For the three months ended March 31, 2019

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BONTERRA ENERGY REPORTS FIRST QUARTER 2019 FINANCIAL AND OPERATING RESULTS

HIGHLIGHTS

As at and for the three months ended ($000s except $ per share)		**March 31, 2019**	December 31, 2018	March 31, 2018
FINANCIAL				
Revenue - realized oil and gas sales		**49,834**	34,988	57,124
Funds flow (1)		**24,363**	10,618	27,959
Per share - basic and diluted		**0.73**	0.32	0.84
Dividend payout ratio		**4%**	66%	36%
Cash flow from operations		**15,123**	20,509	29,877
Per share - basic and diluted		**0.45**	0.61	0.90
Dividend payout ratio		**7%**	34%	33%
Cash dividends per share		**0.03**	0.21	0.30
Net earnings (loss)		**1,457**	(10,909)	3,395
Per share - basic and diluted		**0.04**	(0.33)	0.10
Capital expenditures		**21,062**	4,785	36,168
Total assets		**1,124,043**	1,103,833	1,142,670
Working capital deficiency		**30,139**	30,281	46,630
Long-term debt		**296,594**	298,660	291,994
Shareholders' equity		**484,980**	483,970	504,240
OPERATIONS				
Oil	-bbl per day	**7,081**	7,756	8,034
	-average price ($ per bbl)	**64.87**	38.96	67.78
NGLs	-bbl per day	**949**	1,025	900
	-average price ($ per bbl)	**31.40**	34.73	38.70
Natural gas	-MCF per day	**23,938**	24,045	24,701
	-average price ($ per MCF)	**2.70**	1.77	2.24
Total barrels of oil equivalent per day (BOE) (2)		**12,020**	12,789	13,051

(1) Funds flow is not a recognized measure under IFRS. For these purposes, the Company defines funds flow as funds provided by operations including proceeds from sale of investments and investment income received excluding the effects of changes in non-cash working capital items and decommissioning expenditures settled.

(2) BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

REPORT TO SHAREHOLDERS

The first three months of 2019 have provided initial signs that some stability is returning to the oil and gas industry. Through the first quarter of 2019, Bonterra Energy Corp. ("Bonterra" or the "Company") realized significant improvements in its realized pricing, funds flow and all-in cash costs. With a high-quality asset base, a conservative approach to financial management, and strong capital efficiencies, Bonterra is well-positioned to generate meaningful discretionary funds flow in 2019 and beyond, which initially will be allocated to reducing the Company's net debt. With a sharp focus on debt reduction and long-term sustainability, Bonterra intends to continue with its business model that effectively combines modest production growth and paying a meaningful dividend to its shareholders.

Despite facing extreme cold winter weather through most of February, Bonterra successfully executed its capital program and continued to reduce overall costs. Highlights during the period include:

- Quarterly production averaged 12,020 BOE per day, eight percent lower than Q1 2018 volumes, reflecting the impact of extreme cold weather conditions on operations in February that caused freeze-offs, as well as the timing of new wells that were drilled and completed in the first quarter, however not on production until late in the first quarter or early in the second quarter of 2019.
- Of the 11 gross (10.7 net) operated wells drilled in the first quarter, three came on production in February and three came on production in mid-March, while the remaining five wells came on production in April 2019. The Company also drilled and completed one gross (0.1 net) non-operated well which came on production in Q1 2019.
- Generated funds flow of $24.4 million or $0.73 per share, which represents a 130 percent increase over Q4 2018, and a 13 percent decrease compared to Q1 2018.
- Invested approximately $21.1 million in capital during the first quarter under a single rig continuous program, with $19.4 million, or approximately 92 percent, allocated to the drilling of 12 gross (10.8 net) wells, completing 10 gross (9.1 net) wells, tying-in seven gross (6.1 net) wells and an incremental $1.7 million directed to related infrastructure costs, recompletions and other capital expenditures.
- Realized an average crude oil price of $64.87 per barrel resulting in an average realized price per BOE of $46.07 in Q1 2019 compared to $29.74 per BOE in Q4 2018, while all-in cash costs declined five percent to $23.54 per BOE relative to Q1 2018.
- Cash netbacks in Q1 2019 averaged $22.53 per BOE, an increase of 179 percent over the $8.07 per BOE generated in Q4 2018, and six percent lower than the same period in 2018.
- Cash dividend payments to shareholders resulted in a payout ratio of four percent of funds flow.
- Bank debt at March 31, 2019 was $2.1 million lower at $296.6 million compared to $298.7 million as at December 31, 2018, with ending Q1 2019 net debt also declining to $326.8 million from $328.9 million at the end of 2018.
- Net earnings for Q1 2019 totaled $1.5 million compared to a net loss of $10.9 million for Q4 2018 and net earnings of $3.4 million for Q1 2018.

In addition to lower all-in cash costs during Q1 2019 compared to Q1 2018, the Company also realized reductions in its drilling, completion, equip, tie-in and related facility costs which averaged $2.4 million per well last year and were down to $2.2 million per well during the first quarter, driven largely by improved well design and enhanced efficiencies. Further, depending on commodity prices and debt repayment, Bonterra may consider moving its 2019 budget upwards within the previously stated range of $57 to $77 million.

Relative to production from the fourth quarter of 2018 which averaged 12,789 BOE per day, the Company's first quarter 2019 volumes of 12,020 BOE per day were lower due to the timing of new wells coming on production either late in the first quarter or early in Q2 2019 and 560 BOE per day of shut-in production. This shut-in production was the result of extremely cold weather through most of February, a third-party downstream pipeline failure and pressure issues from new wells backing out existing wells.

Subsequent to the end of the quarter, the Company's syndicate of Canadian financial institutions have agreed to extend the borrowing base redetermination date until May 31, 2019. At March 31, 2019 the Company had $296.6 million drawn of the Company's $380.0 million syndicated credit facility.

Outlook

The Alberta Government's mandated production curtailments took effect January 1, 2019, and in response, differentials on Canadian sweet crude oil fell to US$4.85 per bbl in Q1 2019 from a peak of US$34.80 per bbl in December of 2018. Given a producer's first 10,000 bbls per day of crude oil are exempt, Bonterra's 2019 annual production is not expected to be materially impacted. With the recent change in provincial government in Alberta, we do not know at this time whether the production curtailments will continue. For the full year, the Company continues to forecast average volumes ranging between 12,600 to 13,200 BOE per day (approximately 62 percent weighted to sweet crude oil). Production through 2019 will fluctuate depending on the level of capital invested and associated activities, all of which will ultimately be determined by the light oil differentials and the overall commodity price environment.

In order to protect funds flow, the Company has layered on 2,000 bbls per day of various physical oil delivery sales contracts through the end of September, 2019 at various Canadian realized oil pricing ranging from C$72.99 to C$77.35 per bbl and will continue to evaluate opportunities to secure prices for natural gas, WTI and light sweet oil differentials.

Bonterra remains focused on generating steady funds flow, paying a monthly dividend while prudently investing capital to continue developing the asset base. Through the first half of 2019, the Company anticipates total capital investments between $27 and $30 million, with the balance of capital weighted largely towards Q3 compared to Q4. With one of the lowest production decline rates in the industry at approximately 22 percent, the Company offers significant upside exposure to the massive Pembina Cardium pool, and has a large inventory of low-risk, highly economic undrilled locations which will drive further success. In light of Bonterra's high quality Cardium asset base, coupled with its responsible capital allocation plan for 2019, the Company intends to continue managing production and debt levels and be well positioned for strong performance into 2020.

Thank you again for your continued support.

George F. Fink
Chief Executive Officer and Chairman of the Board

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following report dated May 6, 2019 is a review of the operations and current financial position for the three months ended March 31, 2019 for Bonterra Energy Corp. ("Bonterra" or "the Company") and should be read in conjunction with the unaudited condensed financial statements and the audited financial statements including the notes related thereto for the fiscal year ended December 31, 2018 presented under International Financial Reporting Standards (IFRS).

