BONTERRA ENERGY REPORTS SECOND QUARTER 2024 FINANCIAL AND OPERATING RESULTS

HIGHLIGHTS

As at and for the periods ended ($ 000s except for $ per share and $ per BOE)		Three months ended **June 30, 2024**	Three months ended June 30, 2023	Six months ended **June 30, 2024**	Six months ended June 30, 2023
FINANCIAL					
Revenue - realized oil and gas sales		**72,465**	75,606	**141,054**	152,869
Funds flow [(1)]		**31,484**	34,799	**58,502**	64,141
Per share - basic		**0.84**	0.94	**1.57**	1.73
Per share - diluted		**0.84**	0.93	**1.57**	1.72
Cash flow from operations		**33,180**	33,854	**54,834**	57,872
Per share - basic		**0.89**	0.91	**1.47**	1.56
Per share - diluted		**0.89**	0.91	**1.47**	1.55
Net earnings		**7,310**	8,844	**8,158**	16,484
Per share - basic		**0.20**	0.24	**0.22**	0.44
Per share - diluted		**0.20**	0.24	**0.22**	0.44
Capital expenditures		**21,619**	16,116	**54,543**	76,339
Oil and gas property acquisition[(2)]		**-**	-	**24,234**	-
Total assets				**984,065**	962,021
Net debt[(3)]				**172,622**	173,299
Bank debt				**41,889**	35,506
Shareholders' equity				**537,498**	498,449
OPERATIONS					
Light oil	-bbl per day	**6,571**	7,282	**6,596**	7,175
	-average price ($ per bbl)	**102.09**	93.21	**95.50**	94.44
NGLs	-bbl per day	**1,418**	1,248	**1,443**	1,202
	-average price ($ per bbl)	**45.08**	43.97	**45.58**	49.02
Conventional natural gas	- MCF per day	**37,519**	32,286	**37,057**	31,869
	- average price ($ per MCF)	**1.64**	3.01	**2.14**	3.39
Total BOE per day [(4)]		**14,242**	13,911	**14,216**	13,689

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

(2) On March 1, 2024, the Company acquired the Charlie Lake Assets for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, including closing adjustments. The Charlie Lake Assets has been accounted for as an asset acquisition, which resulted in an increase of $24.2 million in PP&E and the assumption of $0.3 million in decommissioning liabilities.

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

(4) 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

I am pleased to update our shareholders with highlights of the operating and financial results generated by Bonterra Energy Corp. ("Bonterra" or the "Company") during the first six months of 2024.

As Bonterra continued to pursue the profitable development of our high-quality, light oil weighted asset base through the first half of 2024, Q2 2024 represents another successful period during which we met all key performance targets. Production in the quarter averaged 14,242 BOE per day, two percent higher than Q2 2023, despite approximately 650 BOE per day being shut-in due to gas plant turnarounds. The quarterly volume growth reflects a combination of our capital efficient 2024 drilling program and incremental volumes from the strategic Charlie Lake asset acquisition along with the tie-in of our first Montney well. In addition, Q2 2024 represents the 13th consecutive period of positive net income, demonstrating our commitment to delivering full-cycle profitability.

I believe Bonterra is uniquely positioned within the junior E&P sector, having recently added two high-performing light oil plays to its portfolio at attractive entry costs. Today, Bonterra is more sustainable than at any point in its history, with over 450 drilling locations across the Cardium, Charlie Lake and Montney areas, with expected improved free funds flow profile driven by stronger capital efficiencies.

Q2 Financial and Operating Snapshot

- **Production** averaged 14,242 BOE per day in Q2 2024, in line with the previous quarter, supported by volumes brought online from new wells drilled in Q1 2024 despite approximately 650 BOE per day being shut-in due to our planned major gas plant turnarounds. The Company continues to estimate annual production will remain within previously announced 2024 production guidance of 13,800 to 14,200 BOE per day[1].

- **Funds flow** totaled $31.5 million ($0.84 per fully diluted share) in Q2 2024, 17 percent higher than the $27.0 million ($0.72 per fully diluted share) generated in Q1 2024, reflecting higher realized oil and gas sales of $72.5 million which benefitted from a 15 percent increase in crude oil prices over the previous quarter, along with lower production costs.

- **Field netbacks** averaged $32.05 per BOE in Q2 2024, while cash netbacks averaged $24.29 per BOE in the period, with the impact of stronger crude oil pricing and decreased production costs partially offset by higher royalty costs and lower realized natural gas prices compared to the previous quarter.

- **Production costs** averaged $16.18 per BOE in Q2 2024, a ten percent decrease over Q1 2024 and four percent lower than Q2 2023. This was achieved primarily due to lower levels of well maintenance occurring during spring break-up along with a decrease in power rates, which declined 51 percent in the first half of 2024 compared to the same period in 2023.

- **Capital expenditures** for the first six months of 2024 totaled $54.5 million ($21.6 million during Q2 2024), with $39.1 million directed to drilling 15 gross (14.2 net) operated wells and completing, equipping, tying-in and placing on production 15 gross (14.0 net) operated wells, of which four gross (3.6 net) of those wells were drilled in Q4 2023. The remaining four gross (3.8 net) operated wells were brought on during the second quarter; while $15.4 million was invested in infrastructure, recompletions and to drill, complete and equip a water disposal well in the Montney area.

- **Successfully integrated** the new Charlie Lake asset that was acquired during Q1 2024, with two (1.8 net) of Bonterra's 15 operated wells being located within the Charlie Lake area, having an average gross drilling cost of $2.4 million per well. These wells were completed in July 2024 and are currently at the initial stage of flow back.

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

- **Net debt** totaled $172.6 million at quarter-end, a five percent decrease from Q1 2024, and $0.7 million lower than June 30, 2023, primarily due to a 29 percent reduction in capital expenditures in the first six months of 2024 compared to 2023, partially offset by the $23.6 million cash consideration for the Charlie Lake asset acquisition, which contributed to a net debt to EBITDA ratio of 1.0 times at the end of Q2 2024.
  - On April 30, 2024, Bonterra completed the renewal of its $110 million bank facility, which is structured as a normal course, reserve-based credit facility available on a revolving basis through April 30, 2025, with bi-annual borrowing base redeterminations and a maturity of April 30, 2026.
  - The Company intends to continue focusing on net debt reduction and has hedged over 30 percent of forecasted oil and natural gas production over the next nine months to protect cash flow.

Financial Strength Continues

Higher value light oil and NGL production represented 92 percent of the Company's total realized oil and gas sales in the second quarter, despite being only 56 percent of production volumes. This is attributable to a 10 percent increase in realized light oil prices over Q2 2023, and a 15 percent increase over Q1 2024. However, benefits realized from stronger oil prices were partially offset by realized natural gas prices in Q2 2024 that were 46 percent lower than Q2 2023 and 38 percent lower than the previous quarter. The Company's production costs were $16.18 per BOE, reflecting lower well maintenance costs and lower power rates during the period relative to 2023, along with a continued focus on cost controls. The combination of higher pricing and lower costs drove field and cash netbacks in Q2 2024 to average $32.05 and $24.29 per BOE, respectively, with funds flow totaling $31.5 million ($0.84 per fully diluted share) and net income remaining positive at $7.3 million, or $0.20 per diluted share.

Bonterra invested capital expenditures of $21.6 million in Q2 2024, higher than the $16.1 million invested in Q2 2023, which included placing the remaining four gross (4.0 net) operated wells on production early in the quarter. A total of $54.5 million was invested during the first six months of 2024, contributing to the execution of a solid Cardium winter drilling program that was on budget. In total, the Company invested $39.1 million to drill 15 gross (14.2 net) operated wells, and complete, equip, tie-in and place on production 15 gross (14.0 net) operated wells. In addition, $15.4 million was directed to related infrastructure, recompletions and for the drilling, completing and equipping a water disposal well that will aid in reducing water handling costs in the Montney area.

Cardium Cashflow Engine Continues to Produce

Bonterra's Cardium area continued to provide a stable cash flow engine that responded favourably to the execution of our on-budget winter drilling program during the first half of 2024. In the first six months of the year, we drilled 13 (12.4 net) wells and brought 15 (14.0 net) wells on production in the Cardium. This asset continues to be a solid, reliable and predictable source of cash flow generation for the Company, and supported the expansion of our asset mix to include the highly economic Charlie Lake and high-impact Montney plays, both of which extend our development runway for the longer-term.

Charlie Lake Coming Into Its Own

Leveraging our expertise and successes achieved at the Cardium asset, in Q2 2024, Bonterra accelerated the four-well development drilling program in the Charlie Lake area, spudding the first (the "5-20 well") and second (the "13-17 well") wells on June 1st, and June 13th. I'm pleased to confirm both wells were drilled on budget and completed, equipped and tied-in mid-July. After the first twenty days on test, early indications from the first two wells are positive, given approximately 60 percent of load fluid has been recovered, the combined net volumes totaled approximately 570 barrels per day of light oil, along with approximately 2.4 mmcf per day of raw natural gas. These flow numbers are expected to further improve as the wells continue to clean up and incremental load fluid is recovered. The third and fourth wells in the program were drilled in July and are awaiting completion, with expectations that these wells will be on production in Q4 2024.

