



For the three and six  
months ended  
June 30, 2022

TSX: **BNE**  
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## BONTERRA ENERGY REPORTS SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2022 FINANCIAL AND OPERATING RESULTS

### HIGHLIGHTS

As at and for the periods ended (\$ 000s except for \$ per share and \$ per BOE)	Three months ended		Six months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	
<b>FINANCIAL</b>					
Revenue - realized oil and gas sales	<b>116,674</b>	59,163	<b>208,216</b>	107,957	
Funds flow <sup>(1)</sup>	<b>61,892</b>	23,105	<b>108,984</b>	39,697	
Per share - basic	<b>1.72</b>	0.69	<b>3.06</b>	1.18	
Per share - diluted	<b>1.62</b>	0.67	<b>2.90</b>	1.16	
Cash flow from operations	<b>58,307</b>	18,874	<b>99,249</b>	33,619	
Per share - basic	<b>1.62</b>	0.56	<b>2.79</b>	1.00	
Per share - diluted	<b>1.53</b>	0.55	<b>2.64</b>	0.98	
Net earnings <sup>(2)</sup>	<b>33,544</b>	157,354	<b>44,063</b>	155,670	
Per share - basic	<b>0.93</b>	4.68	<b>1.24</b>	4.63	
Per share - diluted	<b>0.88</b>	4.55	<b>1.17</b>	4.53	
Capital expenditures	<b>14,506</b>	7,607	<b>46,675</b>	31,068	
Total assets			<b>934,303</b>	948,260	
Net debt <sup>(3)</sup>			<b>211,284</b>	319,310	
Long-term debt			<b>95,748</b>	46,169	
Shareholders' equity			<b>442,653</b>	353,431	
<b>OPERATIONS</b>					
Light oil	-barrels (bbl) per day	<b>7,623</b>	7,370	<b>7,490</b>	7,103
	-average price (\$ per bbl)	<b>126.97</b>	71.49	<b>118.88</b>	66.84
NGLs	-bbl per day	<b>1,151</b>	996	<b>1,074</b>	1,011
	-average price (\$ per bbl)	<b>77.23</b>	35.59	<b>70.67</b>	35.59
Conventional natural gas	- MCF per day	<b>33,323</b>	26,057	<b>31,476</b>	25,184
	- average price (\$ per MCF)	<b>6.76</b>	3.37	<b>5.85</b>	3.40
Total barrels of oil equivalent per day (BOE) <sup>(4)</sup>		<b>14,328</b>	12,709	<b>13,810</b>	12,311

<sup>(1)</sup> 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.

<sup>(2)</sup> In the second quarter of 2021 the Company recorded a \$203,197,000 impairment reversal less a \$47,149,000 deferred income tax expense related to its Alberta cash generating unit's ("CGU") oil and gas assets due to the stronger forward prices after the impact COVID-19 had on the forward benchmark prices for crude oil.

<sup>(3)</sup> Net debt is not a recognized measure under IFRS. The Company defines net debt as current liabilities less current assets plus long-term subordinated debt and subordinated debentures.

<sup>(4)</sup> 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

Given my pending retirement effective September 6, 2022, this will be my final report to shareholders as President and CEO of Bonterra Energy Corp. (“Bonterra” or the “Company”). I will remain on the Board of Directors and have no intention of reducing my current equity ownership stake of 14 percent, ensuring ongoing alignment with shareholders. Reflecting on the past 24 years since founding the Company in 1998, I am extremely proud of how Bonterra has effectively managed through numerous challenges and opportunities, particularly during the COVID-19 pandemic years. We have always maintained a strong commitment to employees, partners, communities and other key stakeholders, particularly our supportive investors, and I am confident these commitments will continue to be honoured. As part of the transition, I am pleased to welcome my successor, Mr. Patrick Oliver, a seasoned industry executive with over 35 years of experience in the Western Canadian upstream oil and gas sector. Patrick brings a proven track record of leadership and will join the Bonterra Board upon assuming his new role.

Before highlighting Bonterra’s results for the second quarter and first half of 2022 below, I would like to thank my fellow management team members for each of your valued contributions and support, without which we could not have realized such strong performance. I would also like to thank my fellow shareholders for the trust you have placed in Bonterra and our team. We are confident that continued strong execution will ultimately result in Bonterra returning to a position with greater financial flexibility that supports a return of capital to shareholders.

Thank you.

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Following is an overview of Bonterra’s operating and financial results for the three and six month periods ended June 30, 2022. I am extremely pleased to note that both periods represent some of the strongest performance in Bonterra’s recent history.

With meaningfully higher commodity prices and a more active development program on our high-quality, light oil weighted and low-decline asset base, production averaged 14,328 BOE per day in Q2 2022 and 13,810 BOE per day in the first half, growing 13 percent and 12 percent over the same respective periods in 2021. Realized oil prices averaged \$126.97 per bbl in Q2 2022, 78 percent higher than Q2 2021, driving robust field netbacks of \$54.86 per BOE and cash netbacks of \$47.47 per BOE, increases of 99 percent and 138 percent over Q2 2021, respectively. Realized oil and gas sales in Q2 2022 totaled \$116.7 million, a 97 percent increase over the same period in 2021, while sales in the first half of 2022 were 93 percent higher than in 2021.

This combination of increased production and higher cash netbacks resulted in funds flow<sup>1</sup> of \$61.9 million (\$1.62 per diluted share) in Q2 2022 and \$109.0 million (\$2.90 per fully diluted share) in the first half, enabling Bonterra to generate free funds flow<sup>1</sup> (defined as funds flow<sup>1</sup> in excess of capital expenditures) of \$47.4 million and \$62.3 million, respectively. Throughout the first half of 2022, we have continued to largely direct free funds flow to debt reduction with the ultimate goal of establishing a position that would enable Bonterra to return capital to our shareholders.

Bank debt as at June 30, 2022 totaled \$111.5 million, a 19 percent reduction from March 31, 2022, largely attributable to the Company directing free funds flow<sup>1</sup> to debt repayment. Net debt<sup>1</sup> of \$211.3 million at the end of Q2 2022 was 21 percent lower than year-end 2021, improving Bonterra’s net debt to twelve-month trailing cash flow ratio<sup>1</sup> to 1.3 times compared to 2.8 times at December 31, 2021.

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<sup>1</sup> “Funds Flow”, “Free Funds Flow”, “Net Debt” and “Net Debt to Twelve-Month Trailing Cash Flow Ratio” are not recognized measures under IFRS. See “Cautionary Statements” in Q2 2022 MD&A.

## OUTLOOK

The first half of 2022 enabled the Company to build momentum for continued positive results and performance. This supports affirming Bonterra's previously communicated 2022 production guidance of 13,300 to 13,700 BOE per day<sup>2</sup> with an increased capital expenditure budget range of \$70 million to \$75 million, due to additional infrastructure costs and inflationary pressures.

Our high-quality and oil-weighted asset base is allowing the Company to generate robust funds flow<sup>1</sup> and free funds flow<sup>1</sup>. By maintaining control over costs in the face of inflationary pressures while driving enhanced capital efficiencies, Bonterra anticipates directing further funds to debt repayment and ultimately establishing a position that would allow a return of capital to our shareholders. We believe this offers the greatest opportunity to generate long-term returns while maintaining Bonterra's economic and environmental sustainability.

Thank you again,

A handwritten signature in black ink, appearing to read "G. Fink", written in a cursive style.

George F. Fink  
Chief Executive Officer

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<sup>2</sup> 2022 volumes expected to be comprised of 7,320 bbl/d light and medium crude oil, 1,320 bbl/d NGLs and 29,200 mcf/d of conventional natural gas based on a midpoint of 13,500 BOE/d.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following report dated August 9, 2022 is a review of the operations and current financial position for the three and six months ended June 30, 2022 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, 2021 presented under International Financial Reporting Standards (IFRS), as well as Bonterra's Annual Information Form ("AIF"), each of which is filed on SEDAR at [www.sedar.com](http://www.sedar.com)

### Use of Non-IFRS Financial Measures

Throughout this Management's Discussion and Analysis (MD&A) the Company uses the terms "field netback", "cash netback" and "net debt" to analyze operating performance, which are not standardized measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures are commonly 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 entities.

The Company calculates cash and field 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" is the benchmark price for natural gas in Alberta, Canada; "bbl" refers to barrel; "NGL" refers to natural gas liquids; "MCF" refers to thousand cubic feet; "MMBTU" refers to million British Thermal Units; "GJ" refers to gigajoule; and "BOE" refers to barrels of oil equivalent. Disclosure provided herein in respect of a BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

### Numerical Amounts

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

## QUARTERLY COMPARISONS

As at and for the periods ended (\$ 000s except \$ per share)	2022			2021		
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Financial</b>						
Revenue - oil and gas sales	116,674	91,542	79,202	64,457	59,163	48,794
Cash flow from operations	58,307	40,942	37,868	24,616	18,874	14,745
Per share - basic	1.62	1.16	1.11	0.73	0.56	0.44
Per share - diluted	1.53	1.11	1.07	0.71	0.55	0.43
Net earnings (loss) <sup>(1)</sup>	33,544	10,519	16,333	7,296	157,354	(1,684)
Per share - basic	0.93	0.30	0.48	0.22	4.68	(0.05)
Per share - diluted	0.88	0.29	0.46	0.21	4.55	(0.05)
Capital expenditures	14,506	32,169	17,636	18,578	7,607	23,461
Total assets	934,303	965,969	945,721	939,835	948,260	748,543
Net debt	211,284	260,670	267,179	307,729	319,310	328,506
Shareholders' equity	442,653	405,148	392,019	361,590	353,431	195,393
<b>Operations</b>						
Light oil (barrels per day)	7,623	7,356	7,659	6,948	7,370	6,834
NGLs (barrels per day)	1,151	996	1,105	928	996	1,025
Conventional natural gas (MCF per day)	33,323	29,609	30,276	27,995	26,057	24,301
Total BOE per day	14,328	13,287	13,810	12,542	12,709	11,909

<sup>(1)</sup> In Q2 2021, with stronger forward benchmark prices since the impact of COVID-19 beginning in March 2020, the Company recorded a \$203,197,000 impairment reversal on its Alberta cash generating unit's ("CGU") oil and gas assets less \$47,149,000 deferred income tax expense.