Use of Non-IFRS Financial Measures

Throughout this Management's Discussion and Analysis ("MD&A") the Company uses the terms "payout ratio", "cash netback" and "net debt" to analyze operating performance, which are not standardized measures recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. These measures are commonly used in the oil and gas industry and are considered informative by management, shareholders and analysts. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies.

The Company calculates payout ratio percentage by dividing cash dividends paid to shareholders by cash flow from operating activities, both of which are measures prescribed by IFRS which appear on our statement of cash flows. We calculate cash netback by dividing various financial statement items as determined by IFRS by total production for the period on a barrel of oil equivalent basis. The Company calculates net debt as long-term debt plus working capital deficiency (current liabilities less current assets).

Frequently Recurring Terms

Bonterra uses the following frequently recurring terms in this MD&A: "WTI" refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States; "MSW Stream Index" or "Edmonton Par" refers to the mixed sweet blend that is the benchmark price for conventionally produced light sweet crude oil in Western Canada; "AECO" refers to Alberta Energy Company, a grade or heating content of natural gas used as benchmark pricing in Alberta, Canada; "bbl" refers to barrel; "NGL" refers to Natural gas liquids; "MCF" refers to thousand cubic feet; "MMBTU" refers to million British Thermal Units; "GJ" refers to gigajoule; and "BOE" refers to barrels of oil equivalent. Disclosure provided herein in respect of a BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Numerical Amounts

The reporting and the functional currency of the Company is the Canadian dollar.

QUARTERLY COMPARISONS

	2019	2018			
As at and for the periods ended					
($ 000s except $ per share)	**Q1**	Q4	Q3	Q2	Q1
Financial					
Revenue - oil and gas sales	**49,834**	34,988	63,817	67,458	57,124
Cash flow from operations	**15,123**	20,509	33,669	31,908	29,877
Per share - basic and diluted	**0.45**	0.61	1.01	0.96	0.90
Dividend payout ratio	**7%**	34%	30%	31%	33%
Cash dividends per share	**0.03**	0.21	0.30	0.30	0.30
Net earnings (loss)	**1,457**	(10,909)	5,756	8,925	3,395
Per share - basic and diluted	**0.04**	(0.33)	0.17	0.27	0.10
Capital expenditures	**21,062**	4,785	18,814	18,970	36,168
Total assets	**1,124,043**	1,103,833	1,137,748	1,147,501	1,142,670
Working capital deficiency	**30,139**	30,281	35,319	27,069	46,630
Long-term debt	**296,594**	298,660	293,197	303,413	291,994
Shareholders' equity	**484,980**	483,970	500,507	503,979	504,240
Operations					
Oil (barrels per day)	**7,081**	7,756	7,949	8,743	8,034
NGLs (barrels per day)	**949**	1,025	1,070	984	900
Natural gas (MCF per day)	**23,938**	24,045	24,144	25,317	24,701
Total BOE per day	**12,020**	12,789	13,043	13,946	13,051

	2017			
As at and for the periods ended				
($ 000s except $ per share)	Q4	Q3	Q2	Q1
Financial				
Revenue - oil and gas sales	54,192	46,349	52,695	49,330
Cash flow from operations	26,472	25,491	27,370	24,540
Per share - basic and diluted	0.79	0.77	0.82	0.74
Dividend payout ratio	38%	40%	37%	41%
Cash dividends per share	0.30	0.30	0.30	0.30
Net earnings (loss)	2,096	(3,043)	2,978	475
Per share - basic and diluted	0.06	(0.09)	0.09	0.01
Capital expenditures	18,775	14,121	19,416	30,129
Disposition	56,752 [1]	-	-	-
Total assets	1,125,551	1,146,498	1,173,936	1,156,398
Working capital deficiency	27,790	28,260	29,759	39,483
Long-term debt	292,212	345,322	341,070	330,118
Shareholders' equity	510,260	517,719	529,844	535,742
Operations				
Oil (barrels per day)	7,766	8,038	8,287	7,533
NGLs (barrels per day)	963	1,000	843	813
Natural gas (MCF per day)	24,466	25,460	24,138	22,243
Total BOE per day	12,807	13,281	13,153	12,053

[1] Q4 2017 includes the disposition of a two percent overriding royalty interest on the total production from the Company's Pembina Cardium pool that closed December 20, 2017 and was effective January 1, 2018. Consideration consisted of $52 million of cash and incremental Cardium assets valued at $4.7 million which is included in capital expenditures (refer to Note 5 of the December 31, 2017 audited annual financial statements).

Business Environment and Sensitivities

Bonterra's financial results are significantly influenced by fluctuations in commodity prices, including price differentials, production volumes and foreign exchange. The following table depicts selective market benchmark prices, differentials and foreign exchange rates in the last eight quarters to assist in understanding volatility in prices and foreign exchange rates that have impacted Bonterra's financial and operating performance. The increases or decreases for Bonterra's realized price for oil and natural gas for each of the eight quarters is also outlined in detail in the following table.

	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Crude oil								
WTI (U.S.$/bbl)	**54.90**	58.81	69.50	67.88	62.87	55.40	48.30	48.28
WTI to MSW Stream Index								
Differential (U.S.$/bbl)[1]	**(4.85)**	(26.30)	(6.83)	(5.45)	(5.89)	(1.14)	(2.89)	(2.26)
Foreign exchange								
U.S.$ to Cdn$	**1.3293**	1.3215	1.3070	1.2911	1.2651	1.2717	1.2524	1.3447
Bonterra average realized								
oil price (Cdn$/bbl)	**64.87**	38.96	77.20	76.51	67.78	65.16	53.48	58.27
Natural gas								
AECO (Cdn$/mcf)	**2.61**	1.55	1.19	1.18	2.07	1.68	1.45	2.77
Bonterra average realized								
gas price (Cdn$/mcf)	**2.70**	1.77	1.37	1.16	2.24	1.90	1.81	3.03

(1) This differential accounts for the majority of the difference between WTI and Bonterra's average realized price (before quality adjustments and foreign exchange).

The overall volatility in Bonterra's average realized commodity prices can be impacted by numerous events or factors, including but not limited to:

- Worldwide (in particular North American) crude oil supply and demand imbalance;
- Geo-political events that affect worldwide crude oil supply and demand;
- The value of the Canadian dollar compared to the US dollar;
- Access to infrastructure and markets;
- Weather; and
- Timing and duration of plant, refinery and pipeline maintenance.

WTI benchmark pricing continues to remain very volatile. In May 2019, WTI is currently trading above US$60.00 per barrel, which is up approximately US$15 per barrel from December 2018. Uncertainties around both global supply and demand have contributed to crude oil price volatility. Global trade issues, in particular between US and China, have created concern that demand growth may weaken in 2019. Regarding supply, there is uncertainty whether crude from shale oil growth in the US, will outpace cuts that were recently agreed to by OPEC and several non-OPEC nations. It is also uncertain whether these cuts will remain beyond June of 2019. In Canada, the volatility is even greater as pipeline capacity has not kept pace with production growth. This has led to extremely high storage inventories and chronic apportionment on feeder and export pipelines. In Q4 2018, this led to incremental price weakness for Canadian light oil, making Canadian oil much cheaper relative to US and global benchmarks. Since that time, the Alberta Government's mandatory crude curtailments have resulted in a significant narrowing of the differential for all grades of Canadian crude. This has brought Canadian prices more in line with global markets.

Looking forward, completion of any of the proposed pipeline expansion projects or increasing Canada's export capabilities by expanding capacity on existing lines may have a positive effect on the movement and pricing of Canadian barrels. In addition to pipelines, industry can utilize rail to ship crude, which has grown substantially to reach record highs through late 2018 and into 2019. Additional shipments by rail are expected to commence throughout 2019. While it is believed rail will help alleviate some backlog of oil and narrow the gap between Canadian and US prices, it is still insufficient to permanently offset the transportation restrictions caused by a lack of pipeline capacity.

