial advisor supporting rejection?**

A: Peters & Co. has delivered a written opinion to the Special Committee and the Bonterra Board, to the effect that, as of the date thereof and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders.

See “*Opinion of Peters & Co. Limited*” on page 18.

**Q: Who do I ask if I have more questions?**

A: Bonterra has retained Laurel Hill Advisory Group as its Information Agent. You should contact your professional advisor or Laurel Hill Advisory Group if you have any questions about this Directors’ Circular or the matters described in this Directors’ Circular. Shareholders who would like additional copies, without charge, of this Directors’ Circular or have additional questions should contact their broker or Laurel Hill Advisory Group by email or at the telephone number below.

**Laurel Hill Advisory Group**  
North America Toll Free: 1-877-452-7184  
Outside North America: 1-416-304-0211  
Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## TABLE OF CONTENTS

SUMMARY .....	i
QUESTIONS AND ANSWERS ABOUT THE HOSTILE BID.....	iv
GENERAL INFORMATION.....	1
FORWARD-LOOKING STATEMENTS.....	1
NON-IFRS MEASURES .....	3
OIL AND GAS INFORMATION .....	3
NOTICE TO NON-CANADIAN SHAREHOLDERS.....	3
NOTICE REGARDING CERTAIN OTHER INFORMATION.....	4
DIRECTORS' CIRCULAR.....	5
THE HOSTILE BID.....	5
BONTERRA BOARD'S UNANIMOUS RECOMMENDATIONS.....	7
REASONS FOR REJECTING THE HOSTILE BID.....	7
CONCLUSION AND RECOMMENDATION.....	13
HOW TO WITHDRAW YOUR DEPOSITED COMMON SHARES .....	13
BACKGROUND TO THE HOSTILE BID.....	14
RESPONSE TO THE HOSTILE BID AND SPECIAL COMMITTEE DELIBERATIONS .....	16
OPINION OF PETERS & CO. LIMITED .....	18
ABOUT BONTERRA.....	19
CAPITAL STRUCTURE OF BONTERRA.....	19
OWNERSHIP OF SECURITIES OF BONTERRA.....	19
INTENTION OF DIRECTORS, OFFICERS AND OTHER SHAREHOLDERS WITH RESPECT TO THE HOSTILE BID.....	20
PRINCIPAL HOLDERS OF BONTERRA SHARES .....	20
TRADING IN SECURITIES OF BONTERRA .....	21
ISSUANCES OF SECURITIES OF BONTERRA .....	21
OWNERSHIP OF OBSIDIAN SECURITIES .....	22
AGREEMENTS BETWEEN OBSIDIAN AND THE DIRECTORS, OFFICERS AND SHAREHOLDERS OF BONTERRA .....	22
ARRANGEMENTS BETWEEN BONTERRA AND ITS DIRECTORS AND OFFICERS .....	22
ERRORS OR MISLEADING STATEMENTS IN OBSIDIAN'S REGISTRATION STATEMENT .....	24
MATERIAL CHANGES IN THE AFFAIRS OF BONTERRA.....	24
OTHER MATERIAL INFORMATION .....	24
STATUTORY RIGHTS.....	24
APPROVAL OF THE DIRECTORS' CIRCULAR.....	24
CONSENT OF PETERS & CO. LIMITED .....	25
CERTIFICATE.....	26
Schedule A GLOSSARY.....	A-1
Schedule B OPINION OF PETERS & CO. LIMITED .....	B-1

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)



## GENERAL INFORMATION

Certain capitalized terms used in this Directors' Circular have the respective meanings set out in the Glossary attached as Schedule A to this Directors' Circular, unless such term is defined elsewhere in this Directors' Circular. Unless otherwise indicated, information in this Directors' Circular is given as at October 5, 2020.

Calculations of percentage amounts or amounts per Common Share set forth in this Directors' Circular are based on 33,388,796 Common Shares outstanding as of the close of business on October 5, 2020.

Except as otherwise indicated in this Directors' Circular all references to dollar amounts ("Canadian Dollars", "\$" and "C\$") are to the currency of Canada.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Directors' Circular, including the discussion of the reasons for the Bonterra Board's recommendation that the holders of Common Shares ("**Shareholders**") reject the Hostile Bid, contain forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). These statements relate to future events or Bonterra's future performance. All statements other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In addition, this Directors' Circular may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Forward-looking statements in this Directors' Circular include, but are not limited to, statements with respect to:

- the quantity and quality of Bonterra's oil and natural gas reserves;
- the performance and characteristics of Bonterra's oil and natural gas properties;
- future development and exploration activities and the timing thereof;
- future land expiries;
- results of various projects of Bonterra;
- timing of receipt of regulatory approvals;
- timing of development of undeveloped reserves;
- the tax horizon and taxability of Bonterra;
- supply and demand for oil, NGLs and natural gas;
- expectations regarding Bonterra's ability to raise capital and to continually add to reserves through development and acquisitions;
- the impact of Canadian federal and provincial governmental regulation on Bonterra relative to other natural resource issuers of similar size;
- realization of the anticipated benefits of acquisitions and dispositions;
- production levels and the weighting of production between different commodities;
- projections of commodity prices and costs;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- capital expenditure programs and the timing and method of financing thereof;
- treatment under government regulation and taxation regimes;
- anticipated asset retirement obligations; and

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

- Bonterra being able to access government programs, including the BDC and EDC loan programs and the Alberta SRP program, and the use of funds made available to Bonterra through these programs.

Although Bonterra believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Bonterra cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither Bonterra nor any other person assumes responsibility for the outcome of the forward-looking statements. Many of the risks and other factors are beyond Bonterra's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this Directors' Circular. The risks and other factors include, but are not limited to:

- general economic conditions in Canada, the United States and globally, including reduced availability of debt and equity financing generally;
- industry conditions, including fluctuations in the price of oil, NGLs and natural gas;
- liabilities inherent in oil and natural gas operations;
- the ability to generate sufficient cash flow from operations and other sources to meet current and future obligations, including costs of projects and repayment of debt;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- geological, technical, drilling and processing problems and other difficulties in producing reserves;
- the uncertainty of reserve estimates and reserve life;
- weather conditions;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to realize anticipated benefits of acquisitions;
- failure to obtain industry partner and other third party consents and approvals, when required;
- health, safety and environmental risks;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisitions or reserves, deposits, undeveloped land and skilled personnel;
- competition for and inability to retain drilling rigs and other services;
- rights to surface access;
- the ability of management to execute its business plan;
- risks relating to pandemics, including COVID-19;
- the need to obtain required approvals from regulatory authorities;
- the availability and satisfaction of conditions relating to government loan programs; and
- the other factors considered under "Risk Factors" in Bonterra's annual information form dated March 10, 2020.

These factors should not be considered as exhaustive. Statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources, reserves and deposits described can be profitably produced in the future. With respect to forward-looking statements contained in this Directors' Circular, Bonterra has made assumptions regarding: future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; availability of skilled labour; current technology; cash flow; production rates; timing and amount of capital expenditures; the prices and marketability of oil, NGLs and natural gas; royalty rates; effects of regulation by governmental agencies; future operating costs; and the Company's ability to obtain financing on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive.

The above summary of assumptions and risks related to forward-looking information has been provided in this Directors' Circular in order to provide readers with a more complete perspective on Bonterra's future operations. Readers are cautioned that this information may not be appropriate for other purposes. The forward-looking statements contained in this Directors' Circular are expressly qualified by this cautionary statement. Bonterra is not under any

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

duty to update or revise any of the forward-looking statements, except as expressly required by applicable securities laws.

Certain statements in this Directors' Circular are forward-looking statements with respect to Obsidian and Obsidian's expectations with respect to the Hostile Bid and Bonterra. The information was derived from the Obsidian Circular and other publicly available documents and is subject to the cautionary statements provided by Obsidian in such documents.

Financial outlook information contained in this Directors' Circular about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this Directors' Circular should not be used for purposes other than for which it is disclosed herein.

### **NON-IFRS MEASURES**

Certain measures used in this Directors' Circular use and refer to supplemental financial measures used to assist in assessing financial performance of Bonterra including "net debt". Bonterra calculates net debt as long-term debt plus working capital deficiency (current liabilities less current assets).

These supplemental financial measures ("**Non-IFRS Measures**") do not have standardized meanings under IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation nor as a substitute for analysis of Bonterra's financial information reported under IFRS. Non-IFRS Measures are provided as additional information to complement IFRS measures by providing further understanding of operations from management's perspective. Readers are referred to Bonterra's management's discussion and analysis for the year ended December 31, 2019 and the management's discussion and analysis for the six months ended June 30, 2020 for more information regarding such measures.

### **OIL AND GAS INFORMATION**

In this Directors' Circular where amounts are expressed on a barrel of oil equivalent ("**BOE**") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil, based on the current market prices thereof, is significantly different from the energy equivalency ratio of six to one, utilizing a BOE conversion ratio on this basis may be misleading as an indication of value.

Unless otherwise specified, references to oil include oil and natural gas liquids ("**NGL**"). NGLs include condensate, propane, butane and ethane.

### **NOTICE TO NON-CANADIAN SHAREHOLDERS**

The Hostile Bid to which this Directors' Circular relates is made for the securities of a Canadian issuer. This Directors' Circular has been prepared by Bonterra in accordance with disclosure requirements under applicable Canadian law. Shareholders in the United States and otherwise outside of Canada should be aware that these requirements may be different from those of the United States and other jurisdictions. Bonterra prepares its financial statements in accordance with IFRS. These financial statements may not be comparable to financial statements of United States companies and other non-Canadian companies.

It may be difficult for Shareholders in the United States and otherwise outside of Canada to enforce their rights and any claim they may have arising under United States federal securities laws or the securities laws of other non-Canadian jurisdictions since Bonterra is a corporation existing under the laws of Canada, the officers and directors of

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

Bonterra reside in Canada, some of the experts named herein reside in Canada and all of the assets of Bonterra and a portion of the assets of the other above-mentioned Persons are located in Canada. Shareholders in the United States and otherwise outside of Canada may not be able to sue Bonterra or its officers or directors in a foreign court for violation of United States federal securities laws or the securities laws of other non-Canadian jurisdictions. It may be difficult to compel such parties to subject themselves to the jurisdiction of a foreign court or to enforce a judgment obtained from a court of the United States or other non-Canadian court's judgment. This transaction and the accompanying Directors' Circular have not been approved or disapproved by any United States or other securities regulatory authority, nor has any such authority passed upon the accuracy or adequacy of the accompanying Directors' Circular.

#### **NOTICE REGARDING CERTAIN OTHER INFORMATION**

Bonterra is a reporting issuer or equivalent in all provinces of Canada and the Northwest Territories and files its continuous disclosure documents and other documents with the applicable securities regulatory authorities in each such jurisdiction. Certain information in this Directors' Circular has been taken from or is based on documents that are expressly referred to in this Directors' Circular. All summaries of, and references to, documents that are specified in this Directors' Circular as having been filed, or that are contained in documents specified as having been filed, on SEDAR are qualified in their entirety by reference to the complete text of those documents as filed, or as contained in documents filed, under Bonterra's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders are urged to read carefully the full text of those documents provided that, for greater certainty, any such documents are expressly not incorporated by reference into this Directors' Circular.

Certain information herein, including forward-looking statements, relating to Obsidian and the Hostile Bid has been derived from, and the Bonterra Board and Bonterra have relied on, without independent verification, the information contained in the Obsidian Circular and other public sources. Neither the Bonterra Board nor Bonterra has independently verified such information or assumes any responsibility for the accuracy or completeness of such information or for any failure by Obsidian to disclose events that may have occurred or that may affect the significance or accuracy of any such information.