Bonterra's development runway now boasts a highly economic drilling inventory including over 100 identified extended reach horizontal locations. We anticipate this will support a growing sustainable free funds flow profile that can be directed to further debt reduction, growth opportunities or the ultimate goal to implement a shareholder returns strategy.

Montney Well Performance & Area Infrastructure Support Second Drill

Bonterra's Montney asset is located north of Grand Prairie, Alberta (Valhalla), on a contiguous 47 sections (30,080 acres) of land with 100 percent working interest. During Q2 2024, the Company's first exploratory Montney well (the "4-3 well") was tied-into our 100%-owned, 2-16 battery and brought on production through a third-party gas plant.

The 4-3 well is performing at or above expectations. Since the beginning of August 2024, with recent optimization efforts, the well is producing approximately 700 BOE per day of raw production, including approximately 300 barrels per day of light crude oil. We believe that current area infrastructure capacity will be sufficient to support the drilling of a second Montney well from the same pad in Q4 2024. In addition, the water disposal well that was completed in Q2 2024 is expected to be tied-in by the end of August 2024, which will further control production costs as we continue development. Bonterra plans to execute a measured approach to our pace of development in the Montney that aligns with available infrastructure, egress and capital availability.

Where We Go From Here

Bonterra is pleased to reiterate our previously announced 2024 annual guidance targeting 13,800 to 14,200 BOE per day average production, stemming from a $90 million to $100 million 2024 capital expenditure budget.

With the integration of our Charlie Lake assets complete, we are directing internal resources towards efficient capital deployment, targeting further production growth, asset optimization and free cash flow generation. The future of Bonterra is well defined in the continued development of our three core asset areas in the Cardium, Charlie Lake and Montney. Further, we remain committed to capital efficient production increases, ongoing debt repayment and ultimately, to implement our shareholder returns strategy.

As we move into the second half of 2024, Bonterra will continue to prioritize the responsible, safe and efficient execution of our business strategy. We are excited to build on the strong momentum we have established to date in 2024, and to further advance the creation of sustainable, long-term value for our shareholders.

Patrick Oliver
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following report dated August 13, 2024 is a review of the operations and current financial position for the three and six months ended June 30, 2024 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, 2023 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.sedarplus.ca.

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; "LNG" refers to liquefied natural gas; 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

	2024		2023			
As at and for the periods ended ($ 000s except $ per share)	**Q2**	Q1	Q4	Q3	Q2	Q1
Financial						
Revenue - oil and gas sales	**72,465**	68,589	81,739	84,909	75,606	77,263
Cash flow from operations	**33,180**	21,654	44,596	37,715	33,854	24,018
Per share - basic	**0.89**	0.58	1.20	1.01	0.91	0.65
Per share - diluted	**0.89**	0.58	1.19	1.01	0.91	0.64
Net earnings	**7,310**	848	14,973	13,486	8,844	7,640
Per share - basic	**0.20**	0.02	0.40	0.36	0.24	0.21
Per share - diluted	**0.20**	0.02	0.40	0.36	0.24	0.20
Capital expenditures	**21,619**	32,924	14,009	36,130	16,116	60,223
Oil and gas property acquisition[(1)]	**-**	24,234	-	-	-	-
Total assets	**984,065**	984,464	967,870	955,484	962,021	963,890
Net debt	**172,622**	181,400	145,440	172,489	173,299	188,629
Shareholders' equity	**537,498**	529,605	528,258	512,479	498,449	488,762
Operations						
Light oil (barrels per day)	**6,571**	6,622	7,306	7,177	7,282	7,068
NGLs (barrels per day)	**1,418**	1,468	1,619	1,410	1,248	1,155
Conventional natural gas (MCF per day)	**37,519**	36,594	37,214	34,241	32,286	31,448
Total BOE per day	**14,242**	14,189	15,128	14,294	13,911	13,464

(1) On March 1, 2024, the Company acquired the Charlie Lake Assets for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, including closing adjustments. The Charlie Lake Assets have been accounted for as an asset acquisition, which resulted in an increase of $24.2 million in PP&E and the assumption of $0.3 million in decommissioning liabilities.

	2022			
As at and for the periods ended ($ 000s except $ per share)	Q4	Q3	Q2	Q1
Financial				
Revenue - oil and gas sales	87,154	88,827	116,674	91,542
Cash flow from operations	35,494	48,810	58,307	40,942
Per share - basic	0.97	1.35	1.62	1.16
Per share - diluted	0.95	1.30	1.53	1.11
Net earnings	17,264	17,696	33,544	10,519
Per share - basic	0.47	0.49	0.93	0.30
Per share - diluted	0.46	0.47	0.88	0.29
Capital expenditures	12,642	20,452	14,506	32,169
Total assets	919,682	948,259	934,303	965,969
Net debt	149,831	187,128	211,284	260,670
Shareholders' equity	479,839	461,199	442,653	405,148
Operations				
Light oil (barrels per day)	6,764	6,649	7,623	7,356
NGLs (barrels per day)	1,209	1,206	1,151	996
Conventional natural gas (MCF per day)	30,101	31,052	33,323	29,609
Total BOE per day	12,989	13,031	14,328	13,287

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.

	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022
Crude oil								
WTI (U.S.$/bbl)	**80.57**	76.96	78.32	82.26	73.78	76.13	82.64	91.56
WTI to MSW Stream Index								
Differential (U.S.$/bbl)(1)	**(3.62)**	(8.64)	(5.16)	(1.83)	(2.96)	(2.86)	(1.61)	(2.05)
Foreign exchange								
U.S.$ to Cdn$	**1.3694**	1.3488	1.3619	1.3410	1.3431	1.3520	1.3578	1.3059
Bonterra average realized								
oil price (Cdn$/bbl)	**102.09**	88.96	97.01	104.32	93.21	95.71	105.59	111.44
Natural gas								
AECO (Cdn$/mcf)	**1.17**	2.48	2.29	2.58	2.44	3.20	5.09	4.14
Bonterra average realized								
gas price (Cdn$/mcf)	**1.64**	2.65	2.73	3.06	3.01	3.78	5.36	4.73

(1) 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 $80.57 USD per barrel in Q2 2024, which is an increase of nine percent compared to Q2 2023. The increase in the WTI price has been driven by supply and demand volatility due to a variety of macroeconomic and geopolitical factors. These factors include, but are not limited to, moderating supply growth globally with continued OPEC+ supply discipline, offset by a slower than expected ramp up in demand from emerging economies, in particular China.

In addition to the WTI benchmark price, the Company's realized crude oil price is impacted by the MSW Stream Index or Edmonton Par differential (the "Differential"). The Differential averaged ($3.62) USD per barrel in Q2 2024, a small decrease of $0.66 USD per barrel from Q2 2023. Below average inventories at the Cushing storage hub in Oklahoma and low apportionment on downstream Canadian pipelines have been the largest contributing factors in keeping the differential tight compared to historical levels. The recent commissioning of the Trans Mountain Pipeline Expansion in May 2024 has contributed significantly to Canada's export capabilities and is expected to have a continuing positive effect on the movement and pricing of all Canadian barrels.

AECO daily spot prices averaged $1.17 per mcf in Q2 2024, a decrease of 52 percent over Q2 2023. The decrease is mainly due to a wide supply and demand imbalance, in combination with elevated storage levels that have persisted with an unseasonably mild winter across much of the Northern Hemisphere.

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 before tax cash flow, as estimated for 2024[(1)]			
Impact on cash flow	Change ($)	$000s	$ per share[(2)]
Realized crude oil price ($/bbl)	1.00	2,009	0.05
Realized natural gas price ($/mcf)	0.10	1,395	0.03
U.S.$ to Canadian $ exchange rate	0.01	1,406	0.04

(1) This analysis uses current royalty rates, annualized estimated average production of 14,000 BOE per day and no changes in working capital.

(2) Based on annualized basic weighted average shares outstanding of 37,323,825.

Business Overview, Strategy and Key Performance Drivers

Bonterra continued pursuing the profitable development of its high-quality, light oil weighted asset base in Q2 2024. The Company remains focused on enhancing its long-term financial position and will consider adding further to its asset base in support of the goal to progress towards implementing a sustainable shareholder returns-based business model supported by modest production growth.

On March 1, 2024, Bonterra closed an acquisition to purchase primarily undeveloped petroleum and natural gas assets in northern Alberta, for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, after closing adjustments (the “Charlie Lake Asset Acquisition”). The Charlie Lake Asset Acquisition was funded by the bank facility and resulted in a $24.2 million increase in property, plant and equipment, and the assumption of $0.3 million in decommissioning liabilities. The assets acquired produced approximately 250 BOE per day before being shut-in to drill two (1.8 net) Charlie Lake wells in June 2024 for an average gross cost of $2.4 million per well. These wells were completed, equipped and tied-in during July 2024 and are currently on initial flow back. Early indications from the first two wells are positive. After the first 20 days on test, and with approximately 60 percent of load fluid recovered, combined net volumes totaled approximately 570 barrels per day of light oil, along with approximately 2.4 mmcf per day of raw natural gas. The Company intends to drill two additional wells by the end of the third quarter. The Charlie Lake Asset Acquisition provides a portfolio of high-quality future drilling locations and reserves, establishing a new core operating area for the Company.