The AECO benchmark price for natural gas increased significantly in the first quarter of 2019 due to extreme cold winter weather. With storage levels below the five-year average, there is the potential to see continued price appreciation compared to 2018. However, it is expected that prices will remain volatile in the near term as supply continues to exceed pipeline capability and local demand at times. Planned facility additions for the NGTL gas transmission system and a positive final investment decision by LNG Canada may provide positive torque to the negative sentiment towards western Canadian-based natural gas producers. While these projects do not impact near-term supply/demand imbalances, they do have positive implications for the longer term.

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

Annualized sensitivity analysis on cash flow, as estimated for 2019 (1)

Impact on cash flow	Change ($)	$000s	$ per share (2)
Realized crude oil price ($/bbl)	1.00	2,940	0.09
Realized natural gas price ($/mcf)	0.10	927	0.03
U.S.$ to Canadian $ exchange rate	0.01	1,558	0.05

(1) This analysis uses current royalty rates, annualized estimated average production of 12,900 BOE per day and no changes in working capital
(2) Based on annualized basic weighted average shares outstanding of 33,388,796

Business Overview, Strategy and Key Performance Drivers

Bonterra is a conventional oil and gas company focused on sustainability and debt reduction, allowing for a return to a combination of growing cashflow, production and reserves on a per share basis while paying a meaningful dividend to shareholders. With a high-quality asset base, conservative financial management, and strong capital efficiencies, the Company is well positioned to deliver long-term sustainable growth.

During the first quarter, Bonterra continued to develop its high quality, oil-weighted assets in the Pembina Cardium area in Alberta. The Company benefitted from a higher commodity price environment over Q4 2018 as extremely large differentials on Canadian sweet crude oil narrowed. The Company spent approximately 37 percent of the lower end of its $57,000,000 to $77,000,000 annual capital budget. For Q1 2019, production averaged 12,020 BOE per day, which included shut-in production of approximately 560 BOE per day primarily due to freeze offs from extremely cold weather, a third-party downstream pipeline failure and pressure issues from new wells backing out existing wells. With production for the month of April 2019 averaging approximately 13,200 BOE per day, the Company expects to maintain its annual production guidance between 12,600 BOE per day to 13,200 BOE per day. Production volumes will vary depending on the level of capital invested, which will be determined based on commodity prices.

Bonterra invested approximately $19,393,000 to drill 12 gross (10.8 net) horizontal wells, complete 10 gross (9.1 net) wells and tie-in 7 gross (6.1 net) wells, of which the remaining five wells were placed on production early in the second quarter. An additional $1,669,000 was spent on related infrastructure costs, recompletions and other capital expenditures. To partially protect production revenue and related cash flow for Q2 2019 and to minimize the effects of potential declining commodity prices, the Company entered into physical delivery sales contracts. For Q2 2019, the Company will receive an average minimum MSW price on crude oil of $72.99 CAD per bbl for 1,000 bbl per day and on an additional 1,000 bbl per day the Company will receive an average MSW price on crude oil of $77.35 CAD per bbl from May 1, 2019 to September 30, 2019.

In April 2019, the syndicate of Canadian Financial Institutions (the "Lenders") have agreed to extend the borrowing base redetermination on the bank facility to May 31, 2019. The bank facility is comprised of a $330 million syndicated revolving credit facility, and a $50 million non-syndicated revolving credit facility. As at March 31, 2019, Bonterra had $296.6 million drawn on the $380 million bank facility. These credit facilities provide the Company with sufficient liquidity and financial flexibility to execute its business plan and Bonterra remains committed to debt repayment in the interests of maintaining a strong balance sheet.

Bonterra's successful operations are dependent upon several factors including, but not limited to: commodity prices, efficient management of capital spending, monthly dividends, ability to maintain desired levels of production, control over infrastructure, efficiency in developing and operating properties, and the ability to control costs. The Company's key measures of performance with respect to these drivers include but are not limited to: average daily production volumes, average realized prices, and average operating costs per unit of production. Disclosure of these key performance measures can be found in this MD&A and/or previous interim or annual MD&A disclosures.

Drilling

	Three months ended					
		March 31, 2019		December 31, 2018		March 31, 2018
	Gross[(1)]	**Net[(2)]**	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]
Crude oil horizontal-operated	**11**	**10.7**	-	-	15	14.9
Crude oil horizontal-non-operated	**1**	**0.1**	2	0.3	2	0.2
Total	**12**	**10.8**	2	0.3	17	15.1
Success rate		**100%**		100%		100%

(1) "Gross" wells are the number of wells in which Bonterra has a working interest.

(2) "Net" wells are the aggregate number of wells obtained by multiplying each gross well by Bonterra's percentage of working interest.

During the first quarter of 2019, the Company drilled 11 gross (10.7 net) wells, completed 9 gross (9.0 net) wells, of which six gross (6.0 net) wells were tied-in and placed on production. The remaining five gross (4.7 net) wells commenced production in April 2019.

In addition, one gross (0.1 net) non-operated well was drilled, completed, equipped and placed on production during the first quarter of 2019.

Production

	Three months ended		
	March 31, 2019	December 31, 2018	March 31, 2018
Crude oil (barrels per day)	**7,081**	7,756	8,034
NGLs (barrels per day)	**949**	1,025	900
Natural gas (MCF per day)	**23,938**	24,045	24,701
Average BOE per day	**12,020**	12,789	13,051

The Company averaged 12,020 BOE per day for the first quarter of 2019, compared to 12,789 BOE per day for Q4 2018 and 13,051 per day for Q1 2018. The decrease in production was the result of significantly reduced capital spending in the fourth quarter of 2018 due to extremely high differentials for Canadian crude oil and fewer new wells coming on production in the current quarter. Of the 11 gross (10.7 net) operated wells drilled, three were placed on production in mid-February, three in mid-March and the remaining five were placed on production in April. In Q1 2019, the Company also had shut-in production of approximately 560 BOE per day primarily due to freeze offs from extremely cold weather, a third-party downstream pipeline failure and pressure issues from new wells backing out existing wells. These shut-in production issues have been resolved with warmer weather, a third-party downstream pipeline repair and infrastructure to add compression.

Cash Netback

The following table illustrates the calculation of the Company's cash netback from operations for the periods ended:

	Three months ended		
$ per BOE	**March 31, 2019**	December 31, 2018	March 31, 2018
Production volumes (BOE)	**1,081,807**	1,176,545	1,174,598
Gross production revenue	**46.07**	29.74	48.63
Royalties	**(3.71)**	(3.17)	(4.92)
Production costs	**(14.85)**	(14.23)	(14.49)
Field netback	**27.51**	12.34	29.22
General and administrative	**(1.42)**	(1.19)	(1.73)
Interest and other	**(3.56)**	(3.08)	(3.68)
Cash netback	**22.53**	8.07	23.81

Cash netbacks decreased in the first three months of 2019 compared to Q1 2018 primarily due to decreased commodity prices, which was partially offset by a decrease in royalty rates for oil crown royalties.

Cash netbacks for Q1 2019 compared to Q4 2018 increased due to higher realized crude oil prices. In Q4 2018 Canadian crude oil experienced extremely high differentials, with sweet crude oil differential averaging US$26.30 per bbl for the quarter, which significantly reduced Bonterra's realized price.

Oil and Gas Sales

	Three months ended		
	March 31, 2019	December 31, 2018	March 31, 2018
Revenue - oil and gas sales ($ 000s)			
Crude oil	**41,343**	27,801	49,009
NGL	**2,682**	3,273	3,135
Natural gas	**5,809**	3,914	4,980
	49,834	34,988	57,124
Average realized prices:			
Crude oil ($ per barrel)	**64.87**	38.96	67.78
NGLs ($ per barrel)	**31.40**	34.73	38.70
Natural gas ($ per MCF)	**2.70**	1.77	2.24
Average ($ per BOE)	**46.07**	29.74	48.63
Average BOE per day	**12,020**	12,789	13,051

Revenue from oil and gas sales in the first three months of 2019 decreased by $7,290,000, or 13 percent, compared to Q1 2018. The decrease in oil and gas sales was primarily driven by lower production volumes and to a lesser extent commodity prices for oil and NGLs. The quarter-over-quarter increase in oil and gas sales was primarily due to crude oil differentials normalizing in Q1 2019, compared to extremely high differentials on Canadian crude oil in November (US$26.70 per bbl) and December (US$34.80 per bbl), which was partially offset by reduced production volumes in Q1 2019.