Bonterra has quoted from publicly available analyst reports in this document. These analysts have not consented to the inclusion of all or any portion of their reports in this document. None of the firms employing such analysts were advisors to Bonterra as at the dates of such analysts' reports.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## DIRECTORS' CIRCULAR

This directors' circular, including the accompanying letter to Shareholders and the schedules attached hereto (the "**Directors' Circular**"), is issued by the directors of Bonterra (the "**Bonterra Board**") in connection with the unsolicited offer made by Obsidian to acquire all of the outstanding Common Shares, including any Common Shares which may be issued and outstanding after the date of the offer and prior to the Expiry Time, and further subject to the terms and conditions of the Obsidian Circular.

### THE HOSTILE BID

The offer made by Obsidian Energy Ltd., a corporation existing under the *Business Corporations Act* (Alberta) ("**Obsidian**"), to acquire all of the outstanding Common Shares (the "**Hostile Bid**"), including any Common Shares which may become issued and outstanding after the date of the offer and prior to the Expiry Time, on the basis of 2.0 common shares in the capital of Obsidian ("**Obsidian Shares**") per Common Share, is described in the circular filed by Obsidian, with the applicable securities regulatory authorities in Canada on September 21, 2020 (the "**Obsidian Circular**") and available under Bonterra's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Hostile Bid is currently scheduled to expire next year at 5:00 p.m. (Mountain Standard Time) on January 4, 2021 (the "**Expiry Time**"), unless extended, accelerated or withdrawn by Obsidian in accordance with its terms.

The Hostile Bid is subject to 15 conditions, which must be satisfied or, where permitted, waived at the Expiry Time by Obsidian. The conditions are also described in the Obsidian Circular and consist of the following:

1. that the Common Shares validly deposited to the Hostile Bid, and not withdrawn, represent at least 66⅔% of the then outstanding Common Shares (on a fully-diluted basis);
2. receipt of all Regulatory Approvals (as defined in the Obsidian Circular), including pursuant to the *Competition Act* (Canada) and the approval of the Toronto Stock Exchange, that Obsidian considers necessary or desirable in connection with the Hostile Bid;
3. the U.S. registration statement in respect of the Hostile Bid shall have become effective under the United States Securities Act of 1933, and no stop order or proceeding seeking a stop order shall have been issued and no other proceeding shall have been instituted or threatened by the SEC;
4. Obsidian and/or Bonterra, as applicable, having received all third party consents or approvals that Obsidian considers necessary or desirable in connection with the Hostile Bid, including without limitation all necessary consents to the Hostile Bid, or waivers required as a result of the consummation of the Hostile Bid, from the lenders under Bonterra's revolving credit facility and, as applicable, lenders under Bonterra's subordinated notes to private related party investors or any other similar agreement or instrument and from the lenders to Obsidian and the holders of Obsidian's outstanding senior notes;
5. all Convertible Securities (as defined in the Obsidian Circular) shall have been dealt with on terms satisfactory to Obsidian, in its sole discretion;
6. there being no legal prohibition against Obsidian making the Hostile Bid or taking up and paying for the Common Shares;
7. neither Bonterra nor any other Person having taken or proposed to take any action that could reasonably be expected to prevent, adversely affect or materially delay Obsidian from acquiring the Common Shares or implementing Obsidian's plans for Bonterra as disclosed in the Obsidian Circular or make it inadvisable for Obsidian to proceed with the Hostile Bid and/or to take up and pay for Common Shares deposited under the Hostile Bid or to complete a Compulsory Acquisition (as defined in the Obsidian Circular) or Subsequent Acquisition Transaction (as defined in the Obsidian Circular), including Bonterra not having disposed of or acquired any material assets, made any material capital expenditures outside of the ordinary course of business,

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

entered into any related party transaction, waived, released, granted, transferred or amended any rights of material value in respect of any of its joint ventures, properties, or authorizations, incurred any material debts (including pursuant to its announced prospective term facility with the Business Development Bank of Canada), become subject to any proceedings under the *Companies' Creditors Arrangement Act* (Canada) or the *Bankruptcy and Insolvency Act* (Canada), made or become subject to any take-over bid or tender offer, issuer bid, recapitalization, wind-up, business combination or any other similar transaction, issued any securities, declared distributions or dividends, implemented or amended any employee cash or equity compensation plan, adopted or implemented a shareholder rights plan, implemented any changes in its capital structure or taken certain other actions of a similar nature;

8. no litigation or regulatory order that may hamper the carrying out of the Hostile Bid or any Compulsory Acquisition or Subsequent Acquisition Transaction;
9. no Material Adverse Effect (as defined in the Obsidian Circular) having occurred;
10. Obsidian not becoming aware of Bonterra having made any untrue statement of a material fact or omitting to state a material fact that is required to be made to any securities regulatory authority;
11. there is no covenant, term or condition that exists in any material licence, right, permit, franchise, indenture, instrument or agreement to which Bonterra or its assets are subject which, if the Hostile Bid were completed, could be impaired or adversely affected, cause an obligation to vest or accelerate, result in the creation or acceleration of a material liability, result in a default, limit a material right or benefit or adversely impact the ability of Obsidian to complete the Hostile Bid;
12. there shall not have occurred any general suspension of trading in, or limitation on prices for, securities on the TSX; any extraordinary or material adverse change in the financial, banking or capital markets or in major stock exchange indices in Canada or the United States; a declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States; any limitation by any governmental entity on, or other event that, might affect the extension of credit by banks or other financial institutions; any material change in currency exchange rates or a suspension or limitation on the markets therefor; a commencement of war or armed hostilities or other national or international calamity involving Canada or the United States; or in the case of any of the foregoing existing at the time of the commencement of the Hostile Bid, a material acceleration or worsening thereof;
13. Obsidian shareholders approving, as required by the rules of the TSX, the issuance of the Obsidian Shares to be distributed by Obsidian in connection with the Hostile Bid;
14. Obsidian being provided with access to all non-public information regarding Bonterra that has been made available to any potential acquiror or, in any case, which a potential acquiror would reasonably require to be given, provided or have made available to it, in each case since June 30, 2020 for the purpose of considering or seeking information to consider an acquisition of, or business combination with, Bonterra in each case on substantially the same terms and conditions as have been or would reasonably be imposed on a potential acquiror, other than any term or condition that would be inconsistent with or would render Obsidian unable to make the Hostile Bid, to take-up and pay under the Hostile Bid or complete any second step transaction; and
15. Obsidian not having entered into a definitive agreement or an agreement in principle with Bonterra providing for a plan of arrangement, amalgamation, merger, acquisition of assets or other business combination with Bonterra or for the acquisition of securities of Bonterra or for the commencement of a new offer for the Common Shares, pursuant to which Obsidian has determined that the Hostile Bid will be terminated.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## BONTERRA BOARD'S UNANIMOUS RECOMMENDATIONS

The Bonterra Board believes that the Hostile Bid fails to recognize the full and fair value of Bonterra and its business and is an attempt by Obsidian to acquire all of the Common Shares without offering adequate consideration to the Shareholders.

**The Bonterra Board UNANIMOUSLY recommends that Shareholders REJECT the Hostile Bid by taking no action – DO NOT TENDER your Common Shares.**

**Any Shareholder who has already tendered its Common Shares to the Hostile Bid should WITHDRAW those Common Shares.**

Shareholders who have already tendered their Common Shares to the Hostile Bid and who wish to obtain assistance in withdrawing them are urged to contact their broker or Laurel Hill Advisory Group, toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

### REASONS FOR REJECTING THE HOSTILE BID

#### 1. The Hostile Bid is a “take-under” bid and does not provide adequate value for Shareholders

##### *The Hostile Bid is at a significant discount to the trading price of the Common Shares*

- On August 31, 2020, Obsidian announced a proposed combination transaction with Bonterra at an exchange ratio of 2.0 Obsidian Shares for each Common Share. The offer price of \$1.06 per Common Share implied by the proposed exchange ratio represented a 29% discount to the Bonterra share price on August 28, 2020, based on closing prices of the common shares of Bonterra and Obsidian on the TSX of \$1.50 and \$0.53, respectively, and is at a discount of 13% to the Bonterra share price based on the closing prices of the common shares of Bonterra and Obsidian on October 5, 2020.

##### *Shareholders agree the Hostile Bid is inadequate*

- Since Obsidian announced the proposed combination transaction with Bonterra on August 31, 2020, investors' actions have clearly demonstrated that the Hostile Bid is inadequate as the Common Shares have consistently traded above the implied value of the Hostile Bid.

##### *Sell side Analysts and capital markets commentators agree that the Hostile Bid is inadequate*

- The majority of the research analysts providing coverage on Bonterra currently have a price target in excess of the implied value of the Hostile Bid (the analyst consensus average price target for Bonterra is \$1.43 per Common Share, a 49% premium to the \$0.96 per Common Share<sup>1</sup> implied value of the Hostile Bid), reflecting their view that the Hostile Bid does not fairly value the Common Shares. In addition, the analyst consensus average price target for Obsidian is \$0.03 per Obsidian common share which is a 94% discount to the current trading price of the Obsidian common shares.

*“Is the exchange ratio fair? We don't believe so.” Raymond James Research (September 11, 2020)*

*“Many of these claims made by Obsidian are dependent on higher than current strip commodity prices. Moreover, claims around dividend reinstatement and emerging as a consolidator are questionable...As such, we see value in the Company opting to move forward with its lenders to finalize terms related to its \$45MM BDC term loan that will provide a helpful liquidity boost in the near-term.” Haywood Research (September 22, 2020)*

<sup>1</sup> Based on the closing prices of the common shares of Bonterra and Obsidian on October 5, 2020.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

*The negative “take-under” premium is not in line with historical precedents*

- The Hostile Bid implies a discount that compares poorly with the average premium for acquisitions of Canadian publicly listed companies. Since 2016, the average premium offered in acquisitions of Canadian publicly listed upstream companies with transaction values greater than \$20 million was approximately 25%<sup>2</sup> at the time of such offer. This is in stark contrast to the Hostile Bid, which currently provides a discount of 13%, representing a “take-under” bid for Shareholders. Obsidian’s offer asks Shareholders to relinquish control, not for a premium, but for a discount.
- 2. Bonterra has already received notice that Shareholders, representing in excess of 30% of the outstanding Common Shares, WILL NOT TENDER their Common Shares to the Hostile Bid, including every member of the Bonterra Board and management**
- Directors and officers of Bonterra and other Shareholders holding an aggregate of over 30% of the currently outstanding Common Shares have already advised Bonterra that they WILL NOT TENDER their Common Shares to the Hostile Bid.
- 3. Peters & Co. has delivered a written opinion to the Bonterra Board and the Special Committee that the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders**
- The Bonterra Board and the Special Committee have received a written opinion of Peters & Co. dated October 5, 2020 to the effect that, as of that date and subject to the assumptions, limitations and qualifications contained therein, the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders.
  - The full text of the opinion, setting out the assumptions made, matters considered and limitations and qualifications of the review undertaken in connection with the opinion by Peters & Co. is attached as Schedule “B” to this Directors’ Circular.
- 4. The Hostile Bid does not attribute any value to the potential future success of Bonterra’s actions to increase shareholder value**

*Bonterra has achieved material cost savings and efficiencies in 2020*

- During the first half of 2020, Bonterra achieved significant operational efficiencies and implemented cost savings initiatives to maximize cash flow and improve sustainability. Bonterra reduced its expected annual corporate G&A and operating costs (for similar volumes and excluding one-time items) by approximately \$5 million in 2020, a 7% improvement over 2019 levels (including a ~\$1 per BOE reduction in operating costs). Bonterra has an efficient cost structure, has historically had among the lowest G&A per BOE compared to its liquids-weighted peers, and believes these recent cost savings position Bonterra to enhance cash flow in 2021.