As at and for the periods ended (\$ 000s except \$ per share)	2020			
	Q4	Q3	Q2	Q1
<b>Financial</b>				
Revenue - oil and gas sales	31,761	29,155	22,171	38,555
Cash flow from (used in) operations	(1,199)	6,370	4,429	22,473
Per share - basic	(0.04)	0.19	0.13	0.67
Per share - diluted	(0.04)	0.19	0.13	0.67
Net loss <sup>(1)</sup>	(11,071)	(5,211)	(5,954)	(284,653)
Per share - basic	(0.33)	(0.16)	(0.18)	(8.53)
Per share - diluted	(0.33)	(0.16)	(0.18)	(8.53)
Capital expenditures	19,064	2,819	104	21,741
Total assets	731,859	722,910	732,462	743,533
Net debt	315,573	295,168	299,445	300,688
Shareholders' equity	196,633	207,325	212,342	218,211
<b>Operations</b>				
Light oil (barrels per day)	5,371	5,355	5,553	7,058
NGLs (barrels per day)	960	1,064	1,104	999
Conventional natural gas (MCF per day)	22,560	21,510	21,142	23,864
Total BOE per day	10,091	10,004	10,181	12,034

<sup>(1)</sup> In the first quarter of 2020 the Company recorded a \$331,678,000 impairment provision less a \$54,107,000 deferred income tax recovery related to its Alberta CGU's oil and gas assets due to the impact of COVID-19 on forward benchmark prices for crude oil.

## Business Environment and Sensitivities

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

	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
Crude oil								
WTI (U.S.\$/bbl)	<b>108.41</b>	94.29	77.19	70.56	66.07	57.84	42.66	40.93
WTI to MSW Stream Index								
Differential (U.S.\$/bbl) <sup>(1)</sup>	<b>(0.50)</b>	(2.96)	(3.10)	(4.08)	(3.11)	(5.24)	(4.07)	(3.51)
Foreign exchange								
U.S.\$ to Cdn\$	<b>1.2766</b>	1.2662	1.2601	1.2602	1.2280	1.2663	1.3031	1.3316
Bonterra average realized								
oil price (Cdn\$/bbl)	<b>126.97</b>	110.41	85.04	78.42	71.49	61.76	47.16	45.73
Natural gas								
AECO (Cdn\$/mcf)	<b>7.20</b>	4.72	4.63	3.58	3.08	3.14	2.63	2.23
Bonterra average realized								
gas price (Cdn\$/mcf)	<b>6.76</b>	4.80	4.93	3.94	3.37	3.44	3.02	2.40

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

WTI prices averaged \$108.41 USD per barrel in Q2 2022, \$94.29 in Q1 2022 and \$66.07 in Q2 2021. The increase was driven by continuous improvements in demand, ongoing supply discipline and reduced capital investment from both OPEC+ and US shale producers, along with geopolitical risk factors. The combination of these factors have led to a significant decrease in global crude and crude product inventories, supporting a continued higher price environment.

In addition to the WTI benchmark price, the MSW Stream Index or Edmonton Par differential (the "Differential") that affects Canadian crude oil prices can also impact Bonterra's financial performance. The Differential continued to narrow in the second quarter of 2022 compared to the previous quarter. The impact of both strong North American refining demand as well as the long-anticipated Enbridge Line 3 expansion project being brought on-line in late 2021 contributed to improved Canadian differentials in the second quarter of 2022. Longer term, the Trans Mountain Expansion is expected to increase Canada's export capabilities, and similar to Line 3, it is anticipated to have a positive effect on the movement and pricing of Canadian barrels. The outcome of Enbridge's Line 5 crossing into Michigan remains a concern and could have a negative effect on the pricing differential between WTI and MSW or Edmonton Par pricing.

AECO daily spot prices averaged \$7.20 per mcf in the second quarter of 2022. This compares to \$4.72 per mcf in the previous quarter and \$3.08 per mcf in the second quarter of 2021. The increases are mainly due to robust demand which has contributed to low natural gas inventories in western Canada and around the world. Forward natural gas pricing in 2022 continues to reflect an improved AECO market. Planned facility additions for the NGTL system in the near term and progress by LNG Canada for the Kitimat liquefied natural gas export facility over the longer term may continue to support and improve market sentiment towards western Canadian-based natural gas producers.

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 2022<sup>(1)</sup>

Impact on cash flow	Change (\$)	\$000s	\$ per share <sup>(2)</sup>
Realized crude oil price (\$/bbl)	1.00	2,350	0.07
Realized natural gas price (\$/mcf)	0.10	1,009	0.03
U.S.\$ to Canadian \$ exchange rate	0.01	1,880	0.05

<sup>(1)</sup> This analysis uses current royalty rates, annualized estimated average production of 13,500 BOE per day and no changes in working capital.

<sup>(2)</sup> Based on annualized basic weighted average shares outstanding of 35,873,716.

## Business Overview, Strategy and Key Performance Drivers

Bonterra believes that the Company has established a strong position to continue pursuing profitable development of its high-quality, light oil weighted asset base and remains focused on maximizing the Company's financial position, reducing net debt and creating long term value. To date in 2022, higher commodity prices have prevailed as a result of global supply and demand dynamics for crude oil and natural gas, stemming largely from a lack of capital being invested in the sector, along with supply chain issues related to the COVID-19 pandemic and the significant geopolitical events in Europe.

The Company averaged 13,810 BOE per day of production for the first six months of 2022, an increase of 1,499 BOE per day, or 12 percent compared to the same period in 2021. Quarter-over-quarter, Bonterra's production increased by 1,041 BOE per day which primarily related to a full quarter of production from the 11 gross (10.8 net) operated wells that were placed on production in the first quarter of 2022 and the commissioning of a wholly owned gas plant that alleviated gas processing capacity limitations. The Company expects annual production to be within the previously announced guidance range of 13,300 to 13,700 BOE per day with an increased capital expenditure budget range of \$70 million to \$75 million, due to additional infrastructure costs and inflationary pressures.

The Company has spent approximately 70 percent of its annual capital budget in the first six months of 2022, totaling \$46.7 million and included the majority of its planned infrastructure budget to address gas handling issues. Of the total capital invested, \$35.6 million was directed to the drilling of 15 gross (14.7 net) operated wells and completing, equipping, tying-in and placing on production 21 gross (20.7 net) operated wells, with six of the completed and equipped wells having been drilled late in 2021. Approximately \$11.1 million of the capital program was directed to the construction of a wholly owned gas plant, related infrastructure, recompletions and non-operated capital programs.

With support from the Alberta Site Rehabilitation Program ("SRP"), Bonterra successfully abandoned 73.1 net wells, 26.0 net pipeline segments and decommissioned 2.0 net battery sites during the first six months of 2022. As the Company continues to execute its abandonment program through the current year, a further 58.5 net wells and associated pipelines that have no deemed future economic potential are forecast to be abandoned. Bonterra continuously reviews its inactive well inventory for future potential to determine if a well bore should be reactivated, repurposed, or abandoned.

As part of the Company's ongoing efforts to diversify commodity pricing and to protect future cash flows, Bonterra has executed physical delivery sales and risk management contracts to the end of Q2 2023 on approximately 30 percent of its expected crude oil and natural gas production. For the next 12 months, Bonterra has secured a WTI price between \$48.00 USD to \$103.30 USD per bbl on 2,261 bbls per day, with a WTI to Edmonton par differential average of approximately \$5.97 on 1,346 bbls per day. In addition, the Company has secured natural gas prices between \$2.50 to \$5.00 on 10,556 GJ per day for the next 12 months.

Bonterra's successful operations are dependent upon several factors including, but not limited to: commodity prices, efficient management of capital spending, the 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 production 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						Six months ended			
	June 30, 2022		March 31, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
Crude oil horizontal-operated	3	2.9	12	11.8	3	3.0	15	14.7	16	15.9
Crude oil horizontal-non-operated	-	-	6	0.7	-	-	6	0.7	-	-
Total	3	2.9	18	12.5	3	3.0	21	15.4	16	15.9
Success rate	100%		100%		100%		100%		96%	

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

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

During the first six months of 2022, the Company drilled 15 gross (14.7 net) operated wells and completed, tied-in and placed on production 21 gross (20.7 net) operated wells.

## Production

	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Crude oil (barrels per day)	7,623	7,356	7,370	7,490	7,103
NGLs (barrels per day)	1,151	996	996	1,074	1,011
Natural gas (MCF per day)	33,323	29,609	26,057	31,476	25,184
Average BOE per day	14,328	13,287	12,709	13,810	12,311

The Company averaged 13,810 BOE per day of production in the first six months of 2022, compared to 12,311 BOE per day for the same period in 2021, an increase of 1,499 BOE per day or 12 percent. The increase in production is largely due to the Company's increased drilling program and the reactivation of off-line wells due to increased commodity prices.

Quarter-over-quarter production increased primarily due to having a full quarter of production from the 12 gross (11.8 net) operated wells drilled in the first quarter of 2022. In addition, the Company commissioned a wholly owned gas plant in the second quarter, resolving gas processing capacity limitations.

## Cash Netback

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

	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
\$ per BOE					
Production volumes (BOE)	1,303,822	1,195,873	1,156,521	2,499,695	2,228,357
Gross production revenue	89.49	76.55	51.16	83.30	48.45
Risk management contracts realized loss	(4.63)	(5.43)	(3.38)	(5.01)	(2.64)
Royalties	(13.78)	(8.91)	(5.21)	(11.45)	(4.41)
Production costs	(16.22)	(17.24)	(14.98)	(16.71)	(15.28)
Field netback	54.86	44.97	27.59	50.13	26.12
General and administrative	(3.00)	(2.43)	(1.74)	(2.73)	(2.19)
Interest and other	(2.70)	(3.16)	(5.87)	(2.92)	(6.12)
Current income tax	(1.69)	-	-	(0.88)	-
Cash netback	47.47	39.38	19.98	43.60	17.81

Cash netbacks increased in the first six months of 2022 compared to the same period of 2021 primarily due to higher realized commodity prices and lower interest expense from reduced debt. This was partially offset by increased royalties, production costs and realized losses on risk management contracts. Quarter-over-quarter cash netbacks increased primarily due to further increases in commodity prices offset by an increase in royalties and a current income tax provision.