The Company's product split on a revenue basis for 2019 is weighted approximately 88 percent crude oil and NGLs.

Royalties

($ 000s)	**March 31, 2019**	Three months ended December 31, 2018	March 31, 2018
Crown royalties	**2,204**	2,476	3,807
Freehold, gross overriding and other royalties	**1,810**	1,254	1,974
Total royalties	**4,014**	3,730	5,781
Crown royalties - percentage of revenue	**4.4**	7.1	6.7
Freehold, gross overriding and other royalties - percentage of revenue	**3.6**	3.6	3.5
Royalties - percentage of revenue	**8.0**	10.7	10.2
Royalties $ per BOE	**3.71**	3.17	4.92

Royalties paid by the Company consist of crown royalties to the Provinces of Alberta, Saskatchewan and British Columbia and other royalties. Total royalties on a per BOE basis decreased by $1.21 per BOE for Q1 2019 compared to Q1 2018. The decrease in royalties is primarily due to a 27 percent decrease in the Alberta crown light sweet oil reference price used to calculate royalties. The quarter-over-quarter increase in royalties of $0.54 per BOE was due to an increase in crude oil prices.

Production Costs

($ 000s except $ per BOE)	**March 31, 2019**	Three months ended December 31, 2018	March 31, 2018
Production costs	**16,068**	16,746	17,026
$ per BOE	**14.85**	14.23	14.49

Production costs for Q1 2019 decreased by $958,000 compared to Q1 2018 primarily due to less processing costs because of lower production volumes and more down well reactivation costs in Q1 2018. As a result, the Company utilized four service rigs in Q1 2018 instead of three in the current quarter. This was partially offset by an increase in electricity costs because of cold weather and the retirement of coal-fired power generation facilities in Alberta effective April 1, 2018. On a per BOE basis production costs increased by $0.36 per BOE primarily due to the new wells coming on production in March and April and approximately 560 BOE per day of production being shut-in due to extremely cold weather, a third-party downstream pipeline failure and pressure issues from new wells backing out existing wells. These shut-in production issues have all been resolved.

Production costs for Q1 2019 decreased by $678,000 compared to Q4 2018 primarily due to less equipment and lease maintenance associated with facility turnarounds, which was partially offset by an increase in electricity costs in February from extremely cold weather. Production costs on a per BOE basis increased by $0.62 compared to Q4 2018 due to less production volumes from new wells (as seven wells drilled in Q3 2018 were all on production in Q4 2018) and shut-in production issues in Q1 2019.

Other Income

($ 000s)	**March 31, 2019**	Three months ended December 31, 2018	March 31, 2018
Investment income	**11**	17	99
Administrative income	**25**	43	52
Deferred consideration	**322**	302	345
Gain on sale of property	**2**	-	-
	360	362	496

Deferred consideration relates to a deferred gain on a sale of a two percent overriding royalty interest, which is recognized into revenue using the same unit-of-production method as the encumbered property, plant and equipment assets.

The market value of the investments held by the Company at March 31, 2019 was $369,000 (March 31, 2018 - $560,000). The carrying value decreased due to a reduction in the investments' carrying value. There were no dispositions for the three months ended March 31, 2019 or 2018. Dispositions that result in a gain or loss on sale are recorded as an equity transfer between accumulated other comprehensive income and retained earnings.

The Company receives administrative income for various oil and gas administrative services and production equipment rentals.

General and Administration (G&A) Expense

	Three months ended		
($ 000s except $ per BOE)	**March 31, 2019**	December 31, 2018	March 31, 2018
Employee compensation expense	**1,096**	696	1,365
Office and administrative expense	**438**	699	665
Total G&A expense	**1,534**	1,395	2,030
$ per BOE	**1.42**	1.19	1.73

The decrease of $269,000 in employee compensation expense for Q1 2019 compared to Q1 2018 is primarily due to a lower bonus accrual from decreased earnings before income taxes. Q1 2019 over Q4 2018, employee compensation increased due to an increase in the bonus accrual from increased earnings before income taxes in Q1 2019. The Company has a bonus plan in which the bonus pool consists of a range between 2.5 percent to 3.5 percent of earnings before income taxes. The Company firmly believes that tying employee compensation (including the use of stock options) to corporate performance clearly aligns the interests of the employees with those of shareholders.

Office and administrative expenses for Q1 2019 decreased by $227,000 compared to Q1 2018 and decreased by $261,000 compared to Q4 2018 primarily due to a reduction in bank charges, consulting fees and a decrease in the allowance for doubtful accounts expense.

Finance Costs

	Three months ended		
($ 000s except $ per BOE)	**March 31, 2019**	December 31, 2018	March 31, 2018
Interest on long-term debt	**3,698**	3,444	4,260
Other interest	**193**	239	219
Interest expense	**3,891**	3,683	4,479
$ per BOE	**3.60**	3.13	3.81
Unwinding of the discounted value of decommissioning liabilities	**743**	762	757
Total finance costs	**4,634**	4,445	5,236

Interest on long-term debt decreased in the first three months of 2019 compared to the first three months of 2018 despite the Company having a higher average long-term debt outstanding of approximately $5,500,000. The higher interest rates in Q1 2018 were the result of an increased net debt to EBITDA ratio for Q3 2017, that was in effect during Q1 2018. The Company expects interest rates on long-term debt will increase in Q2 2019 due to a low Q4 2018 net debt to EBITDA ratio from large Canadian crude oil differentials and expects a decrease in interest rates in the subsequent quarters as the net debt to EBITDA ratio improves. Interest rates for the current quarter are determined based on the trailing quarter and calculated by taking the ratio of total debt (excluding accounts payable and accrued liabilities) to EBITDA (defined as net income excluding finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and impairment of assets) multiplied by four.

Other interest relates primarily to amounts paid to a related party (see related party transactions) and a $7,500,000 subordinated promissory note from a private investor. For more information about the subordinated promissory note, refer to Note 5 of the March 31, 2019 condensed financial statements.

A one percent increase (decrease) in the Canadian prime rate would decrease (increase) both annual net earnings and comprehensive income by approximately $2,253,000.

Share-Option Compensation

	Three months ended		
	March 31,	December 31,	March 31,
($ 000s)	**2019**	2018	2018
Share-option compensation	**559**	449	742

Share-option compensation is a statistically calculated value representing the estimated expense of issuing employee stock options. The Company records a compensation expense over the vesting period based on the fair value of options granted to directors, officers and employees.

Share-option compensation decreased by $183,000 in Q1 2019 compared to the same period a year ago. This decline is due to most the of options issued in 2017 (that were fully amortized in 2018) having a higher share price volatility than the options issued in the fourth quarter of 2018 (to be amortized in 2019).

Based on the outstanding options as of March 31, 2019, the Company has an unamortized expense of $1,543,000, of which $1,396,000 will be recorded for the remainder of 2019; $110,000 for 2020; and $37,000 thereafter. For more information about options issued and outstanding, refer to Note 8 of the March 31, 2019 condensed financial statements.

Depletion and Depreciation, Exploration and Evaluation (E&E) and Goodwill

	Three months ended		
	March 31,	December 31,	March 31,
($ 000s)	**2019**	2018	2018
Depletion and depreciation	**21,305**	23,189	21,450
Exploration and evaluation	**-**	-	291

The provision for depletion and depreciation decreased in Q1 2019 compared to Q1 2018 and Q4 2018 due to decreased production volumes.

The E&E expense related to expired leases.

There were no impairment provisions recorded for the three months ended March 31, 2019 and 2018 and December 31, 2018.