*Material value creation potential from developing Bonterra’s assets*

- To preserve shareholder value in response to the global pandemic (“COVID-19”), Bonterra immediately applied for the Business Development Bank of Canada (“BDC”) loan program (the “**BDC Program**”) and the Export Development Canada (“EDC”) oil and gas support program (the “**EDC Program**”):
  - Bonterra is one of only a limited number of oil and gas companies that have received approval for a loan under the BDC Program, with Bonterra having received approval for a \$45 million loan, subject to legal and banking documentation (further described below). The BDC Program

<sup>2</sup> Per Factset, including Canadian E&P corporate transactions with a transaction value of \$20 million or greater, and one day premiums/discounts disclosed. Excludes the following transactions (name of target): WesternZagros Resources Ltd., Bankers Petroleum Ltd. and Mart Resources.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)



is intended to strengthen Bonterra's financial position and the proceeds are meant to be used to fund operational and development cash flow needs that will ensure a degree of continuity of operations during this period of uncertainty. To qualify, Bonterra must have been financially viable prior to the current COVID-19 related economic environment.

- Bonterra has received approval for a reserve-based lending commitment of \$38.4 million pursuant to the EDC Direct Lending Program (“DLP”) subject to legal and banking documentation. Under the DLP, EDC becomes a syndicate member in Bonterra's revolving credit facility. As part of its approval process, EDC evaluated Bonterra's pre-COVID-19 economic viability, its commitment to environment and climate change initiatives, its assets and other financial attributes.
- The Hostile Bid does not recognize the potential increase in the value of the Common Shares that is expected to result from the positive impact of the BDC financing once completed. The BDC facility will be a second lien non-revolving four-year term facility for \$45 million which will provide Bonterra with significant additional liquidity at reasonable interest rates to withstand the impacts of COVID-19 and allow Bonterra to re-initiate its capital program in the fourth quarter of 2020 and fund its abandonment and reclamation program.
- Bonterra has over 470 sections of land with over 700 identified multi-zone drill locations including 298 (net) booked locations. Upon the successful completion of the drilling program to be funded by the BDC facility, and with the benefits of the low decline nature of its base production, Bonterra anticipates it will have production levels consistent with those realized in 2019, leading to enhanced liquidity and improved financial flexibility.
- Between BDC, EDC and \$21 million in approved funding from the SRP (described in more detail below), Bonterra has now been approved for over \$104 million of credit availability (pending legal and banking documentation). Shareholders receive no value for these commitments under the Hostile Bid.

**5. The Hostile Bid is highly opportunistic and timed to deprive Shareholders of recent positive market changes and value increasing initiatives achieved to date and that are being pursued by Bonterra**

***The Bonterra Board believes that the timing of the Hostile Bid is highly opportunistic***

- The Hostile Bid was made at a time designed to take advantage of near-term market concerns with respect to weak oil demand and resulting unprecedented drop in oil prices arising out of the global response to COVID-19.

***Global energy markets are recovering***

- Over the past two months, as COVID-19 restrictions around the globe have eased, economic activity has increased, and commodity prices are recovering. In April 2020, the WTI crude oil price averaged US\$16.52/bbl and has since increased approximately 140% to an average price of US\$39.60/bbl in September 2020.
- North American oil supply and demand balance is expected to recover in 2021. Based on EIA estimates, growth in North American crude oil and liquids demand is expected to outpace supply by 1.5 MMbbl/d in 2021, which would likely have a positive effect on oil prices.

***The Bonterra Board believes that the precise timing of the Hostile Bid was organized to frustrate the closing of the BDC financing and its potential to increase value for Bonterra and its Shareholders***

- Obsidian first publicly announced its proposed transaction on August 31, 2020, 11 days after Bonterra announced it had entered into a non-binding term sheet for a \$45 million loan under the BDC Program. Obsidian subsequently made the Hostile Bid on the same day that Bonterra announced it had received an extension to its revolving credit facility to September 30, 2020, allowing Bonterra more time to complete the final review and definitive documentation in respect of the BDC financing.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

- The expiry of the Hostile Bid is before the release of Bonterra’s 2020 year-end financial statements and the end of the first quarter of 2021. Shareholders will not have the benefit of knowing those results, including any positive impact of the potential BDC financing, before a decision in respect of the Hostile Bid is required.

**6. The Hostile Bid exposes Shareholders to an uncertain financing plan and a potential capital structure that could result in future dilution in equity ownership**

- The Hostile Bid does not provide details on the financing plan or capital structure of the proposed combination. Obsidian does not disclose its strategy or process to gain consent from its own lending syndicate and noteholders, nor has it obtained the consent of Bonterra’s lending syndicate. The receipt of consent from both lending syndicates is a condition of the Hostile Bid.
- Given the current environment and prevailing commodity prices, Obsidian’s strategic plan may require future financing that could be dilutive to Shareholders, thereby reducing and ultimately negatively impacting long-term shareholder value.
- Obsidian has a going concern note disclosed in the Obsidian Circular that states: “There is a material concern that casts substantial doubt on the Offeror’s ability to continue as a going concern” and, “...the Offeror may be required to obtain additional financing to increase liquidity, the availability of which is uncertain at this time.” See “*Risk Factors Related to the Offer and the Offeror*” in the Obsidian Circular.
- In light of the going concern note disclosed in the Obsidian Circular and the fact that Obsidian has not provided details on the financing plan or capital structure of the proposed combination, Shareholders should consider whether they would be tendering their Common Shares into an insolvent company if they accepted the Hostile Bid.

**7. Obsidian and its U.S. activist investor led management team has not demonstrated a track record of creating shareholder value or the ability to create a “Cardium Champion”**

***The Obsidian management, board and strategic plan are heavily influenced by FrontFour***

- FrontFour is a known activist investor that has a history of public, hostile actions against public companies. In early 2018, FrontFour engaged in a confrontational public campaign with Obsidian, and ultimately reached a settlement agreement whereby FrontFour nominated two directors to the board of Obsidian.
- Obsidian has a history of senior executive resignations and changes; as a result, Obsidian has not had a clear strategic direction for many years. Since January 2017, Obsidian has had eight executive resignations or changes, including three different Chief Financial Officers and three different Chief Executive Officers (including two individuals as Interim President and CEO). The current Interim President and CEO, Mr. Stephen Loukas, is an activist investor and partner at FrontFour, who resides in New York, and was appointed in December 2019. The Obsidian Circular states that “*Mr. Loukas conveyed that he did not likely have interest in becoming the permanent CEO of the combined entity.*” (See “*Background to the Offer*” in the Obsidian Circular).

***Obsidian has a dismal track record of successfully executing its strategic plans***

- As part of its activist campaign in 2018, FrontFour wrote a letter to Obsidian and described investor “*frustration with Obsidian’s inconsistent and unsound strategic plan, flawed hedging strategy, and poor leadership team*”. FrontFour’s strategic plan included selling Obsidian’s Viking assets and its Peace River assets followed by reducing debt and then redirecting capital to Obsidian’s Willesden Green Cardium assets. In April 2018, Obsidian hired a financial advisor to explore a potential sale of Obsidian’s Viking and Peace River assets. In May 2019, Obsidian announced the sale of its working interest in the Peace River assets; however, in August 2019 Obsidian announced that the agreement to dispose of these assets had been terminated as the consents necessary to transfer the operatorship of the assets were not obtained. More than two years later, Obsidian has still not disposed of either its Peace River or Viking assets, which was a critical component of its strategic plan. After a failed attempt to

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

execute on its strategic plan, in September 2019 Obsidian announced the initiation of a formal strategic process to evaluate options and alternatives to maximize shareholder value, and hired Tudor, Pickering, Holt & Co. as its financial advisor in connection with this review and analysis of strategic alternatives.

- Obsidian commenced a strategic review process in July 2019, and has failed to raise proceeds from asset sales to reduce debt or find a party interested in acquiring or merging with Obsidian. It appears that the Hostile Bid is a final attempt by Obsidian to save itself at the expense of Shareholders.

***Obsidian does not have a plan for Bonterra’s assets if the Hostile Bid is completed***

- Obsidian states in the Obsidian Circular that “[Obsidian] has not developed any specific proposals with respect to [Bonterra] or its operations, or any changes in its assets, business strategies, management or personnel following the acquisition of the [Common Shares] pursuant to the [Hostile Bid].” See “*Purpose of the Offer and Plans for the Company*” in the Obsidian Circular.
- The Hostile Bid is highly dependent on the achievement on significant synergies and cost savings which Obsidian admits is uncertain, and states in the Obsidian Circular that “[t]he [Hostile Bid] has been made with the expectation that its successful completion will result in certain synergies and costs savings...There can be no assurance that the operational or other synergies that [Obsidian] anticipates to realize in the combined entity will be ultimately realized, or that the integration of the two companies’ operations will be timely or effectively accomplished, or will ultimately result in cost reductions.” See “*Risk Factors Related to the Offer and the Offeror*” in the Obsidian Circular.

**8. Obsidian’s significantly higher asset retirement obligations leave the Shareholders carrying a disproportionate allocation of the long-term liability**

***Obsidian has much higher asset retirement obligations than Bonterra***

- As at June 30, 2020, Obsidian reported asset retirement obligations (undiscounted and uninflated) (“**ARO**”) of \$604 million, which represents over 100% of its current enterprise value (~17 times its market capitalization), whereas Bonterra reported ARO of \$156 million, which represents less than 50% of its current enterprise value.
- As of June 30, 2020, under the Area-Based-Closure program Obsidian’s annual ARO spending commitments are approximately \$13 million per year, while Bonterra’s commitments are approximately \$3 million per year.

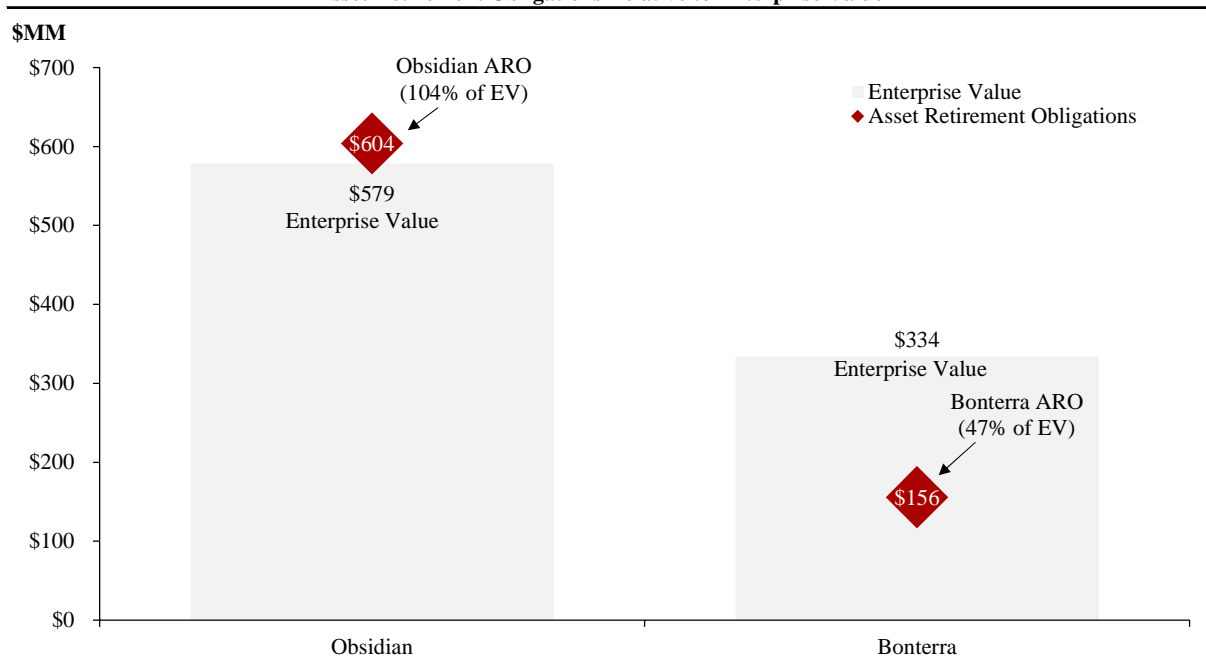
***Bonterra is dedicated to responsible corporate practices and the environment***

- During the first quarter of 2020, Bonterra successfully abandoned 45 inactive well bores and associated pipelines.
- Bonterra, in partnership with its vendors, submitted applications under Alberta’s Site Rehabilitation Program (“**SRP**”) and applied to similar programs in Saskatchewan and British Columbia for asset retirement relief. To date, Bonterra’s vendors have been approved for \$21 million of funding, which will assist with abandoning and reclaiming 379 well bores and 189 pipelines (a total of 179,000 meters).