On April 30, 2024, Bonterra completed the renewal of its bank facility totaling $110 million, of which $41.9 million has been drawn as of June 30, 2024 (the “Bank Facility”). The Bank Facility is structured as a normal course, reserve-based credit facility available on a revolving basis through April 30, 2025, with bi-annual borrowing base redeterminations and a term maturity of April 30, 2026.

The Company averaged 14,216 BOE per day of production in the first six months of 2024, compared to 13,689 BOE per day in the same period of 2023, an increase of 527 BOE per day, or four percent. The increase was primarily driven by new wells coming on stream from the Company’s successful capital program and a well reactivation program. The production growth was partially offset by approximately 260 BOE per day of shut-in volumes in Q1 2024 primarily due to extremely cold weather in January and 650 BOE per day of shut-in volumes in Q2 2024 primarily due to planned major gas plant turnarounds. Also, in Q2 2024, the Company tied-in and brought on production its first exploratory Montney well. Since the beginning of August 2024, with recent optimization efforts, the well is producing approximately 700 BOE per day of raw production, including approximately 300 barrels per day of light crude oil.

The Company is pleased to reiterate its previously announced 2024 annual guidance with average production between 13,800 to 14,200 BOE per day based on a 2024 capital expenditure budget between $90 million to $100 million.

Bonterra invested capital expenditures of $54.5 million in the first six months of 2024. Of the capital invested, $39.1 million was directed to the drilling of 15 gross (14.2 net) operated wells and completing, equipping, tying-in and placing on production 15 gross (14.0 net) operated wells, of which four gross (3.6 net) were drilled in Q4 2023. The remaining four gross (3.8 net) operated wells were placed on production early in the third quarter of 2024. An additional $15.4 million was directed primarily to related infrastructure, recompletions and drilling, completing and equipping a water disposal well which is expected to be tied-in by the end of August 2024 to reduce water handling costs in the Montney area.

The Company will continue to focus on responsible environmental initiatives, including a targeted abandonment and reclamation program. At the end of the 2024 year, Bonterra anticipates having abandoned 36.1 net wells, 50 pipelines (for a total length of 46.0 kilometers of pipe), decommissioned 219 well sites in preparation for future reclamation and reclaimed 16.0 net well sites. The Company estimates it will spend approximately $7.0 million on decommissioning liabilities in 2024, which exceeds its mandatory spend requirements under the Alberta Energy Regulator's Liability Management Program.

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 2024 on approximately 30 percent of its expected crude oil production and natural gas production. For the next nine months, Bonterra has secured a WTI price between $65.00 USD to $92.80 USD per bbl on 2,112 bbls per day. For the period of July 1, 2024, to December 31, 2024, Bonterra has also secured an average WTI to Edmonton par differential price of $2.60 USD per bbl on 1,000 barrels of oil per day. In addition, the Company has secured natural gas prices between $0.75 to $3.30 per GJ on 12,369 GJ per day to the end of March 31, 2025.

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 production levels, 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 within this MD&A and/or previous interim or annual MD&A disclosures.

Bonterra is committed to employing local services in Drayton Valley and communities surrounding its newly acquired Charlie Lake assets. The Company will continue to be a key economic contributor to rural and surrounding communities located within central and eventually northern Alberta.

Production

	Three months ended			Six months ended	
	June 30, 2024	March 31, 2024	June 30, 2023	**June 30, 2024**	June 30, 2023
Crude oil (barrels per day)	**6,571**	6,622	7,282	**6,596**	7,175
NGLs (barrels per day)	**1,418**	1,468	1,248	**1,443**	1,202
Conventional natural gas (MCF per day)	**37,519**	36,594	32,286	**37,057**	31,869
Average BOE per day	**14,242**	14,189	13,911	**14,216**	13,689

The Company averaged 14,216 BOE per day of production in the first six months of 2024, compared to 13,689 BOE per day in the same period of 2023, an increase of 527 BOE per day or four percent. The increase was primarily due to Bonterra's successful 2024 capital and well reactivation program, which was partially offset by approximately 455 BOE per day of shut-in volumes in 2024 attributable to extremely cold weather in January and planned major gas plant turnarounds in Q2 2024 that are required every five years.

Cash Netback

$ per BOE	Three months ended **June 30, 2024**	March 31, 2024	June 30, 2023	Six months ended **June 30, 2024**	June 30, 2023
Production volumes (BOE)	**1,296,046**	1,291,200	1,265,887	**2,587,246**	2,477,622
Gross production revenue	**55.91**	53.12	59.73	**54.52**	61.70
Realized gain on risk management contracts	**0.29**	0.29	0.95	**0.29**	0.44
Royalties	**(7.97)**	(6.98)	(7.02)	**(7.47)**	(9.08)
Production costs	**(16.18)**	(17.98)	(16.88)	**(17.08)**	(17.20)
Field netback	**32.05**	28.45	36.78	**30.26**	35.86
General and administrative	**(2.28)**	(2.93)	(2.73)	**(2.61)**	(2.53)
Disposal of investments	**-**	1.12	-	**0.56**	-
Interest and other	**(3.45)**	(3.31)	(3.83)	**(3.38)**	(3.97)
Current income tax	**(2.03)**	(2.41)	(2.73)	**(2.22)**	(3.47)
Cash netback	**24.29**	20.92	27.49	**22.61**	25.89

Cash netbacks decreased in the first six months of 2024 on a BOE basis compared to the same period in 2023 primarily due to lower realized natural gas prices. This was partially offset by lower royalties, current income tax costs and proceeds on the disposal of marketable securities.

Quarter-over-quarter cash netbacks increased on a BOE basis due to a 15 percent increase in the Company’s realized crude oil price and a decrease in production costs, which was partially offset by increased royalties in Q2 2024.

Oil and Gas Sales

	Three months ended **June 30, 2024**	March 31, 2024	June 30, 2023	Six months ended **June 30, 2024**	June 30, 2023
Revenue - oil and gas sales ($ 000s)					
Light oil	**61,042**	53,607	61,770	**114,649**	122,653
NGL	**5,817**	6,157	4,993	**11,974**	10,661
Conventional natural gas	**5,606**	8,825	8,843	**14,431**	19,555
	72,465	68,589	75,606	**141,054**	152,869
Average realized prices:					
Light oil ($ per barrel)	**102.09**	88.96	93.21	**95.50**	94.44
NGL ($ per barrel)	**45.08**	46.08	43.97	**45.58**	49.02
Conventional natural gas ($ per MCF)	**1.64**	2.65	3.01	**2.14**	3.39
Average ($ per BOE)	**55.91**	53.12	59.73	**54.52**	61.70
Average BOE per day	**14,242**	14,189	13,911	**14,216**	13,689

Revenue from oil and gas sales in the first six months of 2024 decreased by $11.8 million, or eight percent, compared to the same period in 2023. This decrease was primarily driven by a 12 percent reduction in Bonterra’s average realized commodity prices caused primarily by a 37 percent decrease in realized gas prices, which was partially offset by a four percent increase in production over the same period. Quarter-over-quarter, revenue from oil and gas sales increased due to higher crude oil prices.

Bonterra’s product split on a revenue basis was weighted approximately 90 percent to crude oil and NGLs during the first half of 2024.

Royalties

($ 000s)	Three months ended June 30, 2024	 March 31, 2024	 June 30, 2023	Six months ended June 30, 2024	 June 30, 2023
Crown royalties	**7,195**	6,080	6,157	**13,275**	16,123
Freehold, gross overriding and other royalties	**3,132**	2,930	2,735	**6,062**	6,372
Total royalties	**10,327**	9,010	8,892	**19,337**	22,495
Crown royalties - percentage of revenue	**9.9**	8.9	8.1	**9.4**	10.5
Freehold, gross overriding and other royalties - percentage of revenue	**4.3**	4.3	3.6	**4.3**	4.2
Royalties - percentage of revenue	**14.2**	13.2	11.7	**13.7**	14.7
Royalties $ per BOE	**7.97**	6.98	7.02	**7.47**	9.08

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 first six month of 2024 decreased by $1.61 per BOE compared to the prior period primarily due to an eight percent decrease in the Alberta Oil Crown reference commodity price used to calculate Alberta Oil Crown Royalties and a 37 percent decrease in Bonterra's realized natural gas price. Royalties in Q2 2024 royalties increased by $0.99 per BOE compared to Q1 2024, which was primarily due to an increase in crude oil prices.

Production Costs

($ 000s except $ per BOE)	Three months ended June 30, 2024	 March 31, 2024	 June 30, 2023	Six months ended June 30, 2024	 June 30, 2023
Production costs	**20,966**	23,215	21,367	**44,181**	42,617
$ per BOE	**16.18**	17.98	16.88	**17.08**	17.20

Production costs for the first six months of 2024 decreased on a BOE basis compared to the same period of 2023, primarily due to a 51 percent decrease in power rates, and were partially offset by an increase in well maintenance costs due to an increase in wells being worked over in Q1 2024.