Taxes

The Company recorded a deferred income tax expense of $623,000 (2018 – $1,669,000). The decrease in deferred income tax expense is due to a decrease in net earnings before taxes.

For additional information regarding income taxes, see Note 7 of the March 31, 2019 condensed financial statements.

Net Earnings (Loss)

		Three months ended	
	March 31,	December 31,	March 31,
($ 000s except $ per share)	**2019**	2018	2018
Net earnings (loss)	**1,457**	(10,909)	3,395
$ per share - basic	**0.04**	(0.33)	0.10
$ per share - diluted	**0.04**	(0.33)	0.10

Net earnings for Q1 2019 decreased by $1,938,000 compared to Q1 2018. The decrease in net earnings was mainly due to a decrease in production volumes as minimal capital was spent in Q4 2018 and 560 BOE per day of production being shut-in that negatively impacted production volumes in Q1 2019. The decrease in net earnings was partially offset by a decrease in royalties, production costs and deferred tax expense.

The quarter-over-quarter increase in net earnings was mainly due to vastly improved realized oil prices from the large differentials on Canadian crude oil in Q4 2018.

Other Comprehensive Income (Loss)

Other comprehensive income for 2019 consists of an unrealized loss before tax on investments (including investment in a related party) of $5,000 relating to a decrease in the investments' fair value (March 31, 2018 – unrealized loss of $190,000). Realized gains decrease accumulated other comprehensive income as these gains are transferred to retained earnings. Other comprehensive income varies from net earnings by unrealized changes in the fair value of Bonterra's holdings of investments, including the investment in a related party, net of tax.

Cash Flow from Operations

		Three months ended	
	March 31,	December 31,	March 31,
($ 000s except $ per share)	**2019**	2018	2018
Cash flow from operations	**15,123**	20,509	29,877
$ per share - basic	**0.45**	0.61	0.90
$ per share - diluted	**0.45**	0.61	0.90

In Q1 2019, cash flow from operations decreased by $14,754,000 compared to the same period a year ago. This was primarily due to a $11,151,000 decrease in non-cash working capital and a decrease in revenue from oil and gas sales.

The quarter-over-quarter decrease in cash flow of $5,386,000 is primarily due to a decrease in non-cash working capital, which was partially offset by an increase in oil and gas sales.

Related Party Transactions

Bonterra holds 1,034,523 (December 31, 2018 – 1,034,523) common shares in Pine Cliff Energy Ltd. ("Pine Cliff") which represents less than one percent ownership in Pine Cliff's outstanding common shares. Pine Cliff's common shares had a fair market value as of March 31, 2019 of $253,000 (December 31, 2018 – $258,000). The Company provides marketing services for Pine Cliff. All services that were performed were charged at estimated fair value. As at March 31, 2019, the Company had an account receivable from Pine Cliff of $22,000 (December 31, 2018 – $71,000).

As at March 31, 2019, the Company's CEO, Chairman of the Board and major shareholder has loaned the Company $12,000,000 (December 31, 2018 - $12,000,000). The loan bears interest at Canadian chartered bank prime less 5/8th of a percent and has no set repayment terms but is payable on demand. Security under the debenture is over all the Company's assets and is subordinated to any and all claims in favour of the syndicate of senior lenders providing credit facilities to the Company. The Company's bank agreement requires that the above loan can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility. Interest paid on this loan for the first three months of 2019 was $98,000 (March 31, 2018 - $83,000). This loan results in a benefit to Bonterra as the interest paid to the CEO by Bonterra is lower than bank interest.

Liquidity and Capital Resources

Net Debt to Cash Flow from Operations

Bonterra continues to focus on monitoring overall debt while managing its cash flow, capital expenditures and dividend payments. The Company's net debt to twelve-month trailing cash flow ratio as of March 31, 2019 was 3.7 to 1 times (versus 2.8 to 1 times at December 31, 2018). The increase in net debt to cash flow ratio is due to a decrease in the twelve-month trailing cash flow. Net debt decreased by $2,208,000 in Q1 2019 due to higher Canadian crude oil prices compared to Q4 2018 when differentials from WTI were over US$34 per bbl on light sweet crude. This decrease in net debt was partially offset by lower production volumes and increased capital spending from the previous quarter. The Company's primary focus is to manage its bank debt during a period of volatile commodity prices. Bonterra will continue to assess its dividend and capital expenditures compared to cash flow from operations on a quarterly basis.

Working Capital Deficiency and Net debt

($ 000s)	**March 31, 2019**	December 31, 2018	March 31, 2018
Working capital deficiency	**30,139**	30,281	46,630
Long-term bank debt	**296,594**	298,660	291,994
Net Debt	**326,733**	328,941	338,624

The Company has sufficient availability on its credit facility to repay both the related party loan and the subordinated promissory note, if required. During each quarter, the Company manages net debt by monitoring capital spending and dividends paid relative to cash flow from operations.

Net debt is a combination of long-term bank debt and working capital. Net debt for March 31, 2019 decreased by $11,891,000 from March 31, 2018 primarily due to a successful capital program in the first nine months of 2018 and a reduction of the monthly dividend in December 2018 from $0.10 to $0.01, which was partially offset by decreased cash flow from depressed realized Canadian Crude oil prices in Q4 2018.

Working capital is calculated as current liabilities less current assets. The Company finances its working capital deficiency using cash flow from operations, its long-term bank facility, share issuances, option exercises and adjustments of dividend payments. Included in the working capital deficiency as at March 31, 2019 is $19,500,000 million of debt relating to the subordinated promissory note and the amount due to a related party.

Financial Risk Management

The Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the financial statements. For more information on physical delivery contracts in place see Note 10 of the March 31, 2019 condensed financial statements.

Capital Expenditures

During the three months ended March 31, 2019, the Company incurred capital expenditures of $21,062,000 (March 31, 2018 - $36,168,000). The costs primarily relate to $19,393,000 for drilling 12 gross (10.8 net) wells, completing 10 gross (9.1 net) wells and tying-in 7 gross (6.1 net) wells. An additional $1,669,000 was spent on related infrastructure costs, recompletions and other capital expenditures.

Liability Management Ratio ("LMR") Update

In the first three months of 2019, 96 percent of the Company's production was in the province of Alberta. The Company currently has an LMR rating of 2.03 in Alberta and does not expect that with its current LMR there will be any regulatory impediments to completing future potential acquisitions.

Long-term Debt

Long-term debt represents the outstanding draws on the Company's bank facility as described in the notes to the Company's audited annual financial statements. As of March 31, 2019, the Company has a bank facility with a limit of $380,000,000 (December 31, 2018 - $380,000,000) that is comprised of a $330,000,000 syndicated revolving credit facility and a $50,000,000 non-syndicated revolving credit facility. Amounts drawn under this bank facility at March 31, 2019 totaled $296,594,000 (December 31, 2018 - $298,660,000). The interest rates for the first three months ended March 31, 2019 on the Company's Canadian prime rate loan and Banker's Acceptances are between four to six percent. The loan is revolving to April 29, 2019 with a maturity date of April 30, 2020, subject to annual review. The credit facilities have no fixed terms of repayment.

The available lending limits of the credit facilities are reviewed semi-annually on or before April 30 and October 31 each year based mainly on the lender's assessment of the Company's reserves, future commodity prices and costs. Effective April 30, 2019 the Lenders have agreed to extend the borrowing base redetermination on the bank facility to May 31, 2019.

Advances drawn under the bank facility are secured by a fixed and floating charge debenture over the assets of the Company. In the event the bank facility is not extended or renewed, amounts drawn under the facility would be due and payable on the maturity date. The size of the committed credit facilities is based primarily on the value of the Company's producing petroleum and natural gas assets and related tangible assets as determined by the Lenders. For more information see Note 6 of the March 31, 2019 condensed financial statements.

Shareholders' Equity

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

The Company is also authorized to issue an unlimited number of Class "A" redeemable Preferred Shares and an unlimited number of Class "B" Preferred Shares. There are currently no outstanding Class "A" redeemable Preferred Shares or Class "B" Preferred Shares.