## Oil and Gas Sales

	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue - oil and gas sales (\$ 000s)					
Light oil	<b>88,080</b>	73,096	47,948	<b>161,176</b>	85,934
NGL	<b>8,086</b>	5,652	3,225	<b>13,738</b>	6,510
Conventional natural gas	<b>20,508</b>	12,794	7,990	<b>33,302</b>	15,513
	<b>116,674</b>	91,542	59,163	<b>208,216</b>	107,957
Average realized prices:					
Light oil (\$ per barrel)	<b>126.97</b>	110.41	71.49	<b>118.88</b>	66.84
NGL (\$ per barrel)	<b>77.23</b>	63.02	35.59	<b>70.67</b>	35.59
Conventional natural gas (\$ per MCF)	<b>6.76</b>	4.80	3.37	<b>5.85</b>	3.40
Average (\$ per BOE)	<b>89.49</b>	76.55	51.16	<b>83.30</b>	48.45
Average BOE per day	<b>14,328</b>	13,287	12,709	<b>13,810</b>	12,311

Revenue from oil and gas sales in the first six months of 2022 increased by \$100.3 million, or 93 percent, compared to the same period in 2021. This increase was primarily driven by a 78 percent increase in Bonterra's realized crude oil prices and a 12 percent increase in average production volumes. Quarter-over-quarter, oil and gas sales increased as the Company benefited from further strengthening of commodity prices.

Bonterra's product split on a revenue basis was weighted approximately 84 percent to crude oil and NGLs during the first six months of 2022.

## Royalties

(\$ 000s)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Crown royalties	<b>12,673</b>	6,690	3,470	<b>19,363</b>	5,332
Freehold, gross overriding and other royalties	<b>5,287</b>	3,970	2,560	<b>9,257</b>	4,484
Total royalties	<b>17,960</b>	10,660	6,030	<b>28,620</b>	9,816
Crown royalties - percentage of revenue	<b>10.9</b>	7.3	5.9	<b>9.3</b>	4.9
Freehold, gross overriding and other royalties - percentage of revenue	<b>4.5</b>	4.3	4.3	<b>4.4</b>	4.2
Royalties - percentage of revenue	<b>15.4</b>	11.6	10.2	<b>13.7</b>	9.1
Royalties \$ per BOE	<b>13.78</b>	8.91	5.21	<b>11.45</b>	4.41

Royalties paid by the Company consist of both Crown royalties to the Provinces of Alberta, Saskatchewan and British Columbia and other royalties. Total royalties for the six month period ended June 30, 2022 increased by \$7.04 per BOE compared to the same period of 2021, and increased by \$4.87 per BOE quarter-over-quarter. The increase from both periods was primarily the result of commodity price improvements and increased Alberta Crown royalty rates for crude oil in the second quarter of 2022.

## Production Costs

(\$ 000s except \$ per BOE)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Production costs	21,153	20,615	17,327	41,768	34,043
\$ per BOE	16.22	17.24	14.98	16.71	15.28

Production costs for the first half of 2022 increased from the same period in 2021 primarily due to increased production and maintenance costs with increased well reactivations compared to the prior year as the Company expanded the number of service rigs to four compared to two. On a BOE basis, production costs also increased due to maintaining the same level of activity and having shut-in production from gas handling issues. With the new wholly owned gas plant coming on-line in May 2022, the Company anticipates improvements in per BOE production costs in future periods, offset by general inflationary pressures and escalating carbon taxes.

Production costs were relatively unchanged quarter-over-quarter primarily due to the Company continuing its well and facility maintenance program and the impact of power rates remaining high.

## Other Income

(\$ 000s)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Investment income	42	14	20	56	24
Administrative income	221	104	104	325	168
Government grant in-kind	937	675	1,339	1,612	3,422
Deferred consideration	309	295	321	604	607
Realized loss on risk management contracts	(6,036)	(6,494)	(3,910)	(12,530)	(5,876)
Unrealized gain (loss) on risk management contracts	3,675	(9,110)	(5,070)	(5,435)	(9,920)
	(852)	(14,516)	(7,196)	(15,368)	(11,575)

Deferred consideration relates to a deferred gain on the 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 and carrying value of the investments held by the Company on June 30, 2022 was \$1,785,000 (June 30, 2021 - \$563,000). There were no dispositions during the period ended June 30, 2022 or June 30, 2021. 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 provided and production equipment rentals to other companies.

The Government of Alberta's SRP provides grant funding through service providers to abandon or remediate oil and gas sites. The Company derecognized approximately \$1.6 million of asset retirement obligations as an in-kind grant in 2021 (June 30, 2021 - \$3.4 million). The benefit of the in-kind grant is recognized through other income.

To minimize commodity price risk on crude oil and natural gas sales, Bonterra has entered into financial derivatives. The financial derivatives outstanding are for the period from July 1, 2022 to June 30, 2023 and are for a total of 597,850 barrels of light crude oil (approximately 1,638 barrels of oil per day for the next 12 months) at fixed WTI prices ranging from \$48.00 USD to \$103.30 USD per barrel, with a fixed differential from WTI to Edmonton Par prices for 465,700 barrels of oil (approximately 1,276 barrels of oil per day) at prices ranging from approximately \$5.40 to \$6.05 per barrel. These contracts are not considered normal sales contracts and are recorded at fair value.

## General and Administrative (“G&A”) Expense

(\$ 000s except \$ per BOE)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Employee compensation	2,610	1,695	1,123	4,305	2,122
Office and administrative - recurring	1,304	1,212	888	2,516	1,818
Total G&A recurring	3,914	2,907	2,011	6,821	3,940
Office and administrative - nonrecurring	-	-	-	-	946
Total G&A	3,914	2,907	2,011	6,821	4,886
\$ per BOE recurring	3.00	2.43	1.74	2.73	1.77
\$ per BOE nonrecurring	-	-	-	-	0.42
\$ per BOE total	3.00	2.43	1.74	2.73	2.19

Employee compensation expense increased by \$2.2 million for the first six months of 2022 compared to 2021. The increase is primarily due to a larger bonus accrual due to increased net earnings before taxes. Quarter-over-quarter, employee compensation increased due to the same reason.

Nonrecurring office and administrative costs reflect expenditures related to successfully defending an unsolicited hostile bid for the Company that expired March 29, 2021.

## Finance Costs

(\$ 000s except \$ per BOE)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest on bank debt and subordinated debt	2,450	2,564	6,057	5,014	12,276
Other interest	1,327	1,328	847	2,655	1,555
Interest expense	3,777	3,892	6,904	7,669	13,831
\$ per BOE	2.90	3.25	5.97	3.07	6.21
Accretion of decommissioning liabilities	634	784	805	1,418	1,579
Accretion on subordinated debentures	610	517	-	1,127	-
Total finance costs	5,021	5,193	7,709	10,214	15,410

Interest on bank debt decreased in 2022 compared to 2021 due to a decrease in interest rates stemming from the reduction in the Company’s net debt to earnings before income taxes and depletion and amortization (or “EBITDA” as defined by the Company’s bank facility) ratio. With reduced debt and increased cash flow, the Company was able to remove the term portion of the facility on its bank debt which had a less favourable interest rate grid. Bank debt 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.

Subordinated debt interest relates to the Business Development Bank of Canada (“BDC”) second lien non-revolving four-year term loan (the “BDC Loan”). The Company drew \$45 million on the BDC Loan and the first year of interest was added to the principal for a total owing of \$47 million. The BDC Loan bears interest at six percent and increases by one percent each year on the anniversary date of November 13. For more information about the subordinated debt, refer to Note 5 of the June 30, 2022 condensed financial statements.

In the fourth quarter of 2021, \$19.5 million of amounts due to a related party and a subordinated promissory note were exchanged for senior unsecured subordinated debentures. In addition, a further \$39.5 million of these debentures were issued for total proceeds of \$59 million. As at June 30, 2022, the Company had a total of 59,000 senior unsecured subordinated debenture units (a “Unit”) outstanding. Each Unit is comprised of: (i) one senior unsecured debenture with a par value of \$1,000 per note and bearing interest at 9.0 percent per annum, which are payable semi-annually; and (ii) 56 common share purchase warrants of Bonterra (“Warrants”). The debentures mature on October 20, 2025 and all or a portion of the principal amount outstanding can be repaid without penalty after October 20, 2024, however, all interest owing to the maturity date must be paid.

The unsecured subordinated debentures were determined to be a compound instrument with a debt and equity component. The fair value of the debt component of the \$59,000,000 in debentures were determined on issuance to be 15.6 percent using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to Warrants and issue costs. The value of the debt will accrete up to the principal balance at maturity. For more information about unsecured subordinated debentures, please see Note 6 of the June 30, 2022 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 \$1,222,000.

## Share-Option Compensation

(\$ 000s)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Share-option compensation	479	274	251	753	544

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.

Based on the outstanding options as of June 30, 2022, the Company has an unamortized expense of \$2,817,000, of which \$887,000 will be amortized for the remainder of 2022; \$1,301,000 in 2023; \$563,000 in 2024 and \$66,000 thereafter. For more information about options issued and outstanding, refer to Note 9 of the June 30, 2022 condensed financial statements.

## Depletion and Depreciation, Exploration and Evaluation (“E&E”) and Impairment

(\$ 000s)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Depletion and depreciation	22,791	22,534	17,333	45,325	32,645
Impairment (reversal of impairment)	-	-	(203,197)	-	(203,197)

The provision for depletion and depreciation (“D&D”) increased in the first six months of 2022 compared to 2021 primarily due to increased capital spending, higher production volumes and a greater carrying value to deplete from a \$203.2 million impairment reversal on Bonterra’s Alberta CGU PP&E in the second quarter of 2021.

## Taxes

The Company recorded a deferred income tax expense of \$13.1 million in Q2 2022 (Q2 2021 – \$46.6 million). The decrease in deferred income tax expense for the first six months of 2022 compared to 2021 was primarily due to a decrease in earnings before income taxes, as in Q2 2021 the Company recorded a \$203 million impairment reversal. The Company also recorded \$2.2 million of current income tax expense for the province of Alberta.

For additional information regarding income taxes, see Note 8 of the June 30, 2022 condensed financial statements.