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

### Asset Retirement Obligations Relative to Enterprise Value <sup>(1)</sup>



*Note:*

(1) Obsidian undiscounted and uninflated ARO as per Obsidian Q2/2020 financials (effective June 30, 2020). Bonterra uninflated and undiscounted ARO as per Bonterra management disclosure (effective June 30, 2020). Enterprise value based on June 30, 2020 net debt, utilizing the USD/CAD exchange rate as at October 5, 2020, and closing share prices as at October 5, 2020. Net debt calculated as long/short term indebtedness plus lease liabilities (including office lease provisions), less any working capital surplus (excluding risk management contracts).

#### 9. The value of the consideration under the Hostile Bid is uncertain

- The Hostile Bid is not a cash offer and therefore the value to be received by Shareholders is uncertain and would depend entirely on the value of the Obsidian shares at the time the Common Shares are taken up under the Hostile Bid, which will not be until January 4, 2021 at the earliest.

#### 10. The Hostile Bid is highly conditional (15 separate conditions, several of which are highly unusual) and presents substantial completion risk

- The Hostile Bid contains numerous conditions, several of which are highly unusual, and which must be satisfied or waived before Obsidian is obligated to take up and pay for any Common Shares tendered. Many of the conditions are not subject to materiality thresholds or reasonableness standards or any other objective criteria, but rather are in Obsidian's sole and unfettered discretion.
- Certain conditions of the Hostile Bid rely on third party consents, including the consent of Obsidian's lenders and holders of Obsidian's senior notes as well as Bonterra's lenders and holders of Bonterra's subordinated notes, all of which are not able to be waived by Obsidian. These consent conditions are highly unusual in the context of an unsolicited take-over bid, as it is customary for an offeror to have its financing plan in place before making a bid so that shareholders are certain of receiving the consideration offered if they tender their shares. In the case of the Hostile Bid, there is no certainty that such consents will be obtained and Obsidian has not provided any details for its plans to obtain such consents.
- The Hostile Bid is also subject to the approval of the shareholders of Obsidian, and there is no certainty that such shareholder approval will be obtained.

**REJECT THE HOSTILE BID**  
**TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

- These conditions, in effect, provide Obsidian with an unfair option to decline or proceed with the Hostile Bid and Shareholders face a high risk of non-completion.

### CONCLUSION AND RECOMMENDATION

For the reasons outlined above, the Bonterra Board unanimously believes that the Hostile Bid fails to recognize the full and fair value of Bonterra and its business and is an attempt by Obsidian to acquire all of the Common Shares without offering adequate consideration to Shareholders.

**The Bonterra Board UNANIMOUSLY recommends that Shareholders REJECT the Hostile Bid by taking no action – DO NOT TENDER your Common Shares.**

**Any Shareholder who has tendered its Common Shares to the Hostile Bid should WITHDRAW those Common Shares.**

The foregoing summary of the information and factors considered by the Bonterra Board is not intended to be exhaustive of the information, factors and analysis considered by the Bonterra Board in reaching its conclusions and recommending that Shareholders reject the Hostile Bid by taking no action – do not tender your Common Shares, but includes the material information, factors and analysis considered by the Bonterra Board in reaching its conclusions and recommendations. The members of the Bonterra Board evaluated various factors summarized above in light of their own knowledge of the business, financial condition and prospects of Bonterra, and based upon the advice of Bonterra’s financial and legal advisors and the recommendations of the Special Committee. Given the numerous factors considered in connection with its evaluation of the Hostile Bid, the Bonterra Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its conclusion and recommendation. In addition, individual members of the Bonterra Board may have given different weight to different factors. The unanimous conclusion and recommendation of the Bonterra Board’s disinterested members was made after considering all of the information and factors involved. Shareholders should consider the terms of the Hostile Bid carefully and come to their own decision as to whether to accept or reject the Hostile Bid.

### HOW TO WITHDRAW YOUR DEPOSITED COMMON SHARES

To reject the Hostile Bid, **TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**. Shareholders who have already tendered their Common Shares to the Hostile Bid can **WITHDRAW** them at any time before they have been taken up by Obsidian pursuant to the Hostile Bid by calling Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

Shareholders who hold Common Shares through a brokerage firm or other nominee should contact their broker or nominee to withdraw their Common Shares on their behalf. If the Common Shares have been deposited pursuant to the procedures for book-entry transfer, as set out on page 23 of the Obsidian Circular under the heading “3. *Manner of Acceptance – Acceptance by Book-Entry Transfer*”, any notice of withdrawal must specify the name and number of the account at CDS or DTC, as applicable, to be credited with the withdrawn Common Shares and otherwise comply with the procedures of CDS or DTC, as applicable.

Shareholders who would like assistance in withdrawing their Common Shares should contact Laurel Hill Advisory Group, the Information Agent retained by Bonterra, toll free at 1-877-452-7184 (416-304-0211 outside North America) or via email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## **BACKGROUND TO THE HOSTILE BID**

The Bonterra Board believes it is important for Shareholders to understand the context in which the Hostile Bid was made, in order to better understand the rationale for the Bonterra Board's response to the Hostile Bid, and the recommendations set out in this Directors' Circular.

### *Initial Discussions*

In the normal course of business, Bonterra evaluates potential alternatives that could be of benefit to its stakeholders. Bonterra has been actively engaged in developing its principal oil and gas properties in west central Alberta for many years and, accordingly, members of the Bonterra management often participate in discussions relating to potential transactions with other industry members, such as Obsidian, that operate in the same area.

In December 2018, William Friley, a director of Obsidian, contacted George Fink, the Chairman and Chief Executive Officer of Bonterra, to request a meeting to discuss a potential transaction between Bonterra and Obsidian. Mr. Fink met with Mr. Friley and Jay Thornton, the Chairman of Obsidian and they discussed the possibility of either an asset swap or some form of business combination.

Subsequent to the initial meeting in December 2018, Mr. Fink and Mr. Friley had follow-up meetings in January 2019 and Mr. Fink met with Mr. Thornton on January 29, 2019 to continue discussions relating to a potential business combination between Obsidian and Bonterra. In those meetings, Mr. Fink expressed concerns about the large present and future abandonment and restoration costs of Obsidian's wells and facilities and with the amount of debt owed by Obsidian to its lenders.

On February 11, 2019, Mr. Fink met with David French, the President and CEO of Obsidian at that time, to discuss in general terms the potential for some form of association between Bonterra and Obsidian. Following these discussions, on February 14, 2019, Obsidian and Bonterra entered into a reciprocal confidentiality agreement effective January 11, 2019, which led to discussions and an exchange of confidential information between Brad Curtis, Senior Vice President, Business Development of Bonterra and Andrew Sweerts, Vice President, Business Development of Obsidian. Obsidian provided Bonterra with its reserves data, corporate well lists and other operating data and Bonterra provided Obsidian with its reserve report and certain operating data and contracts.

On February 21, 2019, Obsidian announced that Mr. Thornton had resigned as Chairman and as a director of Obsidian and that Gordon Ritchie would replace Mr. Thornton as Chairman.

On March 7, 2019, in conjunction with the announcement of its annual financial and operational results, Obsidian announced the resignation of David French as President and CEO and the appointment of Michael J. Faust as Interim President and CEO. Obsidian also announced its intention to complete a 7 to 1 share consolidation.

On March 7, 2019, Mr. Fink met with Mr. French, at the request of Mr. French, and they had a brief discussion about his departure from Obsidian. Mr. Fink was advised there would likely be major changes at Obsidian. On March 7, 2019, Mr. Ritchie also contacted Mr. Fink to advise that, despite Mr. French's resignation, Obsidian continued to be interested in a possible transaction with Bonterra.

On March 7, 2019, Mr. Curtis met with Mr. Sweerts and conveyed that Bonterra was not interested in pursuing further discussions until, among other things, Obsidian completed the sale of its interest in the Peace River Oil Partnership, renegotiated terms with its lenders, completed its share consolidation and reduced general and administrative costs.

On May 17, 2019, Obsidian announced an agreement to sell its interest in the Peace River Oil Partnership for total consideration of \$97 million that was conditional upon certain third party consents being obtained. However, on August 28, 2019, Obsidian announced that the agreement to sell its interest in the Peace River Oil Partnership had been terminated due to the necessary third party consents not having been obtained.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

On June 5, 2019, Obsidian completed a share consolidation on a 7 to 1 basis.

### ***Obsidian's Strategic Alternatives Review Process***

On August 14, 2019, Derek Wheatley of Tudor, Pickering, Holt & Co., financial advisor to Obsidian, and Mr. Faust met with Adrian Neumann, Chief Operating Officer of Bonterra, and advised him that Obsidian would likely undertake a strategic review process.

On August 30, 2019, Bonterra entered into a confidentiality agreement with Obsidian (the "**August 2019 NDA**") to review the Obsidian data room which had been prepared in connection with an upcoming strategic alternatives review process. The confidentiality agreement included a customary standstill provision that restricts Bonterra for a period of 18 months (i.e., until March 1, 2021) from making an offer to acquire Obsidian without Obsidian's prior approval. Bonterra agreed to the terms of the confidentiality agreement, including the standstill provision, because its intention was to review data in contemplation of a possible asset purchase by Bonterra of Obsidian's North Pembina, South Pembina or legacy properties.

On September 10, 2019, Obsidian announced it was initiating a formal process to explore strategic alternatives.

On October 4, 2019, Bonterra received a pro forma analysis from TPH and a meeting request to discuss a business combination. The communications from TPH acknowledged that the support of both companies' lenders would be required for any transaction to proceed. The Bonterra management team reviewed the materials provided by TPH and declined the meeting request because it believed that the best value-enhancing alternative for Bonterra was a purchase of assets from Obsidian, not a business combination with Obsidian.

On October 20, 2019, TPH sent Bonterra additional presentation materials relating to the structure of a potential business combination transaction between Bonterra and Obsidian.

On October 21, 2019, Robb Thompson, the Chief Financial Officer of Bonterra, wrote to TPH to advise that Bonterra was not interested in a merger with Obsidian in the current circumstances. Mr. Thompson indicated that the potential synergies from the transaction were outweighed by the risks associated with Obsidian's greater asset retirement obligations and the need to renegotiate the terms of credit facilities for both Obsidian and Bonterra. Mr. Thompson further indicated that Bonterra may consider an asset transaction with Obsidian at a later date.