Issued and fully paid - common shares	**Number**	**Amount ($ 000s)**
Balance, March 31, 2019 and December 31, 2018	**33,388,796**	**765,276**

The Company provides a stock option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 3,338,880 (December 31, 2018 – 3,338,880) common shares. The exercise price of each option granted will not be lower than the market price of the common shares on the date of grant and the option's maximum term is five years. For additional information regarding options outstanding, see Note 8 of the March 31, 2019 condensed financial statements.

Dividend Policy

For the three months ended March 31, 2019, the Company declared and paid dividends of $1,002,000 ($0.03 per share) (March 31, 2018 – $9,993,000) ($0.30 per share). Bonterra's dividend policy is regularly monitored and is dependent upon production, commodity prices, cash flow from operations, debt levels and capital expenditures. With its large inventory of undrilled locations, Bonterra continues to be well-positioned to provide shareholders with a combination of sustainable growth and meaningful dividend income. Bonterra's dividend payout ratio based on cash flow from operations was seven percent for the three months ended March 31, 2019 (33 percent for the three months ended March 31, 2018).

Bonterra's capital spending and dividends to its shareholders are funded by cash flow from operating activities with the remaining free cash flow directed to debt repayment. To the extent that the excess cash flow from operations after dividends and capital spending is not sufficient, the shortfall may be funded by drawdowns on Bonterra's bank facility. Bonterra intends to provide dividends to shareholders that are sustainable by the Company giving consideration to its liquidity and long-term operational strategy. The level of dividends is highly dependent upon cash flow generated from operations, which may fluctuate significantly due to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors. As such, future dividends cannot be assured.

Quarterly Financial Information

	2019	2018			
For the periods ended					
($ 000s except $ per share)	**Q4**	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	**49,834**	34,988	63,817	67,458	57,124
Cash flow from operations	**15,123**	20,509	33,669	31,908	29,877
Net earnings (loss)	**1,457**	(10,909)	5,756	8,925	3,395
Per share - basic	**0.04**	(0.33)	0.17	0.27	0.10
Per share - diluted	**0.04**	(0.33)	0.17	0.27	0.10

	2017			
For the periods ended				
($ 000s except $ per share)	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	54,192	46,349	52,695	49,330
Cash flow from operations	26,472	25,491	27,370	24,540
Net loss	2,096	(3,043)	2,978	475
Per share - basic	0.06	(0.09)	0.09	0.01
Per share - diluted	0.06	(0.09)	0.09	0.01

The fluctuations in the Company's revenue and net earnings from quarter-to-quarter are caused by variations in production volumes, realized commodity pricing and the related impact on royalties, production, G&A and finance costs. In the fourth quarter of 2018, net earnings and cash flow were lower than other periods due to a significant decrease in realized commodity prices for crude oil.

Critical Accounting Estimates

There have been no changes to the Company's critical accounting policies and estimates as of the period ended in the financial statements.

Forward-Looking Information

Certain statements contained in this MD&A include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; cash dividends; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived therefrom. Except as required by law, Bonterra disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

Internal Controls Over Financial Reporting

The Company is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings." The certification of interim filings for the interim period ended March 31, 2019 requires that Bonterra disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Bonterra confirms that no such changes were made to its internal controls over financial reporting during the three months ended March 31, 2019.

Additional information relating to the Company may be found on www.sedar.com or visit our website at www.bonterraenergy.com.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. The timely preparation of the financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

The audit committee has reviewed these condensed financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the financial statements as presented in this interim report.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at (unaudited) ($ 000s)	Note	March 31, 2019	December 31, 2018
Assets			
Current			
Accounts receivable		**19,967**	7,797
Crude oil inventory		**589**	613
Prepaid expenses		**2,759**	3,183
Investments		**116**	116
		23,431	11,709
Investment in related party		**253**	258
Exploration and evaluation assets		**4,422**	4,422
Property, plant and equipment	3	**994,266**	985,773
Investment tax credit receivable	7	**8,861**	8,861
Goodwill		**92,810**	92,810
		1,124,043	1,103,833
Liabilities			
Current			
Accounts payable and accrued liabilities		**32,810**	18,743
Due to related party	4	**12,000**	12,000
Subordinated promissory note	5	**7,500**	10,000
Deferred consideration		**1,260**	1,247
		53,570	41,990
Bank debt	6	**296,594**	298,660
Deferred consideration		**13,120**	13,455
Decommissioning liabilities		**141,533**	132,134
Deferred tax liability	7	**134,246**	133,624
		639,063	619,863
Subsequent events	6, 10, 11		
Shareholders' equity			
Share capital	8	**765,276**	765,276
Contributed surplus		**28,646**	28,087
Accumulated other comprehensive loss		**(668)**	(664)
Retained earnings (deficit)		**(308,274)**	(308,729)
		484,980	483,970
		1,124,043	1,103,833

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31 (unaudited)

($ 000s, except $ per share)	Note	**2019**	2018
Revenue			
Oil and gas sales, net of royalties	9	**45,820**	51,343
Other income		**38**	151
Deferred consideration		**322**	345
		46,180	51,839
Expenses			
Production		**16,068**	17,026
Office and administration		**438**	665
Employee compensation		**1,096**	1,365
Finance costs		**4,634**	5,236
Share-option compensation		**559**	742
Depletion and depreciation	3	**21,305**	21,450
Exploration and evaluation		**-**	291
		44,100	46,775
Earnings before income taxes		**2,080**	5,064
Taxes			
Current income tax expense	7	**-**	-
Deferred income tax expense	7	**623**	1,669
		623	1,669
Net earnings for the period		**1,457**	3,395
Other comprehensive income (loss)			
Unrealized loss on investments		**(5)**	(190)
Deferred taxes on unrealized loss on investments		**1**	26
Other comprehensive loss for the period		**(4)**	(164)
Total comprehensive income for the period		**1,453**	3,231
Net earnings per share - basic and diluted	8	**0.04**	0.10
Comprehensive income per share - basic and diluted	8	**0.04**	0.10

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOW

For the three months ended March 31 (unaudited)			
($ 000s)	Note	**2019**	2018
Operating activities			
Net earnings		**1,457**	3,395
Items not affecting cash			
Deferred income taxes		**623**	1,669
Deferred consideration		**(322)**	(345)
Share-option compensation		**559**	742
Depletion and depreciation		**21,305**	21,450
Exploration and evaluation expenditures		**-**	291
Gain on sale of property and equipment		**(2)**	-
Unwinding of the discount on decommissioning liabilities		**743**	757
Investment income		**(11)**	(13)
Interest expense		**3,891**	4,479
Change in non-cash working capital accounts:			
Accounts receivable		**(11,990)**	(2,249)
Crude oil inventory		**48**	66
Prepaid expenses		**424**	209
Accounts payable and accrued liabilities		**2,396**	4,115
Decommissioning expenditures		**(107)**	(210)
Interest paid		**(3,891)**	(4,479)
Cash provided by operating activities		**15,123**	29,877
Financing activities			
Decrease of bank debt		**(2,066)**	(218)
Subordinated promissory note		**(2,500)**	(2,500)
Dividends		**(1,002)**	(9,993)
Cash used in financing activities		**(5,568)**	(12,711)
Investing activities			
Investment income received		**11**	13
Property, plant and equipment expenditures	3	**(21,062)**	(36,168)
Proceeds on sale of property		**5**	-
Change in non-cash working capital accounts:			
Accounts payable and accrued liabilities		**11,671**	18,077
Accounts receivable		**(180)**	912
Cash used in investing activities		**(9,555)**	(17,166)
Net change in cash in the period		**-**	-
Cash, beginning of period		**-**	-
Cash, end of period		**-**	-

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the periods ended (unaudited)

($ 000's, except number of shares outstanding)

	Numbers of common shares outstanding (Note 8)	Share Capital (Note 8)	Contributed surplus [1]	Accumulated other Comprehensive income (loss) [2]	Retained earnings (deficit)	Total shareholders' equity
January 1, 2018	33,310,796	763,977	25,533	(339)	(278,911)	510,260
Share-option compensation			742			742
Comprehensive income (loss)				(164)	3,395	3,231
Dividends					(9,993)	(9,993)
March 31, 2018	33,310,796	763,977	26,275	(503)	(285,509)	504,240
Share-option compensation			1,968			1,968
Exercise of options	78,000	1,143				1,143
Transfer to share capital on exercise of options		156	(156)			-
Comprehensive income (loss)				(161)	3,772	3,611
Dividends					(26,992)	(26,992)
December 31, 2018	33,388,796	765,276	28,087	(664)	(308,729)	483,970
Share-option compensation			559			559
Comprehensive income (loss)				(4)	1,457	1,453
Dividends					(1,002)	(1,002)
March 31, 2019	33,388,796	765,276	28,646	(668)	(308,274)	484,980

[1] All amounts reported in Contributed Surplus relate to share-based payments.