## Net Earnings

(\$ 000s except \$ per share)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net earnings (loss)	33,544	10,519	157,354	44,063	155,670
\$ per share - basic	0.93	0.30	4.68	1.24	4.63
\$ per share - diluted	0.88	0.29	4.55	1.17	4.53

Net earnings for the first six months of 2022 decreased by \$111.6 million compared to 2021. The decrease in net earnings was primarily attributed to an impairment reversal recorded in Q2 2021. The impairment reversal was reduced by deferred income taxes. The decrease in net earnings was partially offset by an increase in production and commodity prices.

The quarter-over-quarter increase in net earnings is primarily due to an increase in oil and gas sales and a decreased loss on risk management contracts, which was partially offset by an increase in the tax provision.

## Other Comprehensive Income (Loss)

Other comprehensive income for 2022 consists of an unrealized gain before tax on investments (including investment in a related party) of \$894,000 relating to an increase in the investments' fair value (June 30, 2021 –\$269,000). Realized gains result in decreases to 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

(\$ 000s except \$ per share)	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flow from operations	<b>58,307</b>	40,942	18,874	<b>99,249</b>	33,619
\$ per share - basic	<b>1.62</b>	1.16	0.56	<b>2.79</b>	1.00
\$ per share - diluted	<b>1.53</b>	1.11	0.55	<b>2.64</b>	0.98

In Q2 2022, cash flow from operations increased by \$65.6 million compared to the same period in 2021. This was primarily due to an increase in commodity prices and production volumes and a decrease in interest expense, which was partially offset by an increase in royalties, production costs and higher realized risk management contract losses.

Quarter-over-quarter, cash flow from operations increased due to higher realized commodity prices.

## Related Party Transaction

Bonterra holds 1,034,523 (December 31, 2021 – 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 at June 30, 2022 of \$1,510,000 (December 31, 2021 – \$703,000).

## Liquidity and Capital Resources

### Net Debt to Cash Flow from Operations

Bonterra continues to focus on reducing overall debt while managing its cash flow and capital expenditures. The Company's net debt to 12-month trailing cash flow ratio as of June 30, 2022 was 1.3 to 1 times (versus 2.8 to 1 times at December 31, 2021). The decreased net debt to cash flow ratio is the result of an increase in the Company's 12-month trailing cash flow that is primarily due to rising commodity prices. Compared to the first six months of 2021, average net debt for the same period in 2022 decreased by \$51.3 million due to a 195 percent increase in cash flow from higher commodity prices and production volumes, and proceeds from a \$7 million flow through share issuance. In addition, the fair value of the warrants of \$9.8 million and issue costs of \$2.2 million reduced the carrying value of the subordinated debentures issued in Q4 2021, which reduced net debt. Bonterra will continue to assess its capital expenditures compared to cash flow from operations on a quarterly basis.

## Working Capital Deficiency and Net Debt

(\$ 000s)	June 30, 2022	March 31, 2022	December 31, 2021	June 30, 2021
Working capital deficiency	115,536	164,198	172,552	273,141
Subordinated debt and subordinated debentures	95,748	96,472	94,627	46,169
Net Debt	211,284	260,670	267,179	319,310

Net debt is a combination of subordinated debt, subordinated debentures and working capital. As of June 30, 2022, the Company's bank facility has a maturity date of November 30, 2022 and is recorded as a current liability. Bonterra actively monitors its credit availability and working capital to ensure that it has sufficient available funds to meet its financial requirements as they come due. Any of these events present risks that could affect Bonterra's ability to fund ongoing operations. If required, Bonterra will also consider short-term or long-term financing alternatives in order to meet its future liabilities.

Net debt at June 30, 2022 decreased by \$108.0 million compared to June 30, 2021 primarily due to increased cash flow resulting from rising commodity prices and higher production volumes. With commodity prices remaining strong to date in 2022, the Company intends to continue its focus on reducing net debt.

Working capital is calculated as current assets less current liabilities. Included in the working capital deficiency as at June 30, 2022 is \$111.5 million of bank debt.

## Financial Risk Management

Bonterra is exposed to market risk for the oil and gas produced by the Company. External factors beyond the Company's control may affect the marketability of oil and gas produced. Oil prices are affected by worldwide supply and demand fundamentals and access to market, while natural gas prices are largely affected by North American supply and demand fundamentals. In order to manage commodity risk, the Company executed physical delivery sales contracts which are considered normal sales contracts and are not recorded at fair value in the financial statements, and also executed risk management contracts which are not considered normal sales contracts and are recorded at fair value. The Company has contracts in place on approximately 30 percent of its estimated oil and gas production for the next 12 months. The Company relies on its cash flow, access to equity markets and bank financing to support its operations and capital program. Bonterra uses these futures contracts to hedge its exposure to the potential adverse impact of commodity price volatility and provide a measure of stability to Bonterra's capital development program. For more information on physical delivery and risk management contracts in place, see Note 12 of the June 30, 2022 condensed financial statements.

## Capital Expenditures

During the six months ended June 30, 2022, the Company incurred capital expenditures of \$46.7 million (June 30, 2021 - \$31.1 million). Of the total capital invested, \$35.6 million was directed to the drilling of 15 gross (14.7 net) operated wells and the completion, equip and tie-in of 21 gross (20.1 net) operated wells, of which six of the completed and equipped wells were drilled in 2021. All of the wells drilled were placed on production in the first half of 2022. The Company also spent \$4.7 million on a wholly owned gas plant and an additional \$6.4 million was spent primarily on related infrastructure and recompletions.

## Decommissioning Liabilities

Bonterra participates in the province of Alberta's Voluntary Closure Target program ("VCT") to reduce abandonment and reclamation costs and liabilities. This program provides numerous incentives to efficiently manage decommissioning liabilities that reduce overall cost. The Company's mandatory target under the VCT program for 2022 is \$3.7 million of which \$3.2 million has been spent in the first six months excluding any Alberta SRP funding. The VCT program also sets an upper limit voluntary spend target that comes with additional incentives. The voluntary target under the VCT is set at \$3.9 million for 2022 and Bonterra expects to meet or exceed this amount.

Bonterra also paid \$2.1 million in abandonment deposits primarily in its non-core area in British Columbia. These deposits are refundable upon abandonment and reclamation of the area or further development.

## Bank Debt

Bank debt represents the outstanding amounts drawn on the Company's bank facility. As at June 30, 2022, the Company has a total bank facility of \$155.0 million, comprised of a \$140.0 million syndicated revolving credit facility and a \$15.0 million non-syndicated revolving facility. The amount drawn under the total bank facility at June 30, 2022 was \$111.5 million (December 31, 2021 - \$162.9 million). The amounts borrowed under the total bank facility bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 2.00 percent and 7.00 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 total revolving bank facility provide that the loan facility is revolving to November 29, 2022, with a maturity date of November 30, 2022. The Company has committed to making four monthly step down commitments of \$10 million, beginning on July 31, 2022 and concluding on October 31, 2022. The loan reduction will be applied to reduce the amount available under the syndicated revolving credit facility.

Under the bank facility, the Company is restricted from making any payment of dividend distributions. In addition, the Company is also limited to expenditures on an annual basis which cannot:

- exceed 110 percent or be less than 90 percent of the forecasted decommissioning expenditures settled; and
- exceed 120 percent of the forecasted capital expenses.

As at June 30, 2022, Bonterra classified its bank debt as a current liability and had a working capital deficiency. The Company was in compliance with all financial covenants on its total bank facility as at June 30, 2022.

After examining the economic factors that are causing the liquidity risk facing the Company, the judgment applied to these factors, and the various initiatives that the Company has and will undertake to strengthen its financial position, Bonterra believes it will have sufficient liquidity to support its ongoing operations and meet its current financial obligations as they come due for at least the next 12 months. There can be no assurance that the next bank review will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet its obligations as they become due, subject to other alternative sources of financing.

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 4 of the June 30, 2022 condensed financial statements.

The amount available for borrowing under the bank facility is reduced by outstanding letters of credit. Letters of credit totaling \$1.4 million were issued as at June 30, 2022 (December 31, 2021 - \$1.4 million). Security for the bank facility consists of various floating demand debentures totaling \$750 million (December 31, 2021 - \$750 million) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

## 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.

	Number	Amount (\$ 000s)
Issued and fully paid - common shares		
Balance, December 31, 2021	35,000,952	772,781
Issued pursuant to the Company's share option plan	601,282	757
Transfer from contributed surplus to share capital		502
Issued pursuant to the exercise of warrants	551,000	4,270
Transfer from warrants to share capital		1,212
Balance, June 30, 2022	36,153,234	779,522

Total of 2,753,000 Warrants are outstanding as at June 30, 2022, entitling the holder to purchase one Common Share of Bonterra for each Warrant at a price of \$7.75, until October 20, 2025.

The Company provides a stock option plan for its directors, officers and employees. Under the plan, the Company may grant options for up to 3,615,323 (December 31, 2021 – 3,500,095) 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 warrants and options outstanding, see Note 9 of the June 30, 2022 condensed financial statements.

## Quarterly Financial Information

For the periods ended (\$ 000s except \$ per share)	2022			2021		
	Q2	Q1	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	116,674	91,542	79,202	64,457	59,163	48,794
Cash flow from operations	58,307	40,942	37,868	24,616	18,874	14,745
Net earnings (loss)	33,544	10,519	16,333	7,296	157,354	(1,684)
Per share - basic	0.93	0.30	0.48	0.22	4.68	(0.05)
Per share - diluted	0.88	0.29	0.46	0.21	4.55	(0.05)

  

For the periods ended (\$ 000s except \$ per share)	2020			
	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	31,761	29,155	22,171	38,555
Cash flow from operations	(1,199)	6,370	4,429	22,473
Net earnings (loss)	(11,071)	(5,211)	(5,954)	(284,653)
Per share - basic	(0.33)	(0.16)	(0.18)	(8.53)
Per share - diluted	(0.33)	(0.16)	(0.18)	(8.53)

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 2020, the Company's net earnings and cash flow significantly decreased mainly due to the effect of the COVID-19 pandemic on crude oil demand. With the utilization of the BDC funding for the Company's capital program and well reactivation costs in the fourth quarter of 2020, the Company increased production, net earnings and cash flow from operations in the quarters subsequent to December 31, 2020. Net loss for Q1 2020 and net earnings in Q2 2021 were significantly higher than other quarters due to an impairment provision and reversal on the Company's Alberta CGU.