Quarter-over-quarter, production costs decreased on a BOE basis due to less well maintenance during spring breakup and a decrease in power rates.

Other Income

($ 000s)	Three months ended June 30, 2024	 March 31, 2024	 June 30, 2023	Six months ended June 30, 2024	 June 30, 2023
Investment income	**88**	132	117	**220**	216
Administrative income	**68**	60	55	**128**	128
Gain on sale of property	**-**	153	-	**153**	-
Government grant in-kind	**-**	-	-	**-**	782
Deferred consideration	**234**	225	253	**459**	503
Realized gain on risk management contracts	**370**	370	1,204	**740**	1,093
Unrealized gain (loss) on risk management contracts	**1,743**	(2,662)	(1,298)	**(919)**	208
	2,503	(1,722)	331	**781**	2,930

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.

During the first quarter of 2024, the Company disposed of all of its investments in marketable securities. The dispositions resulted in a gain net of tax of $271,000 and was 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.

To minimize commodity price risk on crude oil and natural gas sales, Bonterra has entered into financial derivatives. The financial derivatives outstanding are primarily for the period from July 1, 2024 to March 31, 2025 and are for a total of 505,000 barrels of light crude oil (approximately 1,843 barrels of oil per day for the next nine months) at fixed WTI prices ranging from $65.00 USD to $92.80 USD per barrel. Bonterra has also entered into financial derivative contracts for the period of July 1, 2024 to December 31, 2024 for a fixed differential from WTI to Edmonton Par price on 184,000 barrels of oil (approximately 1,000 barrels of oil per day) at an average price of $2.60 USD per barrel. In addition, the Company has entered into financial derivatives on natural gas prices between $2.04 and $3.30 on 8,358 GJ per day for the period from July 1, 2024 to March 31, 2025. These contracts are not considered normal sales contracts and are recorded at fair value.

General and Administrative (“G&A”) Expense

	Three months ended			Six months ended	
($ 000s except $ per BOE)	**June 30, 2024**	March 31, 2024	June 30, 2023	**June 30, 2024**	June 30, 2023
Employee compensation	**1,626**	1,817	1,563	**3,443**	3,446
Office and administrative	**1,334**	1,971	1,887	**3,305**	2,810
Total G&A	**2,960**	3,788	3,450	**6,748**	6,256
$ per BOE	**2.28**	2.93	2.73	**2.61**	2.53

Employee compensation expense in the first six months of 2024 is comparable to the same period in 2023.

Office and administrative expense increased in the first six months of 2024 compared to the same period in 2023 primarily due to an increase in administrative costs and technical advisory fees in relation to the Charlie Lake Asset Acquisition in Q1 2024. Quarter-over-quarter office and administrative expense decreased due to the Charlie Lake Asset Acquisition and a decrease in the allowance for doubtful accounts.

Finance Costs

	Three months ended			Six months ended	
($ 000s except $ per BOE)	**June 30, 2024**	March 31, 2024	June 30, 2023	**June 30, 2024**	June 30, 2023
Interest on bank debt	**1,045**	746	879	**1,791**	1,851
Subordinated debentures	**1,327**	1,328	1,327	**2,655**	2,655
Subordinated term debt	**2,252**	2,386	2,804	**4,638**	5,702
Interest expense	**4,624**	4,460	5,010	**9,084**	10,208
$ per BOE	**3.57**	3.45	3.96	**3.51**	4.12
Accretion of decommissioning liabilities	**909**	890	947	**1,799**	1,871
Accretion on subordinated debentures	**820**	737	709	**1,557**	1,320
Accretion on subordinated term debt	**446**	470	561	**916**	1,118
Total finance costs	**6,799**	6,557	7,227	**13,356**	14,517

Interest on bank debt was lower in the first six months of 2024 compared to the same period in 2023 due to the decrease in interest rates, which was partially offset by an increase in bank debt from the Charlie Lake Asset Acquisition that occurred towards the end of the first quarter.

Subordinated unsecured term debt on June 30, 2024 was $66.5 million (December 31, 2023 - $76 million) (the "Subordinated Term Debt"). The Subordinated Term Debt has a fixed interest rate of 11.70 percent on 25 percent of the principal balance and a floating interest rate of Canadian Prime plus 6.25 percent on the remaining amount. Based on the calculated fair value of the Subordinated Term Debt as at June 30, 2024, the effective interest rate was determined to be 16.0 percent using the effective interest rate method. The value of the debt will accrete up to the principal balance at maturity. For more information on Subordinated Term Debt, refer to Note 6 of the June 30, 2024, condensed financial statements.

Subordinated Debentures are unsecured and were determined to be a compound instrument with a debt and equity component. The fair value of the $59 million debt component was reduced by the residual value of the issuance 3,304,000 warrants and issue costs. The debentures have a fixed interest rate of nine percent, payable semi-annually. Based on the calculated fair value of the subordinated debentures as at June 30, 2024, the effective interest rate was determined to be 15.6 percent using the effective interest rate method. The value of the subordinated debentures will accrete up to the principal balance at maturity. For more information on subordinated debentures, refer to Note 5 of the June 30, 2024, 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 $706,000.

For more information on bank debt and Subordinated Term Debt, see the Liquidity and Capital Resources section herein.

Share-Option Compensation

	Three months ended			Six months ended	
	June 30,	March 31,	June 30,	**June 30,**	June 30,
($ 000s)	**2024**	2024	2023	**2024**	2023
Share-option compensation	**533**	664	702	**1,197**	1,811

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, 2024, the Company has an unamortized expense of $2.1 million, of which $1.0 million will be recognized in the remainder of 2024; $0.9 million in 2025 and $0.2 million thereafter. For more information about options issued and outstanding, refer to Note 8 of the June 30, 2024, condensed financial statements.

Depletion and Depreciation, Exploration and Evaluation ("E&E") and Impairment

	Three months ended			Six months ended	
	June 30,	March 31,	June 30,	**June 30,**	June 30,
($ 000s)	**2024**	2024	2023	**2024**	2023
Depletion and depreciation	**24,020**	22,167	22,607	**46,187**	44,424

The provision for depletion and depreciation ("D&D") increased slightly due to an increase in production from the same period in 2023. Quarter-over-quarter depletion increased due to the initial depletion of capital expenditures in the new Charlie Lake and Montney areas.

There were no indicators of impairment identified for each of the periods ended.

Taxes

The Company recorded a total income tax expense of $2.7 million in Q2 2024 (Q2 2023 – $7.2 million). The decrease in income tax expense compared to the same period in 2023 is due to reduced earnings before income taxes. Included in the 2024 current income tax provision of $5.8 million, is $2.0 million payable to the province of Alberta and $3.8 million to the Federal government.

For additional information regarding income taxes, see Note 7 of the June 30, 2024, condensed financial statements.

Net Earnings

	Three months ended			Six months ended	
	June 30,	March 31,	June 30,	**June 30,**	June 30,
($ 000s except $ per share)	**2024**	2024	2023	**2024**	2023
Net earnings	**7,310**	848	8,844	**8,158**	16,484
$ net earnings per share - basic	**0.20**	0.02	0.24	**0.22**	0.44
$ net earnings per share - diluted	**0.20**	0.02	0.24	**0.22**	0.44

Net earnings for Q2 2024 decreased by $8.3 million compared to the same period in 2023. The decrease in net earnings was primarily attributed to lower realized natural gas prices and an increase in production costs and depletion. This was partially offset by an increase in production, decrease in royalties and the tax provision.

Net earnings increased in Q2 2024 compared to Q1 2024 due to higher oil and gas sales, decreased production costs and an unrealized gain on risk management contracts in Q2 2024 compared to an unrealized loss in Q1 2024. This was partially offset by an increase in royalties and the tax provision.

Other Comprehensive Income

Other comprehensive income for 2024 consists of an unrealized loss before tax on investments of $186,000 relating to a decrease in the investments' fair value (December 31, 2023 – $394,000 gain). Other comprehensive income also consisted of a realized gain of $271,000 net of tax from the divestment of all the investments held by the Company. The realized gain resulted in transferring the remaining accumulated other comprehensive income to retained earnings.

Cash Flow From Operations

	Three months ended			Six months ended	
	June 30,	March 31,	June 30,	**June 30,**	June 30,
($ 000s except $ per share)	**2024**	2024	2023	**2024**	2023
Cash flow from operations	**33,180**	21,654	33,854	**54,834**	57,872
$ per share - basic	**0.89**	0.58	0.91	**1.47**	1.56
$ per share - diluted	**0.89**	0.58	0.91	**1.47**	1.55

In the first six months of 2024, cash flow from operations decreased by $3.0 million compared to 2023. This was primarily due to a decrease in realized natural gas prices and an increase in production costs, which was partially offset by a decrease in royalties, current income taxes and decommissioning expenditures.

Quarter-over-quarter, cash flow from operations increased primarily due to higher oil and gas sales, a decrease in production costs and an increase in non-cash working capital.