On October 21, 2019, Obsidian announced the resignation of David Hendry as Chief Financial Officer.

On December 2, 2019, Obsidian announced the appointment of Stephen E. Loukas as Interim President and CEO, together with a new executive team that replaced the Obsidian representatives who were involved in the most recent discussions with the Bonterra management team.

### ***Recent Events***

On June 22, 2020, Obsidian announced that its nine-month strategic alternatives process was continuing and that it was actively pursuing the objective of consolidation within the Cardium play.

On July 7, 2020, Mr. Thompson and Mr. Neumann had a phone conversation with Derek Wheatley from TPH. Mr. Wheatley indicated that Obsidian's financial position had improved since it was last reviewed by Bonterra with general and administrative costs having been reduced. However, there was no indication of any progress having been made by Obsidian in renegotiating terms with its lenders.

In June and July 2020, Mr. Fink was contacted by Mr. Loukas and they engaged in periodic discussions relating to a potential business combination of Bonterra and Obsidian. Mr. Fink was open to continuing these discussions, however Mr. Loukas was not able to address the concerns with a potential transaction that Bonterra's management team had previously expressed to TPH and Mr. Loukas' predecessors. In addition, at the time of these discussions, Bonterra

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

was focused on improving its own financial position by pursuing funding through the BDC and EDC loan programs, rather than by way of a corporate transaction with Obsidian. Mr. Loukas took the initiative to provide Mr. Fink with a reciprocal confidentiality agreement, but was unwilling to enter into a confidentiality agreement that included a customary standstill provision that would restrict Obsidian from making a hostile take-over bid to acquire Bonterra. This customary standstill provision had been included by Obsidian in the confidentiality agreement provided to participants in Obsidian's strategic review process, which Bonterra agreed to in the August 2019 NDA. Mr. Loukas had proposed that Bonterra be released from this standstill restriction in order to put both parties on a level playing field. However, Bonterra was not prepared to make a hostile take-over bid for Obsidian, so the proposal to exchange confidential information without any standstill restrictions was of no benefit to Bonterra and would have exposed Bonterra's confidential information to misuse in the Hostile Bid.

On August 20, 2020, Bonterra announced it had entered into a non-binding term sheet with BDC for a four year term facility of potentially up to \$45 million to permit Bonterra to continue to pursue development of its high quality Cardium light oil asset base with a view to generating long-term, sustainable net asset per share growth.

On August 31, 2020, Obsidian issued a press release announcing it had sent a letter to Bonterra proposing a business combination transaction with Bonterra on the basis of 2.0 Obsidian Shares per Common Share and included a copy of the letter in its press release. In its letter to Bonterra, Obsidian acknowledged it was proposing to acquire the Common Shares at below a trading price-based exchange ratio, but nonetheless went on to explain its view of the merits of the transaction. The letter requested that Bonterra respond to its proposal by September 4, 2020 and that if there was not "expeditious engagement" by Bonterra with respect to this proposal, then Obsidian was prepared to pursue "all options to consummate this transaction".

On September 8, 2020, Obsidian issued a press release announcing its intention to make the Hostile Bid on the basis of 2.0 Obsidian Shares per Common Share.

Obsidian formally commenced the Hostile Bid on September 21, 2020.

### **RESPONSE TO THE HOSTILE BID AND SPECIAL COMMITTEE DELIBERATIONS**

On August 31, 2020, following the announcement by Obsidian of its proposal to Bonterra, the Bonterra Board met with the management of Bonterra, together with Bonterra's legal counsel, BLG, and financial advisor, Peters & Co., to discuss the Obsidian proposal.

On September 4, 2020, Mr. Fink responded to Mr. Loukas to acknowledge Obsidian's proposal and to advise that Bonterra was not prepared to engage in further discussions with Obsidian at that time.

On September 8, 2020, the Bonterra Board met with management of Bonterra, together with BLG and Peters & Co., to discuss Obsidian's announcement that it intended to proceed with the Hostile Bid.

On September 18, 2020, the Board met with management of Bonterra, together with BLG and Peters & Co., in anticipation of the Hostile Bid being commenced. The Bonterra Board received preliminary financial analysis from Peters & Co. with respect to the proposed Obsidian transaction and certain potential alternatives available to Bonterra. The Bonterra Board also received advice from BLG regarding its fiduciary duties in the context of a potential change of control transaction and determined to establish a Special Committee of independent directors (comprised of Rodger A. Tourigny (Chair), Jacqueline R. Ricci and John J. Campbell) with a mandate to, among other things, consider and respond to all aspects of the Hostile Bid and any alternatives to the Hostile Bid that may be available to Bonterra. Peters & Co. was subsequently formally engaged as financial advisor to the Special Committee and the Bonterra Board in connection with the Hostile Bid and, on September 25, 2020, Davies was engaged as legal counsel to the Special Committee.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)



On September 21, 2020, following the formal commencement of the Hostile Bid, Bonterra issued a press release that acknowledged receipt of the Hostile Bid and advised Shareholders to take no action while the Special Committee evaluated the Hostile Bid.

Since September 21, 2020, the Special Committee has convened eight meetings to, among other things, consider and evaluate: (a) the Hostile Bid and various matters relating to the Hostile Bid, including potential alternatives to the Hostile Bid that may be available to Bonterra, (b) the impact of the Hostile Bid and Bonterra's response thereto on Bonterra's ability to access the BDC Program and the EDC Program and its existing financial condition and liquidity, and (c) potential responses by Bonterra to the Hostile Bid. Peters & Co. attended and provided advice at five of these meetings, each of which was followed by an *in camera* session with counsel.

On September 25, 2020, the Special Committee held its initial meeting with Davies to discuss the Hostile Bid. On September 29, 2020 and September 30, 2020, the Special Committee again met with Davies to continue its consideration and evaluation of the Hostile Bid and to receive legal advice with respect to the legal issues involved in the Hostile Bid and its duties and responsibilities in the context of its consideration and evaluation of the Hostile Bid.

On September 30, 2020, the Bonterra Board held a meeting to discuss recent developments relating to its credit facility and the status of the BDC facility. Bonterra had received approval from its syndicate of lenders to extend the revolving period applicable to its credit facility from September 30, 2020 to October 30, 2020. The extension would provide Bonterra and its syndicate of lenders with additional time to finalize legal and banking documentation relating to the BDC facility.

On October 1, 2020, the Special Committee met with management of Bonterra, Peters & Co., BLG and Davies in attendance. At this meeting, management of Bonterra provided an update on, among other things, the status of Bonterra's proposed financings with BDC and EDC. Peters & Co. also provided an update regarding its work and analysis to date in evaluating the Hostile Bid, following which the Special Committee continued its review of the Hostile Bid and discussed potential responses to the Hostile Bid with management of Bonterra and the Special Committee's financial and legal advisors. The Special Committee then met *in camera* with Peters & Co. and Davies to discuss potential alternatives to the Hostile Bid and the potential impact on Bonterra's financial condition and liquidity of the proposed financings with BDC and EDC. The Special Committee then met *in camera* with Davies to receive further legal advice with respect to the matters discussed at the meeting.

On October 2, 2020, the Special Committee met with Peters & Co. and Davies to continue its consideration of potential responses and recommendations with respect to the Hostile Bid.

On October 3, 2020, the Special Committee met with management of Bonterra, Peters & Co., BLG and Davies in attendance to continue its consideration of potential responses and recommendations with respect to the Hostile Bid, followed by an *in camera* meeting with Davies.

On October 4, 2020, the Special Committee met with management of Bonterra, Peters & Co., BLG and Davies in attendance to receive further financial analysis from Peters & Co. with respect to the Hostile Bid. At this meeting, the Special Committee continued to consider its responses and recommendations with respect to the Hostile Bid.

In the morning of October 5, 2020, Bonterra announced that its application for funding from EDC had been approved and that EDC had provided a reserve based lending commitment of up to \$38.4 million under Bonterra's syndicated credit facility, subject to completion of legal and banking documentation, in a form satisfactory to EDC.

On October 5, 2020, the Special Committee met with management of Bonterra, Peters & Co., BLG and Davies in attendance to finalize the recommendations to be made to the Bonterra Board with respect to the Hostile Bid and its reasons for such recommendations. The Special Committee then met *in camera* with Peters & Co. and Davies to receive the oral opinion of Peters & Co. (which opinion was subsequently confirmed in writing, a copy of which is attached as Schedule B to this Directors' Circular) that as of October 5, 2020 and based upon and subject to certain assumptions, limitations and qualifications set forth therein, the consideration offered pursuant to the Hostile Bid is

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

inadequate, from a financial point of view, to the Shareholders. Following further *in camera* discussion amongst the members of the Special Committee with only Davies present, and a thorough and careful review of the financial and legal advice it had received to date and a consideration of the best interests of Bonterra, its Shareholders and other stakeholders, the Special Committee determined, for the other reasons described in the section of the Directors' Circular entitled "*Reasons for Rejecting the Hostile Bid*", (a) that the Hostile Bid is not in the best interests of Bonterra, its Shareholders and other stakeholders, and (b) to recommend that the Bonterra Board recommend that Shareholders reject the Hostile Bid by taking no action and not tendering their Common Shares.

On October 5, 2020, the Bonterra Board met with management of Bonterra, Peters & Co., BLG and Davies in attendance to finalize the recommendations to be made to Shareholders with respect to the Hostile Bid and its reasons for such recommendations. The Bonterra Board received the unanimous recommendation of the Special Committee and an oral opinion from Peters & Co. (which opinion was subsequently confirmed in writing, a copy of which is attached as Schedule B to this Directors' Circular) that as of October 5, 2020 and based upon and subject to certain assumptions, limitations and qualifications set forth therein, the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to the Shareholders. Following a thorough and careful review of the financial and legal advice it had received to date and a consideration of the best interests of Bonterra, its Shareholders and other stakeholders, the Bonterra Board determined, for the other reasons described in the section of the Directors' Circular entitled "*Reasons for Rejecting the Hostile Bid*", (a) that the Hostile Bid is not in the best interests of Bonterra, its Shareholders and other stakeholders and (b) to recommend that Shareholders reject the Hostile Bid by taking no action and not tendering their Common Shares.

Following the date hereof, it is currently Bonterra's intention to continue pursuing the proposed financings with BDC and EDC in order to enable Bonterra to continue development of its high quality Cardium light oil asset base with a view to generating long-term, sustainable net asset per share growth. The Special Committee has determined that it is in the best interests of Bonterra for Bonterra to proceed with obtaining any remaining approvals and finalizing definitive documentation in respect of such financings, as such financings are anticipated to put Bonterra in a strengthened position from which to consider and pursue strategic options. The Special Committee will consider what, if any, further action in response to the Hostile Bid is in the best interests of Bonterra once the proposed financings with BDC and EDC have been completed.

#### **OPINION OF PETERS & CO. LIMITED**

Peters & Co. was engaged by the Special Committee to provide financial advisory services in connection with the Hostile Bid.

On October 5, 2020, Peters & Co. delivered a written opinion to each of the Special Committee and the Bonterra Board to the effect that, as of the date thereof and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration offered pursuant to the Hostile Bid is inadequate, from a financial point of view, to Shareholders.