More recent quarters' results have also been positively affected by the rise in oil and natural gas prices primarily due to current geopolitical events.

## **Contractual Obligations and Commitments**

At June 30, 2022, Bonterra's total contractual obligations and commitments were \$287,973,000. These include obligations and commitments in place as of December 31, 2021, changes in accrued interest in the period, as well as additional firm service commitments entered into during the six months ended June 30, 2022. For more information, refer to Note 13 "Commitments and Financial Liabilities" of the June 30, 2022 condensed financial statements.

## **Off-Balance Sheet Financing**

Bonterra does not have any guarantees or off-balance sheet arrangements that have been excluded from the annual statement of financial position or balance sheet other than commitments disclosed in Note 13 of the June 30, 2022 condensed financial statements.

## **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.

## **Assessment of Business Risk**

Bonterra's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different sized companies. Bonterra is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, stock market volatility, debt servicing which may limit the market price of shares, financial and liquidity risks and environmental and safety risks.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Bonterra strives to operate the majority of its properties, thereby maintaining operational control where possible.

The Company's business, operations and financial condition has been significantly adversely affected by COVID-19. Actions taken to reduce the spread of COVID-19 resulted in volatility and disruptions in regular business operations, supply chains and financial markets. COVID-19 also posed a risk on the financial capacity of Bonterra's contract counterparties and potentially their ability to perform contractual obligations. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation.

Additional information regarding risk factors including, but not limited to, business risks is available in the Company's Annual Information Form for the year ended December 31, 2021, which can be accessed on its website [www.bonterraenergy.com](http://www.bonterraenergy.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Environmental Risk**

### **General Risks**

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitats, as well as safety risks such as personal injury. The Company conducts its operations while ensuring it protects the environment, various stakeholders, and the general public. Bonterra maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, availability, as well as industry

standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

### **Climate Change Risks**

Bonterra's exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which require the Company to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate Bonterra's effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Some of its significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, climate change has been linked to long-term shifts in climate patterns and extreme weather conditions, both of which pose the risk of causing operational difficulties.

Additional information regarding risk factors including, but not limited to, environmental risks is available in the Company's Annual Information Form for the year ended December 31, 2021, which can be accessed on its website at [www.bonterraenergy.com](http://www.bonterraenergy.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **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; climate change risks; cyber security; impact of COVID-19; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital or maintain its syndicated bank facility; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. 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 June 30, 2022 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 six months ended June 30, 2022.

Additional information relating to the Company may be found on [www.sedar.com](http://www.sedar.com) or by visiting our website at [www.bonterraenergy.com](http://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	June 30, 2022	December 31, 2021
<b>Assets</b>			
<b>Current</b>			
Accounts receivable		38,397	24,215
Crude oil inventory		1,042	988
Prepaid expenses		7,259	5,922
Investments		275	188
		<b>46,973</b>	<b>31,313</b>
Investment in related party		1,510	703
Exploration and evaluation assets		2,440	1,994
Property, plant and equipment	3	874,519	902,850
Investment tax credit receivable		8,861	8,861
		<b>934,303</b>	<b>945,721</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		39,888	35,194
Risk management contract		10,002	4,567
Bank debt	4	111,476	162,945
Deferred consideration		1,143	1,159
		<b>162,509</b>	<b>203,865</b>
Subordinated debt	5	47,261	47,268
Subordinated debentures	6	48,487	47,359
Deferred consideration		9,501	10,089
Decommissioning liabilities	7	101,048	135,815
Deferred tax liability	8	122,844	109,306
		<b>491,650</b>	<b>553,702</b>
<b>Shareholders' equity</b>			
Share capital	9	779,522	772,781
Contributed surplus		31,850	31,599
Warrants	9	6,053	7,265
Accumulated other comprehensive income (loss)		570	(221)
Deficit		<b>(375,342)</b>	<b>(419,405)</b>
		<b>442,653</b>	<b>392,019</b>
		<b>934,303</b>	<b>945,721</b>
<b>Commitments and contingencies</b>	13		
<b>Subsequent events</b>	12		

See accompanying notes to these condensed financial statements.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME****For the periods ended June 30 (unaudited)**

(\$ 000s, except \$ per share)	Note	Three months		Six months	
		2022	2021	2022	2021
<b>Revenue</b>					
Oil and gas sales, net of royalties	10	98,714	53,133	179,596	98,141
Other income	14	1,200	1,463	1,993	3,614
Deferred consideration		309	321	604	607
Loss on risk management contracts	12	(2,361)	(8,980)	(17,965)	(15,796)
		<b>97,862</b>	<b>45,937</b>	<b>164,228</b>	<b>86,566</b>
<b>Expenses</b>					
Production		21,153	17,327	41,768	34,043
Office and administration		1,304	888	2,516	2,764
Employee compensation		2,610	1,123	4,305	2,122
Finance costs	11	5,021	7,709	10,214	15,410
Share-option compensation		479	251	753	544
Depletion and depreciation	3	22,791	17,333	45,325	32,645
Impairment (reversal of impairment)	3	-	(203,197)	-	(203,197)
		<b>53,358</b>	<b>(158,566)</b>	<b>104,881</b>	<b>(115,669)</b>
<b>Earnings before income taxes</b>		<b>44,504</b>	<b>204,503</b>	<b>59,347</b>	<b>202,235</b>
<b>Taxes</b>					
Current income tax expense	8	2,205	-	2,205	-
Deferred income tax expense	8	8,755	47,149	13,079	46,565
		<b>10,960</b>	<b>47,149</b>	<b>15,284</b>	<b>46,565</b>
<b>Net earnings for the period</b>		<b>33,544</b>	<b>157,354</b>	<b>44,063</b>	<b>155,670</b>
<b>Other comprehensive income</b>					
Unrealized gain on investments		349	179	894	269
Deferred taxes on unrealized gain on investments		(40)	(21)	(103)	(31)
<b>Other comprehensive income for the period</b>		<b>309</b>	<b>158</b>	<b>791</b>	<b>238</b>
<b>Total comprehensive income for the period</b>		<b>33,853</b>	<b>157,512</b>	<b>44,854</b>	<b>155,908</b>
<b>Net earnings per share - basic</b>	9	<b>0.93</b>	4.68	<b>1.24</b>	4.63
<b>Net earnings per share - diluted</b>	9	<b>0.88</b>	4.55	<b>1.17</b>	4.53
<b>Comprehensive income per share - basic</b>	9	<b>0.94</b>	4.69	<b>1.26</b>	4.64
<b>Comprehensive income per share - diluted</b>	9	<b>0.89</b>	4.56	<b>1.19</b>	4.54

See accompanying notes to these condensed financial statements.

**CONDENSED STATEMENT OF CASH FLOW****For the periods ended June 30 (unaudited)**

(\$ 000s)	Note	Three months <b>2022</b>	2021	Six months <b>2022</b>	2021
<b>Operating activities</b>					
Net earnings		<b>33,544</b>	157,354	<b>44,063</b>	155,670
Items not affecting cash					
Deferred income taxes expense		<b>8,755</b>	47,149	<b>13,079</b>	46,565
Share-option compensation		<b>479</b>	251	<b>753</b>	544
Investment income		<b>(42)</b>	(18)	<b>(56)</b>	(24)
Finance costs		<b>5,021</b>	7,709	<b>10,214</b>	15,410
Unrealized loss on risk management contracts	12	<b>(3,675)</b>	5,070	<b>5,435</b>	9,920
Deferred consideration		<b>(309)</b>	(321)	<b>(604)</b>	(607)
Depletion and depreciation	3	<b>22,791</b>	17,333	<b>45,325</b>	32,645
Government grant in-kind	14	<b>(937)</b>	(1,339)	<b>(1,612)</b>	(3,422)
Impairment (reversal of impairment)		-	(203,197)	-	(203,197)
Decommissioning expenditures		<b>(2,122)</b>	(1,480)	<b>(3,171)</b>	(2,542)
Interest paid	11	<b>(5,111)</b>	(6,057)	<b>(7,675)</b>	(12,277)
Changes in non-cash working capital accounts	11	<b>(87)</b>	(3,580)	<b>(6,502)</b>	(5,066)
<b>Cash provided by operating activities</b>		<b>58,307</b>	18,874	<b>99,249</b>	33,619
<b>Financing activities</b>					
Decrease of bank debt		<b>(26,908)</b>	5,456	<b>(51,469)</b>	(7,934)
Subordinated debt		-	-	-	17,000
Proceeds from warrants exercised		<b>3,069</b>	-	<b>4,270</b>	-
Stock option proceeds		<b>104</b>	69	<b>757</b>	140
<b>Cash provided by (used in) financing activities</b>		<b>(23,735)</b>	5,525	<b>(46,442)</b>	9,206
<b>Investing activities</b>					
Investment income received		<b>42</b>	18	<b>56</b>	24
Exploration and evaluation expenditures		<b>(438)</b>	(1,184)	<b>(445)</b>	(1,455)
Property, plant and equipment expenditures	3	<b>(14,068)</b>	(6,423)	<b>(46,230)</b>	(29,613)
Changes in non-cash working capital accounts	11	<b>(20,108)</b>	(16,810)	<b>(6,188)</b>	(11,781)
<b>Cash used in investing activities</b>		<b>(34,572)</b>	(24,399)	<b>(52,807)</b>	(42,825)
<b>Net change in cash in the period</b>		-	-	-	-
Cash beginning of period		-	-	-	-
<b>Cash, end of period</b>		-	-	-	-

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 9)	Share capital (Note 9)	Contributed surplus <sup>(1)</sup>	Warrants	Accumulated other comprehensive income (loss) <sup>(2)</sup>		Total shareholders' equity
					Deficit		
<b>January 1, 2021</b>	33,511,316	765,415	30,672	-	(750)	(598,704)	196,633
Share-option compensation			544				544
Exercise of options	64,915	140					140
Transfer to share capital on exercise of options		73	(73)				-
Shares issued for subordinated promissory note interest	81,079	206					206
<b>Comprehensive income</b>					238	155,670	155,908
<b>June 30, 2021</b>	33,657,310	765,834	31,143	-	(512)	(443,034)	353,431
Share-option compensation			551				551
Shares issued for subordinated promissory note interest	37,817	208					208
Exercise of options	118,825	238					238
Transfer to share capital on exercise of options		95	(95)				-
Issuance of warrants				9,810			9,810
Deferred tax on issuance of warrants				(2,259)			(2,259)
Share issue costs net of tax		(241)		(286)			(527)
Issuance of flow through shares	1,187,000	7,003					7,003
Premium on flow through shares		(356)					(356)
<b>Comprehensive income</b>					291	23,629	23,920
<b>December 31, 2021</b>	35,000,952	772,781	31,599	7,265	(221)	(419,405)	392,019
Share-option compensation			753				753
Exercise of options	601,282	757					757
Transfer to share capital on exercise of options		502	(502)				-
Exercise of warrants	551,000	4,270					4,270
Transfer to share capital on exercise of warrants		1,212		(1,212)			-
<b>Comprehensive income</b>					791	44,063	44,854
<b>June 30, 2022</b>	36,153,234	779,522	31,850	6,053	570	(375,342)	442,653

<sup>(1)</sup> All amounts reported in Contributed Surplus relate to share-option compensation.