Liquidity and Capital Resources

Net Debt to EBITDA

Bonterra continues to focus on reducing overall debt while managing its cash flow and capital expenditures. The Company's net debt to twelve month trailing EBITDA ratio as of June 30, 2024 was 1.0 (versus 0.8 at December 31, 2023). 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 increase in Bonterra's net debt to EBITDA ratio is primarily due to an increase in net debt from the Charlie Lake Asset Acquisition and a decrease in EBITDA from lower commodity prices. The net debt to EBITDA ratio is anticipated to improve in subsequent quarters due to the Company's focus on debt reduction paired with increased production and future cash flow protection from having at least 30 percent of Bonterra's forecasted oil and natural gas production hedged over the next nine months.

For more information about net debt to EBITDA, please see Note 11 of the June 30, 2024 condensed financial statements.

Working Capital Deficiency and Net Debt

($ 000s)	**June 30, 2024**	March 31, 2024	December 31, 2023	June 30, 2023
Working capital deficiency	**32,156**	39,324	25,015	25,203
Bank debt	**41,889**	38,688	14,822	35,506
Subordinated debentures	**54,141**	54,650	52,585	51,090
Subordinated term debt (long-term portion)	**44,436**	48,738	53,018	61,500
Net debt	**172,622**	181,400	145,440	173,299

Net debt is a combination of bank debt, subordinated debentures, subordinated term debt and working capital. The Company's Bank Facility has a maturity date of April 30, 2026 and is recorded as a long-term liability at June 30, 2024 and December 31, 2023. Included in working capital deficiency is $19.0 million of principal payments due in the next twelve months on the Subordinated Term Debt loan. 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 to meet its future liabilities.

Net debt at June 30, 2024 decreased by $0.7 million compared to June 30, 2023, primarily due to a 29 percent reduction in capital expenditures in the first six months of 2024 compared to 2023 which was partially offset by the $23.9 million cash consideration for the Charlie Lake Asset Acquisition. The Company intends to continue its focus on net debt reduction and has hedged over 30 percent of its forecasted oil and natural gas production over the next nine months to protect cash flow over this period.

Working capital is calculated as current assets less current liabilities.

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. 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 natural gas production to the end of Q1 2025. 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 the Company's capital development program. For more information on physical delivery and risk management contracts in place, see Note 11 of the June 30, 2024 condensed financial statements.

Capital Expenditures and Acquisition

($ 000s)	**June 30, 2024**	June 30, 2023
Exploration and Evaluation		
Land and lease	**714**	484
Property, Plant and Equipment		
Operated drilling, completing and equipping costs	**39,076**	59,433
Infrastructure, recompletions and other	**14,753**	12,813
Non-operated capital	**-**	3,609
	53,829	75,855
Total capital expenditures	**54,543**	**76,339**

During the six months ended June 30, 2024, the Company incurred capital expenditures of $54.5 million (June 30, 2023 - $76.3 million). Of the total capital invested, $39.1 million was directed to the drilling of 15 gross (14.2 net) operated wells and the completion, equip and tie-in of 15 gross (14.0 net) operated wells, of which four gross (3.6 net) of those wells were drilled in Q4 2023. The remaining four gross (3.8 net) operated wells were placed on production in the third quarter of 2024. An additional $15.4 million (June 30, 2023 - $16.9 million) was spent primarily on related land and lease, infrastructure, recompletions and drilling a water disposal well which is expected to be tied-in by the end of August 2024 to reduce water handling costs in the Montney area.

On March 1, 2024, Bonterra closed an acquisition to purchase largely undeveloped petroleum and natural gas assets in northern Alberta, for cash consideration of $23.6 million and $0.3 million in non-core land and leases, after closing adjustments. The Charlie Lake Asset Acquisition has been accounted for as an asset acquisition, which resulted in a $24.2 million increase in PP&E and the assumption of $0.3 million in decommissioning liabilities. Of the 15 operated wells drilled, two (1.8 net) were in the Charlie Lake area for an average gross cost of $2.4 million per well and were completed in July 2024. They are currently at the initial stage of flow back.

Drilling Statistics

	Three months ended						Six months ended			
	June 30, 2024		March 31, 2024		June 30, 2023		**June 30, 2024**		June 30, 2023	
	Gross[1]	**Net[2]**	Gross[1]	Net[2]	Gross[1]	Net[2]	**Gross[1]**	**Net[2]**	Gross[1]	Net[2]
Crude oil horizontal-operated	**4**	**3.7**	11	10.5	4	4.0	**15**	**14.2**	26	24.6
Crude oil horizontal-non-operated	**-**	**-**	-	-	-	-	**-**	**-**	6	1.1
Total	**4**	**3.7**	11	10.5	4	4.0	**15**	**14.2**	32	25.7
Success rate		**100%**		100%		100%		**100%**		100%

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

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

Decommissioning Liabilities

The Company spent $2.6 million on decommissioning activities during the six months ended June 30, 2024 (June 30, 2023 - $5.2 million). The Company estimates approximately $7.0 million will be spent on decommissioning activities in 2024.

Bank Debt and Subordinated Term Debt

Bank debt represents the outstanding amounts drawn on the Company's Bank Facility. As at June 30, 2024, the Company has a total Bank Facility of $110.0 million, comprised of a $85.0 million syndicated revolving credit facility and a $25.0 million non-syndicated revolving facility. The amount drawn under the total Bank Facility at June 30, 2024 was $41.9 million (December 31, 2023 - $14.8 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. As at June 30, 2024, the terms of the total revolving Bank Facility provided that the loan facility was revolving to April 30, 2025, with a maturity date of April 30, 2026, with no set terms of repayment on the credit facility.

The amount available for borrowing under the Bank Facility is reduced by outstanding letters of credit. Letters of credit totaling $2.1 million were issued as at June 30, 2024 (December 31, 2023 - $2.1 million). Security for the Bank Facility consists of various floating demand debentures totaling $750 million (December 31, 2023 - $750 million) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

Subordinated Term Debt represents a four-year second lien, non-revolving subordinated term debt facility. The amounts borrowed under the Subordinated Term Debt bear interest at a fixed rate of 11.70 percent to be applied to 25 percent of the term facility principle and a floating interest rate of Canadian Prime Rate plus 6.25 percent on the remaining 75 percent of the principal amount. The Company is required to make mandatory principal repayments equal to $4.75 million, payable on the last banking day of February, May, August and November of each calendar year, commencing on February 28, 2023. The term debt has a maturity date of November 30, 2026 on which the remaining outstanding principal balance is to be paid.

The amount drawn under the Subordinated Term Debt at June 30, 2023 was $66.5 million (December 31, 2023 - $76.0 million). Based on the calculated fair value of the debt as at June 30, 2024, the effective interest rate was determined to be 16.0 percent, by discounting future payments of interest and principal with the residual value allocated to issue costs. The value of the debt will accrete up to the principal balance at maturity.

Security for the Subordinated Term Debt consists of various floating demand debentures totaling $150 million (December 31, 2023 - $150 million) over all of the Company's assets and a general security agreement with second ranking over all personal and real property.

Financial Covenants

The Company is subject to certain financial covenants under its Bank Facility and Subordinated Term Debt facility as follows:

- Consolidated debt to trailing twelve months EBITDA ratio shall not exceed 2.50:1.00; and
- Asset coverage ratio of not less that 1.50:1.

Asset coverage ratio is defined as the proved developed producing reserves of the Company (before income tax; discounted at 10 percent), as evaluated by an independent third-party engineering report as at

December 31, 2023 and evaluated on strip commodity pricing, divided by the consolidated debt of the Company. The ratio is calculated and revaluated for strip pricing on June 30 and December 31 period ends.

As at June 30, 2024, Bonterra was in compliance with all financial covenants on its first and second lien facilities.

For more information about bank debt and Subordinated Term Debt, please see Note 4 and 6, respectively, of the June 30, 2024 condensed financial statements.

Shareholders' Equity

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

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

Issued and fully paid - common shares	**Number**	**Amount ($ 000s)**
Balance, December 31, 2023	**37,253,252**	**783,185**
Issued pursuant to the Company's share option plan	**70,573**	**50**
Transfer from contributed surplus to share capital		**116**
Balance, June 30, 2024	**37,323,825**	**783,351**

A total of 2,753,000 Warrants are outstanding as at June 30, 2024, 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 3,732,382 (December 31, 2023 – 3,725,325) 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 5 of the June 30, 2024, condensed financial statements.

Quarterly Financial Information

	2024		2023			
For the periods ended ($ 000s except $ per share)	**Q2**	Q1	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	**72,465**	68,589	81,739	84,909	75,606	77,263
Cash flow from operations	**33,180**	21,654	44,596	37,715	33,854	24,018
Net earnings	**7,310**	848	14,973	13,486	8,844	7,640
Per share - basic	**0.20**	0.02	0.40	0.36	0.24	0.21
Per share - diluted	**0.20**	0.02	0.40	0.36	0.24	0.20

	2022			
For the periods ended ($ 000s except $ per share)	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	87,154	88,827	116,674	91,542
Cash flow from operations	35,494	48,810	58,307	40,942
Net earnings	17,264	17,696	33,544	10,519
Per share - basic	0.47	0.49	0.93	0.30
Per share - diluted	0.46	0.47	0.88	0.29

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.