A copy of the written opinion delivered by Peters & Co., including the assumptions made and the review undertaken in connection with its preparation, is attached as Schedule B to this Directors' Circular. All summaries and references to the written opinion delivered by Peters & Co. in this Directors' Circular are qualified in their entirety by reference to the full text of such written opinion. The Special Committee and the Bonterra Board strongly recommend that Shareholders read the written opinion delivered by Peters & Co. carefully and in its entirety for a description of the procedures followed, matters considered, and limitations on the review undertaken. Peters & Co.'s opinion addresses only the adequacy of the consideration offered pursuant to the Hostile Bid to the Shareholders from a financial point of view. The written opinion delivered by Peters & Co. was provided for the information and assistance of the Special Committee and the Bonterra Board for their exclusive use only in connection with their consideration of the Hostile Bid. The description of such written opinion in this Directors' Circular and the written opinion itself do not constitute a recommendation to the Shareholders as to whether or not they should tender their Common Shares to the Hostile Bid. The written opinion delivered by Peters & Co. was only one of several factors taken into consideration by the Special Committee and the Bonterra Board in its determining that the Hostile Bid falls short of recognizing the full

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

and fair value of Bonterra and its business and is an attempt by Obsidian to acquire all of the Common Shares without offering adequate value to the Shareholders.

Pursuant to the terms of Peters & Co.'s engagement agreement, Bonterra has agreed to pay certain fees to Peters & Co., including a fixed fee for the delivery of its written opinion (regardless of its conclusion) and fees that are contingent upon the completion or non-completion of the Hostile Bid, a change of control of Bonterra or the occurrence of certain other events. Bonterra has also agreed to reimburse Peters & Co. for reasonable expenses and indemnify Peters & Co. and its directors, officers, employees, shareholders, partners and agents against certain potential liabilities arising out of its engagement. Each of the Special Committee and the Bonterra Board took the foregoing fee structures into account when considering the opinion delivered by Peters & Co.

### ABOUT BONTERRA

Bonterra Energy Corp. is a conventional oil and gas company with operations focused in the Pembina Cardium field in Alberta, executing a strategy of long-term, sustainable growth and value creation for Shareholders. Bonterra's long track record of performance is due to its experienced management team, low-risk asset base and sustainable pace of development. Bonterra is incorporated under the *Canada Business Corporations Act* and its head office is located in Calgary, Alberta.

Bonterra's asset base is comprised of concentrated, stable and under-developed properties located across western Canada with large amounts of remaining oil still in place, a long reserve life and low-risk drilling locations. Bonterra is one of the leading operators in the Pembina Cardium, the largest reservoir in Canada and also has minor assets in Saskatchewan and British Columbia. Bonterra's operations are currently focused on creating value through the execution of its Cardium horizontal drilling program and efficient operating practices.

### CAPITAL STRUCTURE OF BONTERRA

The authorized share capital of Bonterra consists of an unlimited number of common shares ("Common Shares"), Class A redeemable preferred shares and Class B preferred shares, issuable in series. As at the date of this Directors' Circular, 33,388,796 Common Shares were issued and outstanding and no preferred shares were outstanding. Each Common Share is entitled to one vote at a meeting of Shareholders and to any dividend declared by Bonterra. The Common Shares rank equally as to any payment or distribution of the property and assets of Bonterra available for distribution upon the liquidation, dissolution or winding up of Bonterra. There are no special rights or restrictions attached to the Common Shares.

### OWNERSHIP OF SECURITIES OF BONTERRA

The following table sets forth the names and positions of each director and officer of Bonterra and the number and percentage of Common Shares and Options beneficially owned, or over which control or direction is exercised by each such Person, as well as, to the knowledge of Bonterra, each other insider of Bonterra, as of the date of this Directors' Circular.

Name and Position	Number of Common Shares (percentage of Common Shares outstanding) <sup>(2)</sup>	Number of Options (percentage of Options Outstanding) <sup>(3)</sup>
George F. Fink Chief Executive Officer	4,409,912 (13.2%)	210,000 (7.7%)
Robb D. Thompson Chief Financial Officer and Secretary	31,500 (0.1%)	210,000 (7.7%)

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

Name and Position	Number of Common Shares (percentage of Common Shares outstanding) <sup>(2)</sup>	Number of Options (percentage of Options Outstanding) <sup>(3)</sup>
Adrian Neumann Chief Operating Officer	1,493 (less than 0.1%)	210,000 (7.7%)
Brad A. Curtis Senior Vice President, Business Development	31,518 (0.1%)	210,000 (7.7%)
John Campbell Director	1,800 (less than 0.1%)	90,000 (3.3%)
Randy Jarock Director	382,277 (1.1%)	90,500 (3.3%)
Jacqueline Ricci Director	nil	90,000 (3.3%)
Rodger Tourigny Director	68,326 (0.2%)	90,500 (3.3%)
Oberndorf Entities <sup>(4)</sup> Insider	4,016,152 (12.0%)	nil

- (1) The information as to securities beneficially owned, directly or indirectly, or over which control or direction is exercised, is provided to the best of Bonterra's knowledge based on publicly available information, as of the date of this Directors' Circular.
- (2) As of the date of this Directors' Circular, there were 33,388,796 Common Shares outstanding.
- (3) As of the date of this Directors' Circular, there were Options to acquire up to 2,742,700 Common Shares outstanding.
- (4) Common shares are controlled by William E. Oberndorf that are either owned directly or through entities controlled by Mr. Oberndorf.

Bonterra is not aware of any ownership of its securities by any of its, or its insiders', associates or affiliates, and no person is acting jointly and in concert with Bonterra, in connection with the Hostile Bid.

#### **INTENTION OF DIRECTORS, OFFICERS AND OTHER SHAREHOLDERS WITH RESPECT TO THE HOSTILE BID**

Directors and officers of Bonterra and certain other Shareholders, together with their respective associates and affiliates, who hold or exercise control or direction over an aggregate of over 30% of the Common Shares have already advised Bonterra of their intention, as of the date of this Directors' Circular, **NOT** to tender their Common Shares to the Hostile Bid.

To the knowledge of the directors and officers of Bonterra, after reasonable enquiry, no insider of Bonterra, no associate or affiliate of any director, officer or other insider of Bonterra, no associate or affiliate of Bonterra nor any Person acting jointly or in concert with Bonterra has accepted or indicated an intention to accept the Hostile Bid.

#### **PRINCIPAL HOLDERS OF BONTERRA SHARES**

To the knowledge of Bonterra and its directors and officers, after reasonable enquiry, as of the date of this Directors' Circular, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares and no person acting jointly or in concert with Bonterra owned any securities of Bonterra except as set forth below.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

<b>Name and Municipality of Residence</b>	<b>Number of Common Shares</b>	<b>Percentage</b>
George F. Fink Calgary, Alberta	4,409,912	13.2%
Oberndorf Entities <sup>(1)</sup> San Francisco, California	4,016,152	12.0%

(1) Common shares are controlled by William E. Oberndorf that are either owned directly or through entities controlled by Mr. Oberndorf.

### TRADING IN SECURITIES OF BONTERRA

Except as set out below, during the six months preceding the date of this Directors' Circular neither Bonterra nor any director, officer of Bonterra and, to the knowledge of the directors and officers of Bonterra, after reasonable enquiry, no insider of Bonterra, no associate or affiliate of any director, officer or other insider of Bonterra, no associate or affiliate of Bonterra nor any Person acting jointly or in concert with Bonterra has traded any securities or rights to acquire securities of Bonterra:

<b>Name</b>	<b>Date of Trade</b>	<b>Nature of Transaction</b>	<b>Number of Common Shares</b>	<b>Price per Common Share (\$)</b>
George F. Fink	May 15, 2020	Acquisition in the public market	15,000	1.05
George F. Fink	May 20, 2020	Acquisition in the public market	12,000	1.2276
George F. Fink	June 12, 2020	Acquisition in the public market	10,000	1.52
George F. Fink	June 17, 2020	Acquisition in the public market	8,000	1.46
George F. Fink	June 25, 2020	Acquisition in the public market	5,000	1.3528
George F. Fink	June 26, 2020	Acquisition in the public market	5,000	1.30
George F. Fink	June 29, 2020	Acquisition in the public market	5,000	1.30
George F. Fink	August 21, 2020	Acquisition in the public market	6,000	1.495

### ISSUANCES OF SECURITIES OF BONTERRA

Except as set out below, no Common Shares or Options or other securities convertible into, or exercisable for, Common Shares have been issued to the current directors, officers or other insiders of Bonterra during the two years preceding the date hereof.

### Grant of Options

<b>Name</b>	<b>Date of Grant</b>	<b>Number of Options Granted</b>	<b>Exercise Price per Common Share (\$)</b>
Brad Curtis	December 21, 2018	65,000	5.93
George Fink	December 21, 2018	65,000	5.93
Randy Jarock	December 21, 2018	30,000	5.93
Adrian Neumann	December 21, 2018	65,000	5.93
Robb Thompson	December 21, 2018	65,000	5.93
Rodger Tourigny	December 21, 2018	30,000	5.93
Brad Curtis	February 19, 2020	80,000	3.14
George Fink	February 19, 2020	80,000	3.14
Randy Jarock	February 19, 2020	28,000	3.14
Adrian Neumann	February 19, 2020	80,000	3.14

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

<u>Name</u>	<u>Date of Grant</u>	<u>Number of Options Granted</u>	<u>Exercise Price per Common Share (\$)</u>
Robb Thompson	February 19, 2020	80,000	3.14
Rodger Tourigny	February 19, 2020	28,000	3.14
John Campbell	May 22, 2020	90,000	1.18
Jacqueline Ricci	May 22, 2020	90,000	1.18

### Exercise of Options

<u>Name</u>	<u>Date of Exercise</u>	<u>Number of Options Exercised</u>	<u>Exercise Price per Common Share (\$)</u>
George F. Fink	October 16, 2018	65,000	14.56

### OWNERSHIP OF OBSIDIAN SECURITIES

None of Bonterra, the directors and officers of Bonterra and, to the knowledge of the directors and officers of Bonterra, after reasonable enquiry, no insider of Bonterra, no associate or affiliate of any director, officer or other insider of Bonterra, no associate or affiliate of Bonterra nor any Person acting jointly or in concert with Bonterra beneficially owns, directly or indirectly, or exercises control or direction over, any securities of Obsidian.

### AGREEMENTS BETWEEN OBSIDIAN AND THE DIRECTORS, OFFICERS AND SHAREHOLDERS OF BONTERRA

There is no agreement, commitment or understanding (including pursuant to which any payment or other benefit is to be made or given by way of compensation for loss of office or remaining or retiring from office if the Hostile Bid is successful) which has been made or is proposed to be made between Obsidian and any of the directors or officers of Bonterra. None of the directors or officers of Bonterra is a director or officer of Obsidian or any subsidiary thereof. None of the directors or officers of Bonterra and, to the knowledge of the directors and officers of Bonterra after reasonable enquiry, none of their respective associates, has any interest in any material transaction to which Obsidian is a party.

To the knowledge of the directors and officers of Bonterra after reasonable inquiry, no agreement, commitment or understanding has been made or is proposed to be made between Obsidian and any Shareholder relating to the Hostile Bid.

### ARRANGEMENTS BETWEEN BONTERRA AND ITS DIRECTORS AND OFFICERS

Except as set forth below, no agreement, commitment or understanding (including pursuant to which any payment or other benefit is to be made or given by way of compensation for loss of office or remaining in or retiring from office if the Hostile Bid is successful) has been made or is proposed to be made between Bonterra and any of its directors or officers. In the case of each agreement, commitment or understanding discussed below, as applicable, in which the term “change in control” applies, the consummation of the Hostile Bid would constitute a change in control.