<sup>(2)</sup> Accumulated other comprehensive income is comprised of unrealized gains and losses on investments fair value through other comprehensive income.

See accompanying notes to these condensed financial statements.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022 and June 30, 2021 (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, 1015-4<sup>th</sup> Street SW, Calgary, Alberta, Canada, T2R 1J4.

Bonterra operates in one industry and has only one reportable segment which is 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 August 9, 2022.

### 2. BASIS OF PREPARATION AND FUTURE OPERATIONS

#### 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 2021 audited annual financial statements, except 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 2021 audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

### 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, 2021	1,508,050	390,725	2,310	1,901,085
Additions	31,308	14,794	128	46,230
Adjustment to decommissioning liabilities	(29,284)	-	-	(29,284)
<b>Balance at June 30, 2022</b>	<b>1,510,074</b>	<b>405,519</b>	<b>2,438</b>	<b>1,918,031</b>
Accumulated depletion and depreciation (\$ 000s)	Oil and gas properties	Production facilities	Furniture fixtures & other equipment	Total property plant & equipment
Balance at December 31, 2021	(815,411)	(180,912)	(1,912)	(998,235)
Depletion and depreciation	(37,350)	(7,932)	(43)	(45,325)
Disposal and other	48	-	-	48
<b>Balance at June 30, 2022</b>	<b>(852,713)</b>	<b>(188,844)</b>	<b>(1,955)</b>	<b>(1,043,512)</b>
<b>Carrying amounts as at:</b> (\$ 000s)				
December 31, 2021	692,639	209,813	398	902,850
<b>June 30, 2022</b>	<b>657,361</b>	<b>216,675</b>	<b>483</b>	<b>874,519</b>

There were no indicators of impairment losses or reversals identified for the six months ended June 30, 2022.

At June 30, 2021 the Company identified indicators of an impairment reversal due to increased forward commodity prices and an increase in the Company's market capitalization since the impairment loss recognized as at March 31, 2020. As a result, recovery testing was performed by preparing estimates of future cash flows to determine the recoverable amount of the respective assets.

At June 30, 2021 the Company determined that the recoverable amount of the Company's Alberta CGU exceeded its carrying value. A total impairment recovery of \$203,197,000 was recognized in the Company's PP&E.

Impairment can be reversed for PP&E up to the lower of the recoverable amount or the original carrying value less any associated depletion and depreciation that would have been incurred had the impairment not occurred. Goodwill impairment cannot be reversed.

#### **4. BANK DEBT**

As at June 30, 2022, the Company has a total bank facility of \$155,000,000 (December 31, 2021 - \$210,000,000), comprised of a \$140,000,000 syndicated revolving credit facility, and a \$15,000,000 non-syndicated revolving credit facility. The amount drawn under the total bank facility at June 30, 2022 was \$111,476,000 (December 31, 2021 - \$162,945,000). The amounts borrowed under the total bank facility bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 2.00 percent and 7.00 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 total revolving bank facility provide that the loan facility is revolving to November 29, 2022. The Company has committed to making four monthly step-down commitments of \$10 million between July 31, 2022 and concluding on October 31, 2022. The loan reductions will be applied to reduce the amount available under the syndicated revolving credit facility.

The amount available for borrowing under the bank facility is reduced by outstanding letters of credit. Letters of credit totaling \$1,445,000 were issued as at June 30, 2022 (December 31, 2021 - \$1,445,000). Security for the bank facility consists of various floating demand debentures totaling \$750,000,000 (December 31, 2021 - \$750,000,000) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

As at June 30, 2022, Bonterra was in compliance with all financial covenants on its total bank facility.

Under the Company's current credit agreement, it is restricted from making any payment of dividend distributions. In addition, the Company is also limited to expenditures on an annual basis which cannot:

- exceed 110 percent or be less than 90 percent of the forecasted decommissioning expenditures settled; and
- exceed 120 percent of forecasted capital expenditures.

#### **5. SUBORDINATED DEBT**

As at June 30, 2022, Bonterra had \$47,261,000 (December 31, 2021 - \$47,268,000) outstanding on a second lien non-revolving term facility due November 13, 2024 from the Business Development Bank of Canada (the "BDC"), through the Business Credit Availability Program (the "BCAP"). The amount drawn under the BCAP facility as at June 30, 2022 was \$45,000,000 (December 31, 2021 - \$45,000,000). Interest owing of \$2,261,000 under the BCAP facility is accrued and added to the principal at five percent for the first year from the effective date of November 13, 2020. Thereafter interest will be paid monthly at an interest rate calculated as the greater of the revolving bank facility rate plus 1.00 percent or a fixed interest rate of 6.00 percent, increasing by 1.00 percent in each of the subsequent years. Security consists of a floating demand debenture over all of the Company's assets and is subordinated to all claims in favor of the syndicate of senior lenders providing credit facilities to the Company. Interest accrued on the BCAP facility during the first six months of 2022 was \$nil (June 30, 2021 - \$1,080,000). Interest paid in the first six months of 2022 was \$1,399,000 (June 30, 2021 - \$nil).

## 6. SUBORDINATED DEBENTURES

As at June 30, 2022 the Company has a total of 59,000 senior unsecured subordinated debenture units outstanding. Each Unit is comprised of: (i) one senior unsecured debenture with a par value of \$1,000 per note and bearing interest at 9.0 percent per annum, payable semi-annually; and (ii) 56 common share purchase warrants of Bonterra ("Warrants"). The debentures mature on October 20, 2025 and all or a portion of the principal amount outstanding can be repaid without penalty after October 20, 2024, however, all interest owing to the maturity date must be paid. A total of 3,304,000 Warrants were issued, entitling the holder to purchase one Common Share of Bonterra for each Warrant at a price of \$7.75, until October 20, 2025. Interest paid in the first six months of 2022 was \$2,655,000 (June 30, 2021 - \$nil).

The unsecured subordinated debentures were determined to be a compound instrument with a debt and equity component. The fair value of the debt component of the \$59,000,000 in debentures were determined on issuance to be 15.6 percent using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to Warrants and issue costs. The value of the debt will accrete up to the principal balance at maturity. For more information about Warrants please see Note 9.

## 7. DECOMMISSIONING LIABILITIES

At June 30, 2022, the estimated total uninflated and undiscounted amount required to settle the decommissioning liabilities was \$152,670,000 (December 31, 2021- \$153,061,000). The provision has been calculated assuming a 2.0 percent inflation rate (December 31, 2021 – 2.0 percent inflation rate). These obligations will be settled at the end of the useful lives of the underlying assets, which extend up to 50 years into the future. This amount has been discounted using a risk-free interest rate of 3.13 percent (December 31, 2021 – 2.30 percent).

(\$ 000s)	June 30, 2021	December 31, 2021
<b>Decommissioning liabilities, January 1</b>	<b>135,815</b>	137,002
Changes in estimate	(29,284)	5,980
Liabilities settled during the period	(5,289)	(4,496)
Government grant in-kind (Note 14)	(1,612)	(5,901)
Accretion on decommissioning liabilities	1,418	3,230
<b>Decommissioning liabilities, end of period</b>	<b>101,048</b>	135,815

## 8. 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	65,759
Share issue costs	20	2,051
Canadian oil and gas property expenditures	10	68,002
Canadian development expenditures	30	105,518
Canadian exploration expenditures	100	8,587
Federal income tax losses carried forward <sup>(1)</sup>	100	10,767
		260,684

<sup>(1)</sup> Federal income tax losses carried forward expire in 2040.

The Company has \$8,861,000 (December 31, 2021 - \$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; 2034 - \$99,000; and 2037 - \$26,000.

The Company has \$64,725,000 (December 31, 2021 - \$64,725,000) of capital losses carried forward which can only be claimed against taxable capital gains.

## 9. SHAREHOLDERS' EQUITY

Authorized

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

	Number	Amount (\$ 000s)
Issued and fully paid - common shares		
Balance, December 31, 2021	35,000,952	772,781
Issued pursuant to the Company's share option plan	601,282	757
Transfer from contributed surplus to share capital		502
Issued pursuant to the exercise of warrants	551,000	4,270
Transfer from warrants to share capital		1,212
Balance, June 30, 2022	36,153,234	779,522

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 six months ended June 30, 2022, are as follows:

	Three Months		Six Months	
	2022	2021	2022	2021
Basic shares outstanding	35,997,199	33,618,311	35,589,564	33,612,575
Dilutive effect of share options <sup>(1)</sup>	2,146,375	958,585	2,053,483	744,236
Diluted shares outstanding	38,143,574	34,576,896	37,643,047	34,356,811

<sup>(1)</sup> The Company did not include 699,350 share-options and warrants for the three months ended June 30, 2022 (June 30, 2021 – 75,400) and 1,020,000 share-options and warrants for the six months ended June 30, 2022 (June 30, 2021 – 32,900) in the dilutive effect of share-options and warrants calculations as these were anti-dilutive.

### Warrants

A summary of the status of warrants issued by the Company as of June 30, 2022 and changes during the period are presented below:

	Number of warrants	Weighted exercise price
At December 31, 2021	3,304,000	\$7.75
Warrants exercised	(551,000)	7.75
At June 30, 2022	2,753,000	\$7.75

The Warrants issued entitle the holder to purchase one Common Share of Bonterra for each Warrant at a price of \$7.75, until October 20, 2025.