Contractual Obligations and Commitments

At June 30, 2024, Bonterra's total contractual obligations and commitments were $231.8 million. These include obligations and commitments in place as of December 31, 2023, changes in accrued interest in the period, as well as additional firm service commitments entered into during the six months ended June 30, 2024. For more information, refer to Note 12 "Commitments and Financial Liabilities" of the June 30, 2024, 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 12 of the June 30, 2024 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; environmental and safety risks; failure to realize benefits of acquisitions and dispositions; reliance on third party gathering, processing and pipeline systems; changes to applicable royalty regimes and environmental legislation and regulations; cyber security risks; and reliance on key personnel.

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

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, 2023, which can be accessed on its website www.bonterraenergy.com or on SEDAR+ at www.sedarplus.ca.

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 or damage to production facilities and equipment. 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, 2023, which can be accessed on its website at www.bonterraenergy.com or on SEDAR+ at www.sedarplus.ca.

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: estimated production; cash flow sensitivity to commodity price variables; earnings sensitivity to interest rates; abandonment and reclamation activities and targets; expected cash provided by continuing operations; return of capital strategy; 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; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; 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 may limit growth or operations within the oil and gas industry; the impact of climate-related financial disclosures on financial results; the ability of the Company to raise capital, maintain its syndicated bank facility and refinance indebtedness upon maturity; 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; credit risks; climate change risks; cyber security; 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, 2024 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, 2024.

Additional information relating to the Company may be found on SEDAR+ at www.sedarplus.ca or by visiting our website at www.bonterraenergy.com.

Management's Responsibility for Financial Statements

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

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

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at (unaudited) ($ 000s)	Note	June 30, 2024	December 31, 2023
Assets			
Current			
Accounts receivable		**23,141**	25,364
Crude oil inventory		**958**	893
Prepaid expenses		**7,838**	6,912
Risk management contract	11	**1,438**	2,357
Investments		**-**	1,634
		33,375	37,160
Exploration and evaluation assets		**6,310**	5,785
Property, plant and equipment	3	**944,380**	924,925
		984,065	967,870
Liabilities			
Current			
Accounts payable and accrued liabilities		**40,620**	37,226
Subordinated term debt	6	**19,000**	19,000
Deferred consideration		**871**	909
Decommissioning liabilities		**5,040**	5,040
		65,531	62,175
Bank debt	4	**41,889**	14,822
Subordinated debentures	5	**54,141**	52,585
Subordinated term debt	6	**44,436**	53,018
Deferred consideration		**7,750**	8,170
Decommissioning liabilities		**105,134**	118,068
Deferred tax liability	7	**127,686**	130,774
		446,567	439,612
Shareholders' equity			
Share capital	8	**783,351**	783,185
Contributed surplus		**35,104**	34,023
Warrants	8	**6,053**	6,053
Accumulated other comprehensive income		**-**	436
Deficit		**(287,010)**	(295,439)
		537,498	528,258
		984,065	967,870

Subsequent event	11
Commitments and contingencies	12

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the periods ended June 30 (unaudited)		Three months		Six months	
($ 000s, except $ per share)	Note	**2024**	2023	**2024**	2023
Revenue					
Oil and gas sales, net of royalties	9	**62,138**	66,714	**121,717**	130,374
Other income		**156**	171	**501**	1,125
Deferred consideration		**234**	253	**459**	503
Gain (loss) on risk management contracts	11	**2,113**	(94)	**(179)**	1,301
		64,641	67,044	**122,498**	133,303
Expenses					
Production		**20,966**	21,367	**44,181**	42,617
Office and administration		**1,334**	1,887	**3,305**	2,810
Employee compensation		**1,626**	1,563	**3,443**	3,446
Finance costs	10	**6,799**	7,227	**13,356**	14,517
Share-option compensation		**533**	702	**1,197**	1,811
Depletion and depreciation	3	**24,020**	22,607	**46,187**	44,424
		55,278	55,353	**111,669**	109,625
Earnings before income taxes		**9,363**	11,691	**10,829**	23,678
Taxes					
Current income tax expense		**2,630**	3,462	**5,738**	8,588
Deferred income tax recovery		**(577)**	(615)	**(3,067)**	(1,394)
		2,053	2,847	**2,671**	7,194
Net earnings for the period		**7,310**	8,844	**8,158**	16,484
Other comprehensive loss					
Unrealized gain (loss) on investments		**-**	120	**(186)**	(317)
Deferred taxes on unrealized (gain) loss on investments		**-**	(14)	**21**	37
Realized gains on avaliable for sale investments transferred to net earnings		**-**	-	**(306)**	-
Deferred taxes on realized gains on avaliable for sale investments transferred to net earnings		**-**	-	**35**	-
Other comprehensive gain (loss) for the period		**-**	106	**(436)**	(280)
Total comprehensive income for the period		**7,310**	8,950	**7,722**	16,204
Net earnings per share - basic	8	**0.20**	0.24	**0.22**	0.44
Net earnings per share - diluted	8	**0.20**	0.24	**0.22**	0.44
Comprehensive income per share - basic	8	**0.20**	0.24	**0.21**	0.44
Comprehensive income per share - diluted	8	**0.20**	0.24	**0.21**	0.43

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOW

For the periods ended June 30 (unaudited)		Three months		Six months	
($ 000s)	Note	**2024**	2023	**2024**	2023
Operating activities					
Net earnings		**7,310**	8,844	**8,158**	16,484
Items not affecting cash					
Deferred income tax recovery		**(577)**	(615)	**(3,067)**	(1,394)
Share-option compensation		**533**	702	**1,197**	1,811
Investment income		**(88)**	(117)	**(220)**	(216)
Finance costs		**6,799**	7,227	**13,356**	14,517
Unrealized (gain) loss on risk management contracts	11	**(1,743)**	1,298	**919**	(208)
Deferred consideration		**(234)**	(253)	**(459)**	(503)
Depletion and depreciation		**24,020**	22,607	**46,187**	44,424
Gain on sale of property		**-**	-	**(153)**	-
Government grant in-kind		**-**	-	**-**	(782)
Decommissioning expenditures		**(1,600)**	(933)	**(2,610)**	(4,398)
Interest paid	10	**(5,952)**	(6,338)	**(9,084)**	(10,208)
Changes in non-cash working capital accounts	10	**4,712**	1,432	**610**	(1,655)
Cash provided by operating activities		**33,180**	33,854	**54,834**	57,872
Financing activities					
Increase of bank debt	4	**3,201**	23,118	**27,067**	17,905
Subordinated term debt	6	**(4,750)**	(4,750)	**(9,500)**	(10,693)
Stock option proceeds		**50**	35	**50**	595
Cash provided (used) in financing activities		**(1,499)**	18,403	**17,617**	7,807
Investing activities					
Investment income received		**88**	117	**220**	216
Exploration and evaluation expenditures		**(252)**	-	**(714)**	(484)
Property, plant and equipment expenditures	3	**(21,367)**	(16,116)	**(53,829)**	(75,855)
Oil and gas property acquisition	3	**-**	-	**(23,586)**	-
Proceeds on sale of investments		**-**	-	**1,448**	-
Changes in non-cash working capital accounts	10	**(10,150)**	(36,258)	**4,010**	10,444
Cash used in investing activities		**(31,681)**	(52,257)	**(72,451)**	(65,679)
Net change in cash in the period		**-**	-	**-**	-
Cash, beginning of period		**-**	-	**-**	-
Cash, end of period		**-**	-	**-**	-

The following are included in cash flow from operating activities:					
Income taxes paid		**1,753**	1,177	**5,205**	7,065

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the periods ended (unaudited)
($ 000's, except number of shares outstanding)

	Numbers of common shares outstanding (Note 8)	Share capital (Note 8)	Contributed surplus [(1)]	Warrants	Accumulated other comprehensive income (loss)[(2)]	Deficit	Total shareholders' equity
January 1, 2023	36,912,892	781,679	31,705	6,053	784	(340,382)	479,839
Share-option compensation			1,811				1,811
Exercise of options	331,575	595					595
Transfer to share capital on exercise of options		902	(902)				-
Comprehensive income (loss)					(280)	16,484	16,204
June 30, 2023	37,244,467	783,176	32,614	6,053	504	(323,898)	498,449
Share-option compensation			1,417				1,417
Exercise of options	8,785	1					1
Transfer to share capital on exercise of options		8	(8)				-
Comprehensive income (loss)					(68)	28,459	28,391
December 31, 2023	37,253,252	783,185	34,023	6,053	436	(295,439)	528,258
Share-option compensation			1,197				1,197
Exercise of options	70,573	50					50
Transfer to share capital on exercise of options		116	(116)				-
Comprehensive income (loss)					(165)	8,158	7,993
Transfer on realized gain on investments, net of tax					(271)	271	-
June 30, 2024	37,323,825	783,351	35,104	6,053	-	(287,010)	537,498

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

(2) 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 FINANCIAL STATEMENTS

As at June 30, 2024 and December 31, 2023 for the three and six months ended June 30, 2024 and June 30, 2023 (unaudited).