If the directors and officers of Bonterra were to tender any Common Shares to the Hostile Bid, they would receive consideration of 2.0 Obsidian Shares per Common Share on the same terms and conditions as other Shareholders. As of the date of this Directors’ Circular, the directors and officers of Bonterra owned, or exercised direction and control over, an aggregate of 4,926,826 Common Shares and 1,201,000 Options. If the directors and officers of Bonterra were to tender all of their Common Shares (excluding the Common Shares underlying the Options) to the Hostile Bid, which they have indicated that they **do not intend to do** as of the date of this Directors’ Circular and such Common Shares were accepted for purchase and taken up and paid for by Obsidian, the directors and officers of Bonterra would receive aggregate consideration of 9,853,652 Obsidian Shares based on the exchange ratio of 2.0 Obsidian Shares per Common Share. For charts detailing the ownership of Common Shares and other securities of Bonterra held by the

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

directors and officers of Bonterra, see the section of this Directors' Circular entitled "*Ownership of Securities of Bonterra*".

### Existing Employment and Change of Control Agreements with Officers

Bonterra has entered into employment agreements with each of its officers. The employment agreements provide for certain payments to be made by Bonterra to the officers in the event of: (i) termination of the officer's employment by Bonterra without cause ("**Termination without Cause**"); or (ii) termination of employment by the officer within 60 days of certain significant changes in the officer's duties and responsibilities, compensation or location of employment or a breach by Bonterra of its obligations pursuant to the employment agreement ("**Termination for Good Reason**").

In the event of Termination without Cause, each officer is entitled to payment of an amount equal to his monthly salary (plus 12.5% on account of lost benefits) for a specified notice period less the number of months, if any, of working notice provided to the officer plus an amount equal to the average cash bonus paid to the officer in each of the last two calendar years. In the event of Termination for Good Reason, each officer is entitled to payment of an amount equal to his monthly salary (plus 12.5% on account of lost benefits) for a specified notice period plus an amount equal to the average cash bonus paid to the officer in each of the last two calendar years. In the case of Mr. Fink, the specified notice period for which the monthly salary plus benefits are payable is 24 months and in the case of Messrs. Thompson, Neumann and Curtis, the specified notice period is 22 months.

The following table sets forth the amounts that would have been payable to each of the executive officers as of December 31, 2019 under the employment agreements in the case of the two different triggering events.

Name of Director	Triggering Event	(\$)
George F. Fink	Termination without Cause <sup>(1)</sup>	\$756,750
	Termination for Good Reason	\$756,750
Robb D. Thompson	Termination without Cause <sup>(1)</sup>	\$698,625
	Termination for Good Reason	\$698,625
Adrian Neumann	Termination without Cause <sup>(1)</sup>	\$698,625
	Termination for Good Reason	\$698,625
Brad A. Curtis	Termination without Cause <sup>(1)</sup>	\$622,438
	Termination for Good Reason	\$622,438

(1) Assumes that Bonterra elects to pay the officer the applicable termination payment without any period of working notice.

### Bonterra Stock Option Plan

Bonterra has a stock option plan (the "**Bonterra Stock Option Plan**") under which it is authorized to grant to directors, officers, employees and consultants of Bonterra and its subsidiaries, non-transferable options to purchase Common Shares (the "**Options**"). The term of an Option shall not be less than one year and shall not be more than five years from the date of grant and, unless otherwise specified by the Board, Options vest as to one-third of the entitlement each year following the date of grant. Notwithstanding the vesting restrictions applicable to Options, under the terms of the Bonterra Stock Option Plan, in the event of a take-over bid, such as the Hostile Bid, the Options may be exercised immediately prior to the expiry of the take-over bid so as to permit the Option holder to tender the Common Shares received upon exercise pursuant to the take-over bid. The number of Common Shares reserved for issuance pursuant to Options may not exceed 10% of the total number of issued and outstanding Common Shares at the date of the Option grant. As at the date of this Directors' Circular, there are 2,742,700 Options outstanding to purchase Common Shares.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

### **Interests of Directors, Officers and Others in Material Transactions**

Except as set forth below, within the three years prior to the date of this Directors' Circular, no informed person of Bonterra has or had any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or could materially affect Bonterra or any of its subsidiaries.

Since 2008, Bonterra has been indebted to its Chief Executive Officer, Mr. George Fink, pursuant to a demand loan which currently has a balance in the principal amount of \$12 million and bears interest at a rate of 5.5% per annum. The demand loan is secured by all of Bonterra's assets and is subordinated to Bonterra's syndicated credit facility.

### **ERRORS OR MISLEADING STATEMENTS IN OBSIDIAN'S REGISTRATION STATEMENT**

The registration statement on Form F-4 filed by Obsidian with the SEC on September 21, 2020 (the "**Registration Statement**") in connection with the Hostile Bid included reports of Bonterra's auditor and a report of Bonterra's independent qualified reserves evaluator without obtaining their consent. The Registration Statement failed to disclose, in compliance with SEC guidance, that Obsidian has not requested nor received from Bonterra's auditor or independent qualified reserves evaluator permission to use their reports prepared for Bonterra or information derived from such reports, as applicable, and the legal and practical implications for Bonterra Shareholders as a result of the lack of permission.

### **MATERIAL CHANGES IN THE AFFAIRS OF BONTERRA**

Except as otherwise described or referred to in this Directors' Circular or as otherwise publicly disclosed, no other information is known to the directors or officers of Bonterra that indicates any material change in the affairs or prospects of Bonterra since June 30, 2020, being the date of its last published financial statements.

### **OTHER MATERIAL INFORMATION**

Except as disclosed in this Directors' Circular or otherwise publicly disclosed, there is no information that is known to the directors and officers of Bonterra that would reasonably be expected to affect the decision of Shareholders to accept or reject the Hostile Bid.

### **STATUTORY RIGHTS**

Securities legislation in the provinces and territories of Canada provides securityholders of Bonterra with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or a notice that is required to be delivered to those securityholders. However, such rights must be exercised within prescribed time limits. Securityholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

### **APPROVAL OF THE DIRECTORS' CIRCULAR**

The contents of this Directors' Circular have been approved by the Bonterra Board and the delivery of this Directors' Circular has been authorized by the Bonterra Board.

**REJECT THE HOSTILE BID  
TAKE NO ACTION - DO NOT TENDER YOUR COMMON SHARES**

If you have any questions or want to withdraw Common Shares already tendered to the Hostile Bid, you can contact Laurel Hill Advisory Group toll free at 1-877-452-7184 (416-304-0211 outside North America) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)



**CONSENT OF PETERS & CO. LIMITED**

Dated: October 5, 2020

To the Board of Directors of Bonterra Energy Corp. ("**Bonterra**"),

We hereby consent to the references to our firm name and to our opinion dated October 5, 2020 contained in, and the inclusion of the text of such opinion as Schedule B to, the directors' circular of Bonterra dated October 5, 2020. Our opinion was given as at October 5, 2020 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the directors of Bonterra shall be entitled to rely upon our opinion.

(signed) "*Peters & Co. Limited*"

**CERTIFICATE**

DATED: October 5, 2020

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors

(signed) "*George F. Fink*"  
George F. Fink  
Director

(signed) "*Rodger A. Tourigny*"  
Rodger A. Tourigny  
Director

## Schedule A GLOSSARY

*Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Directors' Circular, including the Schedules thereto. Words importing the singular include the plural and vice versa and words importing any gender include all genders.*

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Alberta) and includes any Person that constitutes an affiliate under the applicable rules of National Instrument 62-104 – *Take-Over Bids and Issuer Bids*.

“**ARO**” means asset retirement obligations.

“**associate**” has the meaning ascribed thereto in National Instrument 62-104 – *Take-Over Bids and Issuer Bids*.

“**BDC**” means Business Development Bank of Canada.

“**BLG**” means Borden Ladner Gervais LLP, legal counsel to Bonterra.

“**Bonterra**” means Bonterra Energy Corp., a corporation existing under the *Canada Business Corporations Act*.

“**Bonterra Board**” or “**Board**” means the board of directors of Bonterra.

“**Bonterra Stock Option Plan**” means the stock option plan of Bonterra adopted on May 22, 2014, as the same may be amended, restated supplemented or otherwise modified from time to time.

“**CDS**” means CDS Clearing and Depository Services Inc., or its nominee, which at the date hereof is CDS & Co.

“**Common Shares**” means the common shares in the capital of Bonterra.

“**Davies**” means Davies Ward Phillips & Vineberg LLP.

“**directors**” means the members of the Bonterra Board being, as of the date of this Directors' Circular, George F. Fink, Randy M. Jarock, Rodger A. Tourigny, John J. Campbell and Jacqueline R. Ricci.

“**Directors' Circular**” means this directors' circular, the accompanying letter to Shareholders, and includes the schedules attached hereto.

“**EDC**” means Export Development Canada.

“**Expiry Time**” means 5:00 p.m. (Mountain Standard Time) on January 4, 2021 unless the Hostile Bid is extended, accelerated or withdrawn by Obsidian in accordance with its terms.

“**forward-looking statements**” has the meaning ascribed to that term in the section of this Directors' Circular entitled “*Forward-Looking Statements*”.

“**fully diluted basis**” means, with respect to the number of outstanding Common Shares, such number of outstanding Common Shares calculated on the assumption that all existing or future rights, warrants or options or other rights to purchase, convert into, exchange into, exercise for or otherwise acquire Common Shares are exercised in full.

“**Hostile Bid**” means the offer made by Obsidian to acquire all of the outstanding Common Shares, including any Common Shares that may become issued and outstanding after the date of the offer and prior to the Expiry Time, on the basis of 2.0 Obsidian Shares per Common Share.

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants of Canada in Part I of The CPA Canada Handbook – Accounting.

“**informed person**” means a director or executive officer of Bonterra, a director or executive officer of a person or company that is itself an “informed person” or subsidiary of Bonterra and any person or company who beneficially owns, directly or indirectly, voting securities of Bonterra or who exercises control or direction over voting securities of Bonterra carrying more than 10% of the voting rights attached to all issued and outstanding voting securities of Bonterra.

“**insider**” has the meaning ascribed thereto in the *Securities Act* (Alberta).

“**Laurel Hill Advisory Group**” means Laurel Hill Advisory Group, the information agent and strategic advisors to the Bonterra Board.

“**Obsidian**” means Obsidian Energy Ltd., a corporation existing under the *Business Corporations Act* (Alberta).

“**Obsidian Circular**” means the offer and accompanying take-over bid circular of Obsidian dated September 21, 2020.

“**Obsidian Shares**” means the common shares in the capital of Obsidian.

“**officer**” has the meaning ascribed thereto in the *Securities Act* (Alberta).

“**Options**” means any options to purchase Common Shares.

“**Person**” includes an individual, a corporation, a partnership, trust, body corporate, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative.

“**Peters & Co.**” means Peters & Co. Limited, the financial advisor to the Special Committee.

“**SEC**” means the United States Securities and Exchange Commission.

“**SEDAR**” means the Systems for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.

“**Shareholders**” means the holders of the Common Shares.

“**Special Committee**” means the special committee of independent directors of the Bonterra Board consisting of Rodger A. Tourigny, John J. Campbell and Jacqueline R. Ricci.

“**SRP**” means the Site Rehabilitation Program, a grant program of the Government of Alberta that provides funding for abandonment and reclamation activities.

“**TPH**” means Tudor, Pickering, Holt & Co., financial advisor to Obsidian.

“**TSX**” means the Toronto Stock Exchange.