### Options

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 3,615,323 (December 31, 2021 – 3,500,095 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 June 30, 2022 and changes during the period are presented below:

	Number of options	Weighted average exercise price
At December 31, 2021	2,261,600	\$2.56
Options granted	1,010,000	9.15
Options exercised <sup>(1)</sup>	(706,750)	2.56
Options forfeited	(2,500)	3.14
Options expired	(4,000)	13.97
<b>At June 30, 2022</b>	<b>2,558,350</b>	<b>\$5.15</b>

<sup>(1)</sup> 364,250 options were exercised under the cashless option method, which resulted in 258,782 shares being issued in which the Company received no proceeds.

The following table summarizes information about options outstanding and exercisable as at June 30, 2022:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted-average remaining contractual life	Weighted- average exercise price	Number exercisable	Weighted- average exercise price
\$ 1.00 - \$ 5.00	1,493,350	0.8 years	\$ 2.33	1,243,850	\$ 2.09
5.01 - 10.00	1,010,000	4.5 years	8.85	35,000	5.78
10.01 - 20.00	55,000	2.4 years	13.58	10,000	19.28
<b>\$ 1.00 - \$ 20.00</b>	<b>2,558,350</b>	<b>2.3 years</b>	<b>\$ 5.15</b>	<b>1,288,850</b>	<b>\$ 2.33</b>

The Company records compensation expense over the vesting period, which ranges between one and three years, based on the fair value of options granted to directors, officers and employees. In 2022, the Company granted 1,010,000 options with an estimated fair value of \$3,767,000 or \$3.73 per option using the Black-Scholes option pricing model with the following key assumptions:

	<b>June 30, 2022</b>
Weighted-average risk free interest rate (%) <sup>(1)</sup>	<b>1.60</b>
Weighted-average expected life (years)	<b>2.0</b>
Weighted-average volatility (%) <sup>(2)</sup>	<b>79.00</b>
Forfeiture rate (%)	<b>7.40</b>
Weighted average dividend yield (%)	<b>1.32</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

**10. OIL AND GAS SALES, NET OF ROYALTIES**

(\$ 000s)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Oil and gas sales				
Crude oil	<b>88,080</b>	47,948	<b>161,176</b>	85,934
Natural gas liquids	<b>8,086</b>	3,225	<b>13,738</b>	6,510
Natural gas	<b>20,508</b>	7,990	<b>33,302</b>	15,513
	<b>116,674</b>	59,163	<b>208,216</b>	107,957
Less royalties:				
Crown	<b>(12,673)</b>	(3,470)	<b>(19,363)</b>	(5,332)
Freehold, gross overriding royalties and other	<b>(5,287)</b>	(2,560)	<b>(9,257)</b>	(4,484)
	<b>(17,960)</b>	(6,030)	<b>(28,620)</b>	(9,816)
Oil and gas sales, net of royalties	<b>98,714</b>	53,133	<b>179,596</b>	98,141

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

(\$ 000s)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Change in non-cash working capital:				
Accounts receivable	<b>(1,623)</b>	(1,412)	<b>(14,182)</b>	(10,055)
Crude oil inventory	<b>(40)</b>	33	<b>(103)</b>	(57)
Prepaid expenses	<b>(1,056)</b>	(1,011)	<b>(1,337)</b>	(1,164)
Abandonment deposit	<b>(2,118)</b>	-	<b>(2,118)</b>	-
Accounts payable and accrued liabilities	<b>(15,358)</b>	(18,000)	<b>5,050</b>	(5,571)
	<b>(20,195)</b>	(20,390)	<b>(12,690)</b>	(16,847)
Changes related to:				
Operating activities	<b>(87)</b>	(3,580)	<b>(6,502)</b>	(5,066)
Investing activities	<b>(20,108)</b>	(16,810)	<b>(6,188)</b>	(11,781)
	<b>(20,195)</b>	(20,390)	<b>(12,690)</b>	(16,847)

**Finance expense**

(\$ 000s)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest expense:				
Bank and subordinated debt	<b>2,450</b>	6,628	<b>5,014</b>	13,284
Due to related party	-	173	-	342
Subordinated debenture	<b>1,327</b>	-	<b>2,655</b>	-
Subordinated promissory note	-	103	-	205
	<b>3,777</b>	6,904	<b>7,669</b>	13,831
Accretion:				
Decommissioning liabilities	<b>634</b>	805	<b>1,418</b>	1,579
Subordinated debentures	<b>610</b>	-	<b>1,127</b>	-
	<b>1,244</b>	805	<b>2,545</b>	1,579
Total finance costs	<b>5,021</b>	7,709	<b>10,214</b>	15,410
Interest expense	<b>3,777</b>	6,904	<b>7,669</b>	13,831
Interest accrued	<b>1,334</b>	(847)	<b>6</b>	(1,554)
Interest paid	<b>5,111</b>	6,057	<b>7,675</b>	12,277

## 12. FINANCIAL RISK MANAGEMENT

### Financial Risk Factors

The Company undertakes transactions in a range of financial instruments including:

- Accounts receivable
- Accounts payable and accrued liabilities
- Common share investments
- Bank debt
- Subordinated debt
- Subordinated debentures

The Company's activities result in exposure to a number of financial risks including market risk (commodity price risk, interest rate risk, and foreign exchange risk), credit risk, liquidity risk and equity price risk.

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.

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. The Company does not speculatively trade in risk management contracts. The Company's risk management contracts are entered into in order to manage the risks relating to commodity prices from its business activities.

### Liquidity Risk Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial performance and position are largely dependent on the commodity prices received for its oil and natural gas production. Commodity prices have fluctuated widely in recent years due to the COVID-19 pandemic, crude oil inventory levels, domestic infrastructure constraints, global economic and geopolitical factors. The Company continues to retain available committed borrowing capacity that provides the Company with financial flexibility and the ability to meet ongoing obligations as they become due.

After examining the economic factors that are causing the liquidity risk facing the Company, the judgment applied to these factors, and the various initiatives that the Company has and will undertake to strengthen its financial position, the Company believes it will have sufficient liquidity to support its ongoing operations and meet its financial obligations as they come due for at least the next twelve months. There can be no assurance that the next borrowing base redetermination will not result in a borrowing base shortfall, and that the necessary funds or additional security will be available to eliminate the shortfall. Upon receipt of notice from the lenders, the shortfall would have to be remedied within 30 days or by such other means as acceptable to the lenders.

### Credit Risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and cause the Company to incur a financial loss. The Company is exposed to credit risk on all financial assets included on the statement of financial position. To help mitigate this risk:

- The Company only enters into material agreements with credit worthy counterparties. These include major oil and gas companies or major Canadian chartered banks; and
- Agreements for product sales are primarily on 30-day renewal terms. Of the \$38,397,000 accounts receivable balance at June 30, 2022 (December 31, 2021 - \$24,215,000) over 96 percent (December 31, 2021 – 89 percent) relate to product sales or risk management contracts with national and international banks and oil and gas companies.

On a quarterly basis, the Company assesses if there has been any impairment of the financial assets of the Company. During the six months ended June 30, 2022, there was no material impairment provision required on any of the financial assets of the Company. The Company does have credit risk exposure, as the majority of the Company's accounts receivable are with counterparties having similar characteristics. However, payments from the Company's largest accounts receivable counterparties have consistently been received within 30 days and the sales agreements with these parties are cancellable with 30 days' notice if payments are not received.

At June 30, 2022, approximately \$204,000 or 0.6 percent of the Company's total accounts receivable are aged over 90 days and considered past due (December 31, 2021 - \$459,000 or 1.9 percent). The majority of these accounts are due from various joint venture partners. The Company actively monitors past due accounts and takes the necessary actions to expedite collection, which can include withholding production or netting payables when the accounts are with joint venture partners. Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectable, the account is written off with a corresponding charge to the allowance account. The Company's allowance for doubtful accounts balance at June 30, 2022 is \$1,234,000 (December 31, 2021 - \$1,287,000) with the expense being included in general and administrative expenses. There were no material accounts written off during the period.

The maximum exposure to credit risk is represented by the carrying amounts of accounts receivable. There are no material financial assets that the Company considers past due.

### **Capital Risk Management**

The Company's objectives when managing capital, which the Company defines to include shareholders' equity, debt and working capital balances, are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders and to maintain a capital structure that provides a low cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the current debt structure and/or issue common shares.

The Company monitors capital based on the ratio of net debt (total debt adjusted for working capital) to cash flow from operating activities. This ratio is calculated using each quarter end net debt divided by the preceding twelve months' cash flow. During the current period, the Company had a net debt to cash flow level of 1.3:1 compared to 2.8:1 as at December 31, 2021. The improvement in Bonterra's net debt to cash flow ratio is primarily due to an increase in cash flow from increasing commodity prices and production. The net debt to cash flow ratio is expected to continue to improve in subsequent quarters due to the Company's focus on debt reduction paired with improved commodity prices, increased production and having approximately 30 percent of Bonterra's forecasted oil and natural gas production hedged over the next 12 months.

Section (a) of this note provides the Company's debt to cash flow from operations.

Section (b) addresses in more detail the key financial risk factors that arise from the Company's activities including its policies for managing these risks.



a) Net debt to cash flow ratio

The net debt and cash flow amounts are as follows:

(\$ 000s)	June 30, 2022	December 31, 2021
Bank debt <sup>(1)</sup>	111,476	162,945
Subordinated debt	47,261	47,268
Subordinated debentures	48,487	47,359
Current liabilities	51,033	40,920
Current assets	(46,973)	(31,313)
Net debt	211,284	267,179
Cash flow from operations (preceding twelve months)	161,733	96,103
Net debt to cash flow ratio	1.3	2.8

<sup>(1)</sup> Bank debt is classified as a current liability.

b) Risks and mitigation

Market risk is the risk that the fair value or future cash flow of the Company's financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are discussed below.

**Commodity Price Risk**

The Company's principal operation is the production and sale of crude oil, natural gas and natural gas liquids. Fluctuations in prices of these commodities directly impact the Company's performance and ability to continue with its dividends.

The Company has used various risk management contracts to set price parameters for a portion of its production. The Company has assumed the risk in respect of commodity prices, except for a small portion of physical delivery sales and risk management contracts to manage commodity risk on the Company's higher operating cost areas.

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 a risk management program approved by the Board of Directors.