1. NATURE OF BUSINESS AND SEGMENT INFORMATION

Bonterra Energy Corp. ("Bonterra" or the "Company") is a public company listed on the Toronto Stock Exchange (the "TSX") and incorporated under the Business Corporations Act (Alberta). The address of the Company's registered office is Suite 901, 1015-4th Street SW, Calgary, Alberta, Canada, T2R 1J4. Common shares of the Company ("Common Shares") are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "BNE".

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.

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 2023 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 2023 audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Adopted Accounting Pronouncements

Amendments to IAS 1 - Classification of liabilities as current or non-current

On January 1, 2024 The Company adopted the scope amendments to IAS 1 – "Presentation of Financial Statements" to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. There was no material impact to Bonterra's financial statements from its adoption.

Amendments to IFRS 16 – Leases – Lease Liability in a Sale and Leaseback

On January 1, 2024 the Company adopted amendments to IFRS 16 – Leases "Lease Liability in a Sale and Leaseback" transactions, that specify the requirement that a seller-lessee uses in its subsequent measurement of the lease liability in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. There was no material impact to Bonterra's financial statements from its adoption.

c) Future Accounting Pronouncements

IFRS 18 – Presentation and Disclosure in Financial Statements

On April 9, 2024 the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the financial statements.

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, 2023	1,655,513	446,131	2,811	2,104,455
Additions	34,362	19,434	33	53,829
Acquisition	19,354	4,880	-	24,234
Adjustment to decommissioning liabilities	(12,400)	-	-	(12,400)
Balance at June 30, 2024	**1,696,829**	**470,445**	**2,844**	**2,170,118**

Accumulated depletion and depreciation ($ 000s)	**Oil and gas properties**	**Production facilities**	**Furniture fixtures & other equipment**	**Total property plant & equipment**
Balance at December 31, 2023	(962,387)	(215,046)	(2,097)	(1,179,530)
Depletion and depreciation	(37,056)	(9,075)	(56)	(46,187)
Disposal and other	(21)	-	-	(21)
Balance at June 30, 2024	**(999,464)**	**(224,121)**	**(2,153)**	**(1,225,738)**

Carrying amounts as at: ($ 000s)				
December 31, 2023	693,126	231,085	714	924,925
June 30, 2024	**697,365**	**246,324**	**691**	**944,380**

Asset Acquisition of Oil and Natural Gas Property

On March 1, 2024, the Company acquired the Charlie Lake assets for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, including closing adjustments ("Charlie Lake Asset Acquisition"). This acquisition has been accounted for as an asset acquisition, which resulted in a $24.2 million increase in PP&E and the assumption of $0.3 million in decommissioning liabilities.

Impairment

There were no indicators of impairment identified for each of the three and six months ended June 30, 2024 and 2023.

4. BANK DEBT

As at June 30, 2024, the Company had a total Bank Facility of $110,000,000 (December 31, 2022 - $110,000,000), comprised of a $85,000,000 syndicated revolving credit facility, and a $25,000,000 non-syndicated revolving credit facility. The amount drawn under the total Bank Facility at June 30, 2024 was $41,889,000 (December 31, 2023 - $14,822,000). 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 twelve month trailing 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. As at June 30, 2024, the terms of the total revolving Bank Facility provided that the loan facility was revolving to April 30, 2025, with a maturity date of April 30, 2026, with no set terms of repayment on the credit facility.

The amount available for borrowing under the Bank Facility is reduced by outstanding letters of credit. Letters of credit totaling $2,130,000 were issued as at June 30, 2024 (December 31, 2023 - $2,130,000). Security for the Bank Facility consists of various floating demand debentures totaling $750,000,000 (December 31, 2023 - $750,000,000) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

Financial Covenants

The Company is subject to certain financial covenants under its Bank Facility and Subordinated Term Debt facility as follows:

- Consolidated debt to trailing twelve months EBITDA ratio shall not exceed 2.50:1.00; and
- Asset coverage ratio of not less that 1.50:1.

Asset coverage ratio is defined as the proved developed producing reserves of the Company (before income tax; discounted at 10 percent), as evaluated by an independent third-party engineering report as at December 31, 2023 and evaluated on strip commodity pricing, divided by the consolidated debt of the Company. The ratio is calculated and revaluated for strip pricing on June 30 and December 31 period ends.

As at June 30, 2024, Bonterra was in compliance with all financial covenants on its Bank Facility.

5. SUBORDINATED DEBENTURES

As at June 30, 2024 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 due 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. In the first six months of 2024 $2,655,000 of interest was paid (June 30, 2023 - $2,655,000).

The unsecured subordinated debentures were determined to be a compound instrument with a debt and equity component. Based on the calculated fair value of the debentures, the effective interest rate was 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 8.

6. SUBORDINATED TERM DEBT

As at June 30, 2024 the Company has a second lien, non-revolving subordinated term debt facility ("Subordinated Term Debt"). The amount drawn under the Subordinated Term Debt at June 30, 2024 was

$66,500,000 (December 31, 2023 - $76,000,000). The amounts borrowed under the Subordinated Term Debt bear interest at a fixed rate of 11.70 percent to be applied to 25 percent of the term facility principle and a floating interest rate of Canadian Prime Rate plus 6.25 percent on the remaining 75 percent of the principal amount. The Company is required to make mandatory principal repayments equal to $4.75 million, payable on the last banking day of February, May, August and November of each calendar year, commencing on February 28, 2023. The term debt has a maturity date of November 30, 2026 on which the remaining outstanding principle balance is to be paid.

Based on the calculated fair value of the Subordinated Term Debt as at June 30, 2024, the effective interest rate was determined to be 16.0 percent using the effective interest rate method. The effective interest rate was calculated by discounting future payments of interest and principal with the residual value allocated to issue costs of $6,310,000. The value of the debt will accrete up to the principal balance at maturity. Interest paid in the first six months of 2024 was $4,638,000 (June 30, 2023 - $5,702,000).

Security for the Subordinated Term Debt consists of various floating demand debentures totaling $150,000,000 (December 31, 2023 - $150,000,000) over all of the Company's assets and a general security agreement with second ranking over all personal and real property.

As at June 30, 2024, Bonterra was in compliance with all financial covenants on its second lien Subordinated Term Debt facility (as described in Note 4).

7. INCOME TAXES

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

($ 000s)	Rate of Utilization (%)	Amount
Undepreciated capital costs	7-100	76,253
Share issue and financing costs	20	4,038
Canadian oil and gas property expenditures	10	76,507
Canadian development expenditures	30	131,719
Canadian exploration expenditures	100	8,587
		297,104

The Company has $64,111,000 (December 31, 2023 - $64,725,000) of capital losses carried forward which can only be claimed against taxable capital gains.

8. SHAREHOLDERS' EQUITY

Authorized

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

Issued and fully paid - common shares	**Number**	**Amount ($ 000s)**
Balance, December 31, 2023	**37,253,252**	**783,185**
Issued pursuant to the Company's share option plan	**70,573**	**50**
Transfer from contributed surplus to share capital		**116**
Balance, June 30, 2024	**37,323,825**	**783,351**

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

The weighted average common shares used to calculate basic and diluted net earnings per share for the three and six months ended June 30, are as follows:

	Three Months		Six Months	
	2024	2023	**2024**	2023
Basic shares outstanding	**37,304,206**	37,217,538	**37,280,017**	37,148,164
Dilutive effect of share options and warrants[1]	**35,582**	116,178	**50,944**	168,407
Diluted shares outstanding	**37,339,788**	37,333,716	**37,330,961**	37,316,571

[1] The Company did not include 5,718,500 share-options and warrants for the three months ended June 30, 2024 (June 30, 2023 – 4,983,500) and 5,723,500 share-options and warrants for the six months ended June 30, 2024 (June 30, 2023 – 4,983,500) 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, 2024 and changes during the period are presented below:

	Number of warrants	**Weighted exercise price**
As at June 30, 2024 and December 31, 2023	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 3,732,383 (December 31, 2023 – 3,725,325 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, 2024 and changes during the period are presented below:

	Number of options	**Weighted average exercise price**
At December 31, 2023	3,260,000	$6.87
Options granted	27,000	6.11
Options exercised[1]	(110,000)	2.56
Options forfeited	(98,000)	7.24
Options expired	(15,000)	12.32
At June 30, 2024	3,064,000	$6.98

[1] 100,000 options were exercised under the cashless option method, which resulted in 60,573 shares being issued in which the Company received no proceeds. Under the cashless option method, the remaining options between the number of options exercised and shares issued are cancelled.