[2] Accumulated other comprehensive income is comprised of unrealized gains and losses on available-for-sale investments.

See accompanying notes to these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and March 31, 2018. (unaudited)

1. NATURE OF BUSINESS AND SEGMENT INFORMATION

Bonterra Energy Corp. (“Bonterra” or the “Company”) is a public company listed on the Toronto Stock Exchange (the “TSX”) and incorporated under the Business Corporations Act (Alberta). The address of the Company’s registered office is Suite 901, 1015-4th Street SW, Calgary, Alberta, Canada, T2R 1J4.

Bonterra operates in one industry and has only one reportable segment being the development and production of oil and natural gas in the western Canadian Sedimentary Basin.

The financial statements were authorized for issue by the Company’s Board of Directors on May 6, 2019.

2. BASIS OF PREPARATION

a) Statement of Compliance

The Company prepares its unaudited condensed financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34).

The accounting policies and method of computation followed in the preparation of the condensed financial statements are the same as those followed in the preparation of Bonterra’s 2018 audited annual financial statements, except for as denoted below. These condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the 2018 audited annual financial statements, which has been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Adopted Accounting Pronouncements

IFRS 16 “Leases”

As of January 1, 2019, the Company adopted IFRS 16 which replaces sections IAS 17 “Leases”, IFRIC 4 “Determining whether an arrangement contains a lease”, SIC-15 “Operating leases – incentives” and SIC-27 “Evaluating the substance of transactions involving the legal form of a lease”. IFRS 16 introduces a single lease accounting model for lessees which requires the recognition of a right of use asset (“ROU”) and a lease liability on the statement of financial position for contracts that are, or contain, a lease.

The Company adopted IFRS 16 using the modified retrospective approach. Under this method of adoption, the ROUs recognized were measured at amounts equal to the present value of the lease obligations. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effective of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. The Company elected to not apply lease accounting to certain leases for which the lease term ends within 12 months of the date of initial adoption. The Company did a complete evaluation of the contracts it has entered into, and it was determined that there is no material impact as a result of adopting IFRS 16. In addition, as a result of this adoption, the Company has included an accounting policy for leases as follows:

Leases

Leases or contractual obligations are capitalized as ROUs with a corresponding right of use lease obligation using the present value of future lease payments on the statement of financial position. The discount rate used to determine the ROU is disclosed in the lease contract or the Company’s incremental borrowing rate, if none is provided. Certain lease payments will continue to be expensed in the statement of comprehensive income. These leases are contractual obligations that contain any of the following: are equal to or less than twelve months; are for oil and gas extraction; are variable payments; the Company does not control the asset; or no asset is identified in the lease.

IFRS 3 “Business combinations”

The Company elected to early adopt the amendments to IFRS 3 "Business Combinations" effective January 1, 2019, which will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments do not result in changes to the Company’s accounting policies for applying the acquisition method.

3. PROPERTY, PLANT AND EQUIPMENT

Cost ($ 000s)	**Oil and gas properties**	**Production facilities**	**Furniture fixtures & other equipment**	**Total property plant & equipment**
Balance at December 31, 2018	1,382,661	342,048	2,285	1,726,994
Additions	16,916	4,132	14	21,062
Adjustment to decommissioning liabilities [1]	8,763	-	-	8,763
Disposal	-	-	(33)	(33)
Balance at March 31, 2019	**1,408,340**	**346,180**	**2,266**	**1,756,786**

Accumulated depletion and depreciation ($ 000s)	**Oil and gas properties**	**Production facilities**	**Furniture fixtures & other equipment**	**Total property plant & equipment**
Balance at December 31, 2018	(604,502)	(134,927)	(1,792)	(741,221)
Depletion and depreciation	(17,538)	(3,749)	(18)	(21,305)
Disposal and other	(25)	-	31	6
Balance at March 31, 2019	**(622,065)**	**(138,676)**	**(1,779)**	**(762,520)**

Carrying amounts as at: ($ 000s)				
December 31, 2018	778,159	207,121	493	985,773
March 31, 2019	**786,275**	**207,504**	**487**	**994,266**

[1] Adjustment to decommissioning liabilities is due to a decrease in the risk-free rate and a change in estimate on decommissioning costs.

There were no impairment losses or reversals recorded in the statement of comprehensive income for the three months ended March 31, 2019 and 2018.

4. TRANSACTIONS WITH RELATED PARTIES

As at March 31, 2019, the Company’s CEO, Chairman of the Board and major shareholder has loaned the Company $12,000,000 (December 31, 2018 - $12,000,000). The loan bears interest at Canadian chartered bank prime less 5/8th of a percent and has no set repayment terms but is payable on demand. Security under the debenture is over all of the Company’s assets and is subordinated to any and all claims in favour of the syndicate of senior lenders providing credit facilities to the Company. The Company’s bank agreement requires that the above loan can only be repaid should the Company have sufficient available borrowing limits under the Company’s credit facility. Interest paid on this loan during the first three months of 2019 was $98,000 (March 31, 2018 - $83,000).

The Company provides executive and marketing services for Pine Cliff Energy Ltd. (Pine Cliff). All services that were performed were charged at estimated fair value. As at March 31, 2019, the Company had an account receivable from Pine Cliff of $22,000 (December 31, 2018 – $71,000).

5. SUBORDINATED PROMISSORY NOTE

As at March 31, 2019, Bonterra had $7,500,000 (December 31, 2018 - $10,000,000) outstanding on a subordinated note to a private investor. The terms of the subordinated promissory note are that it bears interest at five percent and is repayable after thirty days' written notice by either party. Security consists of a floating demand debenture over all of the Company's assets and is subordinated to any and all claims in favor of the syndicate of senior lenders providing credit facilities to the Company. Interest paid on the subordinated promissory note during the first three months was $92,000 (March 31, 2018 - $137,000). On January 2, 2019 the Company repaid $2,500,000.

The Company's bank agreement requires that the above loan can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility.

6. BANK DEBT

As at March 31, 2019, the Company has a bank facility of $380,000,000 (December 31, 2018 - $380,000,000), comprised of a $330,000,000 syndicated revolving credit facility and a $50,000,000 non-syndicated revolving credit facility. The amount drawn under the bank facility at March 31, 2019 was $296,594,000 (December 31, 2018 - $298,660,000). The amounts borrowed under the bank facility bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 0.50 percent and 3.50 percent, depending on the type of borrowing and the Company's consolidated debt to EBITDA ratio. EBITDA is defined as net income for the period excluding finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and impairment of assets. The terms of the bank facility provide that the loan is revolving to April 29, 2019, with a maturity date of April 30, 2020, subject to annual review. The credit facilities have no fixed terms of repayment.

The available lending limit of the bank facility is reviewed semi-annually on or before April 30 and October 31 and based on the lender's assessment of the Company's reserves, future commodity prices and costs. Effective April 30, 2019, the syndicate of Canadian Financial Institutions have agreed to extend the borrowing base redetermination on the bank facility to May 31, 2019.