## 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. As of June 30, 2022, the Company has the following physical delivery sales contracts in place.

Product	Type of contract	Volume	Term	Contract price (\$)
Oil	Physical collar - WTI <sup>(1)</sup>	500 BBL/day	Jul 1, 2022 to Sept 30, 2022	48.00 to 77.20 USD/BBL
Oil	Physical collar - WTI <sup>(1)</sup>	500 BBL/day	Oct 1, 2022 to Dec 31, 2022	48.00 to 77.00 USD/BBL
Oil	Physical collar - WTI <sup>(1)</sup>	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	65.00 to 86.00 USD/BBL
Oil	Physical collar - WTI <sup>(1)</sup>	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	70.00 to 100.00 USD/BBL
Oil	Physical collar - WTI <sup>(1)</sup>	500 BBL/day	Apr 1, 2023 to Jun 30, 2023	80.00 to 102.25 USD/BBL
Oil	Fixed price - MSW differential <sup>(2)(3)</sup>	500 BBL/day	Jul 1, 2022 to Sept 30, 2022	(4.65) USD/BBL
Oil	Fixed price - MSW differential <sup>(2)(3)</sup>	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	(4.50) USD/BBL
Gas	Physical collar - AECO Monthly <sup>(5)</sup>	5,000 GJ/day	Jul 1, 2022 to Sep 30, 2022	2.50 to 3.15 CAD/GJ
Gas	Fixed Price -AECO Daily <sup>(4)</sup>	2,500 GJ/day	Jul 1, 2022 to Sep 30, 2022	3.18 CAD/GJ
Gas	Fixed Price -AECO Daily <sup>(4)</sup>	2,500 GJ/day	Nov 1, 2021 to Oct 31, 2022	4.10 CAD/GJ
Gas	Fixed Price -AECO Daily <sup>(4)</sup>	5,000 GJ/day	Oct 1, 2022 to Dec 31, 2022	3.32 CAD/GJ
Gas	Fixed Price -AECO Daily <sup>(4)</sup>	5,000 GJ/day	Apr 1, 2023 to Jun 30, 2023	4.28 CAD/GJ
Gas	Physical collar - AECO Monthly <sup>(5)</sup>	4,000 GJ/day	Oct 1, 2022 to Dec 31, 2022	3.00 to 3.63 CAD/GJ
Gas	Physical collar - AECO Monthly <sup>(5)</sup>	2,500 GJ/day	Apr 1, 2022 to Oct 31, 2022	3.50 to 4.15 CAD/GJ
Gas	Physical collar - AECO Monthly <sup>(5)</sup>	5,000 GJ/day	Jan 1, 2023 to Mar 31, 2023	4.00 to 4.55 CAD/GJ

<sup>(1)</sup> "WTI" refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States.

<sup>(2)</sup> "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.

<sup>(3)</sup> "MSW differential" is the primary difference between WTI and MSW steam index benchmark pricing.

<sup>(4)</sup> "AECO Daily" refers to a grade or heating content of natural gas used as daily index benchmark pricing in Alberta, Canada.

<sup>(5)</sup> "AECO Monthly" refers to a grade or heating content of natural gas used as monthly index benchmark pricing in Alberta, Canada.

## Risk Management Contracts

(\$ 000s)	Three months		Six months	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Risk management contracts				
Realized loss	(6,036)	(3,910)	(12,530)	(5,876)
Unrealized loss	3,675	(5,070)	(5,435)	(9,920)
	(2,361)	(8,980)	(17,965)	(15,796)

The Company also enters into financial derivative instruments or risk management contracts to manage commodity price risk. These contracts are not considered normal executory sales contracts and are recorded at fair value in the financial statements. The Company has entered into the following risk management contracts during the period ended June 30, 2022.

Product	Type of contract	Volume	Term	Contract price (\$)
Oil	Financial collar -WTI	1,000 BBL/day	Jul 1, 2022 to Sept 30, 2022	48.00 to 75.75 USD/BBL
Oil	Financial collar -WTI	600 BBL/day	Jul 1, 2022 to Sept 30, 2022	48.00 to 81.60 USD/BBL
Oil	Financial collar -WTI	1000 BBL/day	Oct 1, 2022 to Dec 31, 2022	60.00 to 81.25 USD/BBL
Oil	Financial collar -WTI	500 BBL/day	Oct 1, 2022 to Dec 31, 2022	48.00 to 81.25 USD/BBL
Oil	Financial collar -WTI	200 BBL/day	Oct 1, 2022 to Dec 31, 2022	55.00 to 78.45 USD/BBL
Oil	Financial collar -WTI	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	60.00 to 88.00 USD/BBL
Oil	Financial collar -WTI	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	65.00 to 89.45 USD/BBL
Oil	Financial collar -WTI	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	65.00 to 100.00 USD/BBL
Oil	Financial collar -WTI	500 BBL/day	Apr 1, 2023 to Jun 30, 2023	70.00 to 100.00 USD/BBL
Oil	Financial collar -WTI	1,000 BBL/day	Apr 1, 2023 to Jun 30, 2023	75.00 to 101.00 USD/BBL
Oil	Financial collar -WTI	250 BBL/day	Apr 1, 2023 to Jun 30, 2023	75.00 to 103.30 USD/BBL
Oil	Fixed price - MSW differential	1,000 BBL/day	Jul 1, 2022 to Sept 30, 2022	(5.90) CAD/BBL
Oil	Fixed price - MSW differential	600 BBL/day	Jul 1, 2022 to Sept 30, 2022	(4.65) USD/BBL
Oil	Fixed price - MSW differential	1000 BBL/day	Oct 1, 2022 to Dec 31, 2022	(6.05) CAD/BBL
Oil	Fixed price - MSW differential	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	(4.40) USD/BBL
Oil	Fixed price - MSW differential	500 BBL/day	Jan 1, 2023 to Mar 31, 2023	(4.20) USD/BBL
Gas	Financial collar - AECO Monthly	4,000 GJ/day	Jan 1, 2023 to Mar 31, 2023	4.50 to 5.00 CAD/GJ
Gas	Fixed Price - AECO Monthly	5,000 GJ/day	Apr 1, 2023 to Jun 30, 2023	4.30 CAD/GJ

Subsequent to June 30, 2022, the Company entered into the following risk management contract.

Product	Type of contract	Volume	Term	Contract price (\$)
Oil	Fixed price - MSW differential	500 BBL/day	Oct 1, 2022 to Jun 30, 2023	(4.95) USD/BBL

### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Company uses. The principal exposure of the Company is on its borrowings which have a variable interest rate which gives rise to a cash flow interest rate risk.

As of June 30, 2022, the Company's debt facilities consist of a \$140,000,000 syndicated revolving credit facility, and a \$15,000,000 non-syndicated revolving credit facility, \$47,000,000 subordinated debt and \$59,000,000 in senior unsecured subordinated debentures. The borrowings under the total bank facilities are at bank prime plus or minus various percentages as well as by means of banker's acceptances ("BAs") within the Company's credit facility. Subordinated debt is at the greater of six percent and increases by one percent in subsequent years or the revolving bank facility rate plus one percent. The subordinated debentures are at a fixed interest rate of nine percent. The Company manages its exposure to interest rate risk on its floating interest rate debt through entering into various term lengths on its BAs but in no circumstances do the terms exceed six months.

### Sensitivity Analysis

Based on historic movements and volatilities in the interest rate markets and management's current assessment of the financial markets, the Company believes that a one percent variation in the Canadian prime interest rate is reasonably possible over a 12 month period.

A one percent increase (decrease) in the Canadian prime rate would decrease (increase) both annual net earnings and comprehensive income by \$1,222,000.

### Equity Price Risk

Equity price risk refers to the risk that the fair value of the investments and investment in related party will fluctuate due to changes in equity markets. Equity price risk arises from the realizable value of the investments that the Company holds which are subject to variable equity market prices which on disposition gives rise to a cash flow equity price risk. The Company will assume full risk in respect of equity price fluctuations.

### Foreign Exchange Risk

The Company has no foreign operations and currently sells all of its product sales in Canadian currency. The Company however is exposed to currency risk in that crude oil is priced in US currency, then converted to Canadian currency. The Company currently has no outstanding risk management agreements. The Company will assume full risk in respect of foreign exchange fluctuations.

## 13. COMMITMENTS AND FINANCIAL LIABILITIES

The Company has the following maturity schedule for its financial liabilities and commitments:

(\$ 000s)	Recognized on					Total
	Financial Statements	Less than 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	
Accounts payable and accrued liabilities	Yes - Liability	39,888	-	-	-	39,888
Bank Debt	Yes - Liability	111,476	-	-	-	111,476
Subordinated debt <sup>(1)</sup>	Yes - Liability	-	47,029	-	-	47,029
Subordinated debentures <sup>(1)</sup>	Yes - Liability	-	-	59,000	-	59,000
Future interest	No	8,426	15,617	1,549	-	25,591
Firm service commitments	No	822	1,167	615	199	2,803
Office lease commitments	No	512	967	707	-	2,186
<b>Total</b>		<b>161,124</b>	<b>64,780</b>	<b>61,871</b>	<b>199</b>	<b>287,973</b>

<sup>(1)</sup> Principal amount.

The Company has entered into firm service gas transportation agreements in which the Company guarantees certain minimum volumes of natural gas will be shipped on various gas transportation systems. The terms of the various agreements expire in one to seven years. The future minimum payment amounts for the firm service gas transportation agreements are calculated using current tariff rates.

The Company also has non-cancellable office lease commitments for building and office equipment. The building and office equipment leases have an average remaining life of 4.4 years.

#### **14. GOVERNMENT GRANTS**

The Government of Alberta's Site Rehabilitation Program ("SRP") provides grant funding through service providers to abandon or remediate oil and gas sites. The Company derecognized approximately \$1,612,000 of asset retirement obligations as an in-kind grant (June 30, 2021 - \$3,422,000). The benefit of the in-kind grant is recognized through other income.

## **Corporate Information**

### **Board of Directors**

D. Michael G. Stewart - Chair

John J. Campbell

George F. Fink

Stacey E. McDonald

Jacqueline R. Ricci

Rodger A. Tourigny

### **Officers**

George F. Fink, CEO

Robb D. Thompson, CFO and Corporate Secretary

Adrian Neumann, Chief Operating Officer

Brad 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

Export Development Bank

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