**Schedule B**  
**OPINION OF PETERS & CO. LIMITED**

(please see attached)



2300 Jamieson Place  
308 Fourth Avenue SW  
Calgary, AB T2P 0H7  
Tel: (403) 261 - 4850  
[www.petersco.com](http://www.petersco.com)

October 5, 2020

Bonterra Energy Corp.  
901, 1015 4<sup>th</sup> Street SW  
Calgary, Alberta T2R 1J4

**Attention: The Special Committee of the Board of Directors of Bonterra Energy Corp.**

Dear Mesdames / Sirs:

Peters & Co. Limited (“**Peters & Co.**”) understands that Obsidian Energy Ltd. (“**Obsidian**” or the “**Offeror**”) has made an unsolicited offer (the “**Unsolicited Offer**”) to purchase all of the issued and outstanding common shares (the “**Bonterra Shares**”) of Bonterra Energy Corp. (“**Bonterra**”), including any Bonterra Shares that may become issued and outstanding after the date of the Unsolicited Offer and prior to the expiry time of the Unsolicited Offer, for consideration equal to 2.0 Obsidian common shares per Bonterra Share (the “**Consideration**”). The terms of the Unsolicited Offer are more fully described in an offer to purchase and take-over bid circular dated September 21, 2020 (collectively, the “**Offer Circular**”), which was filed on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and mailed to holders of Bonterra Shares (“**Bonterra Shareholders**”) in connection with the Unsolicited Offer, and the directors’ circular of Bonterra to be dated October 5, 2020 (the “**Directors’ Circular**”) to which this Opinion (as defined below) will be appended.

#### **Engagement of Peters & Co.**

Peters & Co. was formally engaged pursuant to an engagement agreement dated April 13, 2020, which was superseded by a revised engagement agreement dated July 13, 2020 and amended on September 21, 2020 (the “**Engagement Agreement**”), initially to provide certain financial advisory services to Bonterra and, subsequent to the appointment of the special committee (the “**Special Committee**”) of the board of directors of Bonterra (the “**Board of Directors**”) in response to the Unsolicited Offer, the Special Committee. The financial advisory services to be provided to the Special Committee include assistance in evaluating the Unsolicited Offer, including the preparation and provision of its opinion (the “**Opinion**”) as to the adequacy, from a financial point of view, of the Consideration to be received by Bonterra Shareholders pursuant to the Unsolicited Offer.

Pursuant to the terms of the Engagement Agreement, Peters & Co. has not been engaged to prepare a formal valuation of any of the shares, options, restricted performance share units, performance share units, deferred share units, securities, assets, liabilities or business divisions involved in the Unsolicited Offer, and this Opinion should not be construed as such. However, Peters & Co. has performed financial analyses which it considered to be appropriate and necessary in the circumstances and such analyses support the conclusions reached in this Opinion. The terms of the Engagement Agreement provide that Peters & Co. is to be paid fees for its services as financial advisor, including a fixed fee that is payable for this Opinion that is not conditional on the outcome of the Unsolicited Offer and is independent of such fee that is. Peters & Co. will also receive certain fees for our advisory services under the Engagement Agreement, a portion of which is contingent upon the completion or non-completion of the Unsolicited Offer or any alternative transaction. Bonterra has also agreed to reimburse Peters & Co. for certain out-of-pocket expenses and to indemnify Peters & Co. in respect of certain liabilities which may be incurred by it in connection with the use by Bonterra, the Special Committee and the Board of Directors of this Opinion.

## Qualifications of Peters & Co.

Peters & Co. is an independent, fully-integrated investment dealer headquartered in Calgary, Alberta, Canada. The firm specializes in investments in the Canadian energy industry. Peters & Co. was founded in 1971 and is a participating member of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange, the Investment Industry Regulatory Organization of Canada, the Investment Industry Association of Canada and the Canadian Investor Protection Fund. Peters & Co. Equities Inc., a wholly-owned subsidiary of Peters & Co., is a member of the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation and the Securities Industry and Financial Markets Association in the United States.

Peters & Co. provides investment services to institutional investors and individual private clients; employs its own sales and trading group; conducts specialized and comprehensive investment research on the energy industry; and is an active underwriter for, and financial advisor to, companies active in the Canadian and international energy industry. Peters & Co. and its principals have participated in a significant number of transactions involving energy companies in Canada and internationally and have acted as financial advisors in a significant number of transactions involving evaluations of, and opinions for, private and publicly-traded companies.

The opinion expressed herein is the opinion of Peters & Co. as a firm. The form and content of the Opinion have been reviewed and approved for release by certain senior corporate finance principals of Peters & Co., all of whom are experienced in merger, acquisition, divestiture, valuation and opinion matters.

## Relationship of Peters & Co. with Interested Parties

Neither Peters & Co. nor any of its affiliates or associates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of Bonterra or the Offeror. Neither Peters & Co. nor any of its affiliates is acting as an advisor to Bonterra or the Offeror in connection with any matter, other than acting as a financial advisor to Bonterra as described above.

Peters & Co. acts as a trader and dealer, both as principal and as agent, in major financial markets and as such has had, or may have, positions in the securities of Bonterra and/or the Offeror from time to time and has executed, or may execute, transactions in the securities of Bonterra and/or the Offeror for which it receives compensation. In addition, as an investment dealer, Peters & Co. conducts research on securities and may, in the ordinary course of its business, be expected to provide investment advice to its clients on investment matters, including in respect of the Bonterra Shares or the Unsolicited Offer. There are no understandings or agreements between Peters & Co., Bonterra and/or the Offeror with respect to any future business dealings, other than as set forth above.

## Scope of Review

In connection with rendering our Opinion, Peters & Co. has reviewed and relied upon, among other things, the following:

- (i) the Offer Circular, including the terms of the Unsolicited Offer and the information provided regarding the proposed pro forma business plan of Obsidian, should the Unsolicited Offer be successful;
- (ii) the most recent draft of the Directors' Circular, including the reasons for rejecting the Unsolicited Offer;
- (iii) the corporate presentation of Obsidian relating to the Unsolicited Offer, dated September 8, 2020;

- 
- (iv) the audited financial statements and related management's discussion and analysis of Bonterra and the Offeror for the years ended December 31, 2019, 2018 and 2017, together with the notes thereto and the Auditors' Reports thereon;
  - (v) the interim financial statements and related management's discussion and analysis of Bonterra and the Offeror for the six and three month periods ended June 30, 2020 and 2019;
  - (vi) the Notice of Annual or Annual and Special Meeting and Management Proxy Circulars of Bonterra and the Offeror for the annual meetings of shareholders for the years ended 2019, 2018 and 2017;
  - (vii) the Annual Information Form of Bonterra and the Offeror for the years ended December 31, 2019, 2018 and 2017;
  - (viii) the independent engineering report prepared by Sproule Associates Limited which was prepared for Bonterra dated December 31, 2019;
  - (ix) certain internal financial information and forecasts prepared by management of Bonterra;
  - (x) each press release and Material Change Report of Bonterra and the Offeror filed on SEDAR from January 1, 2018 up to and including the date of this Opinion;
  - (xi) information obtained in various due diligence discussions with the senior management, the Special Committee and Board of Directors, and certain other employees of Bonterra and Bonterra's legal counsel; and
  - (xii) certain other confidential financial, operational, legal, corporate and other information prepared by or provided by the senior management, the Special Committee or Board of Directors of Bonterra.

In addition to the information detailed above, Peters & Co. has:

- (i) reviewed certain publicly available information pertaining to current and expected future oil and natural gas prices, oilfield activity levels and other economic factors;
- (ii) reviewed and considered capital market conditions, both current and expected, for the oil and natural gas industry in general, for select exploration and production companies operating in similar jurisdictions, and for Bonterra and the Offeror, specifically;
- (iii) reviewed public information with respect to other transactions of a comparable nature considered by Peters & Co. to be relevant;
- (iv) reviewed various reports published by equity research analysts and industry sources considered by Peters & Co. to be relevant;
- (v) reviewed the operating and financial performance and business characteristics of Bonterra and the Offeror relative to the performance and characteristics of select exploration and production companies operating in similar jurisdictions;
- (vi) received representations contained in a certificate addressed to us from certain senior officers and directors of Bonterra as to the completeness and accuracy of the information upon which the Opinion is based; and



- (vii) reviewed other financial, trading, securities market and industry information and carried out such other analyses and investigations as Peters & Co. considered necessary and appropriate in the circumstances.

Peters & Co. has not, to the best of its knowledge, been denied access by Bonterra to any information under Bonterra's control which was requested by Peters & Co. and was given all requested access to senior management, the Special Committee and Board of Directors and legal advisors and was, to the best of our knowledge, provided with all material information related to Bonterra.

### **Assumptions and Limitations**

This Opinion is rendered on the basis of securities market, economic and general business and financial conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of each of Bonterra and the Offeror as reflected in the information and documents reviewed by us and as represented to us in our discussions with the senior management of Bonterra. In our analyses, numerous assumptions were made with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of any party involved.

Peters & Co. has assumed and relied upon the accuracy, completeness and fair presentation of all of the financial and other information, data, advice, other materials, representations and opinions (the "**Disclosure**") obtained by us from public sources or received from Bonterra or its consultants or advisors or otherwise pursuant to our engagement, and this Opinion is conditional upon such completeness, accuracy and fairness. Peters & Co. has not attempted to verify independently the accuracy or completeness of any such Disclosure.

In preparing the Opinion, Peters & Co. has made several assumptions, including that the disclosure provided or incorporated by reference in the Offer Circular and Directors' Circular with respect to Bonterra, the Offeror, their respective subsidiaries and affiliates and the Unsolicited Offer is accurate in all material respects.

Certain senior officers and directors of Bonterra have represented to us in certificates dated the date hereof that, among other things, the information, data, budgets, company generated reports, evaluations, representations and other material, financial or otherwise (collectively, the "**Information**") provided to us on behalf of Bonterra is complete and correct in all material respects when taken together at either the date of such Information or the date such Information was provided, and that since the date of the provision of the Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Bonterra and there has been no change of any material fact which is of a nature so as to render such Information, taken as a whole, untrue or misleading in any material respect.

With respect to any financial forecasts and projections included in the Information provided to Peters & Co. and used in our analyses, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of the senior management of Bonterra as to the matters covered thereby, and in rendering our Opinion, we express no view as to the reasonableness of such forecasts or projections or the assumptions on which they are based.

Any financial analyses contained herein must be considered and reviewed as a whole, and selecting portions of the stated analyses or factors considered by Peters & Co., without considering all the stated analyses and factors together, could create a misleading view of the process underlying the Opinion, and the resultant conclusions. The preparation of an opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Opinion does not constitute a recommendation to any holders of Bonterra Shares as to whether to tender Bonterra Shares to the Unsolicited Offer.

## **Opinion and Reliance**

Based upon and subject to all of the foregoing, Peters & Co. is of the opinion that, as of the date hereof, the Consideration to be received by holders of Bonterra Shares pursuant to the Unsolicited Offer is inadequate, from a financial point of view, to Bonterra Shareholders.

This Opinion may be relied upon by the Special Committee and the Board of Directors solely for the purposes of considering the Unsolicited Offer, and the Special Committee and the Board of Directors' recommendation to the holders of Bonterra Shares with respect to the Unsolicited Offer, and may not be published, reproduced, disseminated, quoted from, or referred to, in whole or in part, or be used or relied upon by any other person, or for any other purpose, without our express prior written consent. Peters & Co. consents to the inclusion of this Opinion in its entirety and a summary thereof in the Directors' Circular and to the filing thereof, as necessary, by Bonterra with the securities commissions or similar regulatory authorities in each province and territory of Canada.

Yours truly,

(signed) "*Peters & Co. Limited*"

**PETERS & CO. LIMITED**

**REJECT THE HOSTILE BID**

**TAKE NO ACTION- DO NOT TENDER  
YOUR BONTERRA SHARES**

**QUESTIONS MAY BE DIRECTED TO THE INFORMATION AGENT**



**North American Toll Free  
1-877-452-7184**

**Outside North America  
416-304-0211**

**Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)**