The amount available for borrowing under the bank facility is reduced by outstanding letters of credit. Letters of credit totaling $900,000 were issued as at March 31, 2019 (March 31, 2018 - $900,000). Security for the bank facility consists of various floating demand debentures totaling $750,000,000 (December 31, 2018 - $750,000,000) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

The following is a list of the material covenants on the bank facility:

- The Company cannot exceed $380,000,000 in consolidated debt (excluding accounts payable and accrued liabilities). As at March 31, 2019 consolidated debt is $ 316,094,000
- Dividends paid in the current quarter shall not exceed 80 percent of the available cash flow for the preceding four fiscal quarters divided by four, which is calculated as 4 percent for the current quarter.

Available cash flow is defined to be cash provided by operating activities excluding the change in non-cash working capital and decommissioning liabilities settled and including investment income received and all net proceeds of dispositions included in cash used in investing activities. As at March 31, 2019, the Company is in compliance with all covenants.

7. INCOME TAXES

The Company has the following tax pools, which may be used to reduce taxable income in future years, limited to the applicable rates of utilization:

($ 000s)	Rate of Utilization (%)	Amount
Undepreciated capital costs	7-100	83,511
Share issue costs	20	16
Canadian oil and gas property expenditures	10	91,388
Canadian development expenditures	30	152,951
Canadian exploration expenditures	100	8,587
Federal income tax losses carried forward[1]	100	39,943
Provincial income tax losses carried forward[2]	100	1,650
		378,046

(1) Federal income tax losses carried forward expire in the following years; 2035 - $3,881,000; 2036 - $35,853,000; 2037 - $209,000.
(2) Provincial income tax losses carried forward expire in 2036 - $1,441,000; 2037 - $209,000.

The Company has $8,861,000 (December 31, 2018 - $8,861,000) of investment tax credits that expire in the following years; 2024 - $1,319,000; 2025 - $2,258,000; 2026 - $2,405,000; 2027- $2,009,000; 2028 - $745,000; and 2034 - $125,000.

The Company has $65,015,000 (December 31, 2018 - $65,015,000) of capital losses carried forward which can only be claimed against taxable capital gains.

8. SHAREHOLDERS' EQUITY

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

Issued and fully paid - common shares	**Number**	**Amount ($ 000s)**
Balance, March 31, 2019 and December 31, 2018	**33,388,796**	**765,276**

The Company is authorized to issue an unlimited number of Class "A" redeemable Preferred Shares and an unlimited number of Class "B" Preferred Shares. There are currently no outstanding Class "A" redeemable Preferred Shares or Class "B" Preferred Shares.

The weighted average common shares used to calculate basic and diluted net earnings per share for the three months ended March 31 is as follows:

	2019	2018
Basic shares outstanding	**33,388,796**	33,310,796
Dilutive effect of share options[1]	**904**	-
Diluted shares outstanding	**33,389,700**	33,310,796

(1) The Company did not include 2,700,000 share-options for the three months ended March 31, 2019 (March 31, 2018 – 2,708,000) in the dilutive effect of share-options calculations as these share-options were anti-dilutive.

For the three months ended March 31, 2019, the Company declared and paid dividends of $1,002,000 ($0.03 per share) (March 31, 2018 - $9,993,000 ($0.30 per share)).

The Company provides an equity settled option plan for its directors, officers and employees. Under the plan, the Company may grant options for up to 3,338,880 (December 31, 2018 – 3,338,880 common shares). The exercise price of each option granted cannot be lower than the market price of the common shares on the date of grant and the option's maximum term is five years.

A summary of the status of the Company's stock options as of March 31, 2019 and changes during the year ended are presented below:

	Number of options	**Weighted average exercise price**
At December 31, 2018	2,794,000	$11.62
Options granted	30,000	5.87
Options forfeited	(78,000)	11.24
Options expired	(16,000)	27.95
At March 31, 2019	2,730,000	$11.47

The following table summarizes information about options outstanding and exercisable as at March 31, 2019:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$ 5.00 - $ 10.00	1,031,000	1.9 years	$ 5.93	-	$ -
10.01 - 15.00	1,583,000	1.1 years	14.56	753,000	14.56
15.01 - 25.00	116,000	1.6 years	18.56	8,000	23.90
$ 5.00 - $ 25.00	2,730,000	1.4 years	$ 11.47	761,000	$ 14.66

The Company records compensation expense over the vesting period, which ranges between one to three years, based on the fair value of options granted to directors, officers and employees. During the three months ended March 31, 2019 the Company granted 30,000 options with an estimated fair value of $43,000 or $1.44 per option using the Black-Scholes option pricing model with the following key assumptions:

	March 31, 2019
Weighted-average risk free interest rate (%)[1]	**1.82**
Weighted-average expected life (years)	**2.0**
Weighted-average volatility (%)[2]	**47.73**
Forfeiture rate (%)	**7.35**
Weighted average dividend yield (%)	**1.99**

(1) Risk-free interest rate is based on the weighted average Government of Canada benchmark bond yields for one, two, and three year terms to match corresponding vesting periods.

(2) The expected volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical weekly share prices for a representative period.

9. OIL AND GAS SALES, NET OF ROYALTIES

($ 000s)	**March 31, 2019**	March 31, 2018
Oil and gas sales		
Crude oil	**41,343**	49,009
Natural gas liquids	**2,682**	3,135
Natural gas	**5,809**	4,980
	49,834	57,124
Less royalties:		
Crown	**(2,204)**	(3,807)
Freehold, gross overriding royalties and other	**(1,810)**	(1,974)
	(4,014)	(5,781)
Oil and gas sales, net of royalties	**45,820**	51,343

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Company's overall risk management program seeks to mitigate these risks and reduce the volatility on the Company's financial performance. Financial risk is managed by senior management under the direction of the Board of Directors. Bonterra's exposure to credit risk, liquidity risk and market risk are consistent with those discussed in Note 20 of the Company's audited annual financial statements for the year ended December 31, 2018.

Physical Delivery Sales Contracts

Bonterra enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value in the financial statements.

The Company has entered into the following physical delivery sales contracts subsequent to March 31, 2019:

Product	Type of contract	Volume	Term	Contract price
Oil	Fixed price - MSW Stream index[1]	1,000 BBL/day	April 1 to April 30, 2019	$74.42 CAD/BBL
Oil	Fixed price - MSW Stream index[1]	1,000 BBL/day	May 1 to May 31, 2019	$74.06 CAD/BBL
Oil	Fixed price - MSW Stream index[1]	1,000 BBL/day	June 1 to June 30, 2019	$72.99 CAD/BBL
Oil	Fixed price - MSW Stream index[1]	1,000 BBL/day	May 1 to Sept 30, 2019	$77.35 CAD/BBL

(1) "MSW Stream index" or "Edmonton Par" refers to the mixed sweet blend that is the benchmark price for conventionally produced light sweet crude oil in Western Canada.

11. SUBSEQUENT EVENTS

Dividends

Subsequent to March 31, 2019, the Company declared the following dividends:

Date declared	Record date	$ per share	Date payable
April 1, 2019	April 15, 2019	0.01	April 30, 2019
May 1, 2019	May 15, 2019	0.01	May 31, 2019

Corporate Information

Board of Directors
G. F. Fink - Chairman
G. J. Drummond
R. M. Jarock
D. Reuter
R. A. Tourigny
A. M. Walsh

Officers
G. F. Fink, CEO and Chairman of the Board
R. D. Thompson, CFO and Corporate Secretary
A. Neumann, Chief Operating Officer
B. A. Curtis, Senior VP, Business Development

Registrar and Transfer Agent
Odyssey Trust Company

Auditors
Deloitte LLP

Solicitors
Borden Ladner Gervais LLP

Bankers
CIBC
National Bank of Canada
The Toronto Dominion Bank
ATB Financial
Business Development Bank of Canada

Head Office
901, 1015 – 4th Street SW
Calgary, Alberta T2R 1J4
Telephone: 403.262.5307
Fax: 403.265.7488
Email: info@bonterraenergy.com

Website
www.bonterraenergy.com