The following table summarizes information about options outstanding and exercisable as at June 30, 2024:

	Options outstanding				Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life		Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$ 1.00 - $ 5.00	93,500	0.7 years	$	4.45	63,500	$ 4.21
5.01 - 10.00	2,940,500	3.5 years		7.01	932,838	8.21
10.01 - 15.00	30,000	1.4 years		12.32	15,000	12.32
$ 1.00 - $ 15.00	3,064,000	3.4 years	$	6.98	1,011,338	$ 8.02

The Company records compensation expense equally over the annual three year vesting period, based on the fair value of options granted to directors, officers and employees. In 2024, the Company granted 27,000 options with an estimated fair value of $50,000 or $1.84 per option using the Black-Scholes option pricing model with the following key assumptions:

	June 30, 2024
Weighted-average risk free interest rate (%)(1)	**4.06**
Weighted-average expected life (years)	**2.0**
Weighted-average volatility (%)(2)	**49.49**
Forfeiture rate (%)	**6.25**

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

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

9. OIL AND GAS SALES, NET OF ROYALTIES

	Three months		Six months	
($ 000s)	**June 30, 2024**	June 30, 2023	**June 30, 2024**	June 30, 2023
Oil and gas sales				
Crude oil	**61,042**	61,770	**114,649**	122,653
Natural gas liquids	**5,817**	4,993	**11,974**	10,661
Natural gas	**5,606**	8,843	**14,431**	19,555
	72,465	75,606	**141,054**	152,869
Less royalties:				
Crown	**(7,195)**	(6,157)	**(13,275)**	(16,123)
Freehold, gross overriding royalties and other	**(3,132)**	(2,735)	**(6,062)**	(6,372)
	(10,327)	(8,892)	**(19,337)**	(22,495)
Oil and gas sales, net of royalties	**62,138**	66,714	**121,717**	130,374

10. SUPPLEMENTAL CASH FLOW INFORMATION

($ 000s)	Three months **June 30, 2024**	 June 30, 2023	Six months **June 30, 2024**	 June 30, 2023
Change in non-cash working capital:				
Accounts receivable	**4,336**	2,877	**2,223**	209
Crude oil inventory	**(2)**	91	**(44)**	137
Prepaid expenses	**(1,525)**	(3,225)	**(926)**	(1,766)
Investment tax credit receivable	**-**	1,960	**-**	5,761
Abandonment deposit	**(27)**	(3)	**(27)**	(6)
Accounts payable and accrued liabilities	**(8,220)**	(36,526)	**3,394**	4,454
	(5,438)	(34,826)	**4,620**	8,789
Changes related to:				
Operating activities	**4,712**	1,432	**610**	(1,655)
Investing activities	**(10,150)**	(36,258)	**4,010**	10,444
	(5,438)	(34,826)	**4,620**	8,789

Finance expense

($ 000s)	**June 30, 2024**	June 30, 2023	**June 30, 2024**	June 30, 2023
Interest expense:				
Bank debt	**1,045**	879	**1,791**	1,851
Subordinated debenture	**1,327**	1,327	**2,655**	2,655
Subordinated term debt	**2,252**	2,804	**4,638**	5,702
	4,624	5,010	**9,084**	10,208
Accretion:				
Decommissioning liabilities	**909**	947	**1,799**	1,871
Subordinated debentures	**820**	709	**1,557**	1,320
Subordinated term debt	**446**	561	**916**	1,118
	2,175	2,217	**4,272**	4,309
Total finance costs	**6,799**	7,227	**13,356**	14,517
Interest paid:				
Expense	**4,624**	5,010	**9,084**	10,208
Change in interest accrued	**1,328**	1,328	**-**	-
Total interest paid	**5,952**	6,338	**9,084**	10,208

11. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

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

- Accounts receivable
- Accounts payable and accrued liabilities
- Bank debt
- Subordinated debentures
- Subordinated term debt

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 Bonterra'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 of Bonterra's financial performance. 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 crude oil inventory levels, domestic infrastructure constraints, global economic and geopolitical factors. The Company continues to retain available committed borrowing capacity that provides Bonterra 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 Bonterra 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 $23,141,000 accounts receivable balance at June 30, 2024 (December 31, 2023 - $25,364,000) over 83 percent (December 31, 2023 – 83 percent) relate to product sales or risk management contracts with national and international banks and oil and gas companies.

On a quarterly basis, Bonterra assesses if there has been any impairment of the financial assets of the Company. During the six months ended June 30, 2024, there was no material impairment provision required on any of the financial assets of the Company. Bonterra 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.

As at June 30, 2024, approximately $1,488,000 or 6.4 percent of the Company's total accounts receivable are aged over 90 days and considered past due (December 31, 2023 - $591,000 or 2.3 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, 2024 is $2,251,000 (December 31, 2023 - $1,878,000) 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 its capital structure based on the ratio of net debt (total debt adjusted for working capital) to EBITDA. This ratio is calculated using each quarter end net debt divided by the preceding twelve months' EBITDA. At June 30, 2024, the Company had a net debt to EBITDA level of 1.0:1 compared to 0.8:1 as at December 31, 2023. The increase in Bonterra's net debt to EBITDA ratio is primarily due to an increase in net debt relating to the Charlie Lake Asset Acquisition and a decrease in EBITDA from lower commodity prices. To provide cashflow protection the Company has hedged at least 30 percent of its forecasted oil and natural gas production over the next nine 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 EBITDA ratio

The net debt and EBITDA amounts are as follows:

($ 000s)	**June 30, 2024**	December 31, 2023
Bank debt	**41,889**	14,822
Subordinated debentures	**54,141**	52,585
Subordinated term debt[(1)]	**44,436**	53,018
Current liabilities	**65,531**	62,175
Current assets	**(33,375)**	(37,160)
Net debt	**172,622**	145,440
Net earnings	**36,617**	44,943
Adjustments to net earnings:		
Unrealized gain on risk management contracts	**(432)**	(1,559)
Deferred consideration	**(965)**	(1,009)
Finance costs	**27,276**	28,437
Share-option compensation	**2,614**	3,228
Depletion and depreciation	**92,242**	90,479
Current income tax expense	**8,284**	11,134
Deferred income tax expense	**1,627**	3,300
EBITDA (trailing twelve months)	**167,263**	178,953
Net debt to EBITDA ratio	**1.0**	0.8

(1) Included in current liabilities is the current portion of the Subordinated Term Debt of $19,000,000 (December 31, 2023 - $19,000,000).

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 of Bonterra'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, 2024, the Company has the following physical delivery sales contracts in place.

Product	Type of contract	Volume	Term			Contract price ($)	
Oil	Fixed price - WTI[1]	400 BBL/day	May 1, 2024	to	Dec 31, 2024	82.54	USD/BBL
Gas	Fixed Price - AECO Daily[4]	2,500 GJ/day	Apr 1, 2024	to	Oct 31, 2025	2.39	CAD/GJ
Gas	Fixed Price - AECO Daily[4]	4,500 GJ/day	Jul 1, 2024	to	Sep 30, 2024	0.75	CAD/GJ

(1) "WTI" refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States.
(2) "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.
(3) "MSW differential" is the primary difference between WTI and MSW steam index benchmark pricing.
(4) "AECO Daily" refers to a grade or heating content of natural gas used as daily index benchmark pricing in Alberta, Canada.
(5) "AECO Monthly" refers to a grade or heating content of natural gas used as monthly index benchmark pricing in Alberta, Canada.

Risk Management Contracts

	Three months		Six months	
($ 000s)	**June 30, 2024**	June 30, 2023	**June 30, 2024**	June 30, 2023
Risk management contracts				
Realized gain	**370**	1,204	**740**	1,093
Unrealized gain (loss)	**1,743**	(1,298)	**(919)**	208
	2,113	(94)	**(179)**	1,301

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.

As of June 30, 2024, the Company has the following risk management contracts in place.

Product	Type of contract	Volume	Term			Contract price ($)			
Oil	Financial collar - WTI	500 BBL/day	Jul 1, 2024	to	Sep 30, 2024	70.00	to	90.00	USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Jul 1, 2024	to	Dec 31, 2024	65.00	to	92.80	USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Jul 1, 2024	to	Dec 31, 2024	65.00	to	84.50	USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Jul 1, 2024	to	Dec 31, 2024	65.00	to	85.30	USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Oct 1, 2024	to	Dec 31, 2024	65.00	to	84.00	USD/BBL
Oil	Fixed price - MSW stream index	500 BBL/day	Apr 1, 2024	to	Dec 31, 2024			80.00	USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Jan 1, 2025	to	Mar 31, 2025	70.00	to	86.35	USD/BBL
Oil	Fixed price - MSW differential	500 BBL/day	Jul 1, 2024	to	Dec 31, 2024			(2.70)	USD/BBL
Oil	Fixed price - MSW differential	500 BBL/day	Jul 1, 2024	to	Dec 31, 2024			(2.50)	USD/BBL
Gas	Fixed Price - AECO Monthly	5,000 GJ/day	Jul 1, 2024	to	Dec 31, 2024			2.10	CAD/GJ
Gas	Fixed Price - AECO Daily	5,000 GJ/day	Jul 1, 2024	to	Dec 31, 2024			2.04	CAD/GJ
Gas	Financial collar - AECO Monthly	5,000 GJ/day	Jan 1, 2025	to	Mar 31, 2025	2.75	to	3.30	CAD/GJ

Subsequent to June 30, 2024, the Company entered into the following risk management contract.

Product	Type of contract	Volume	Term			Contract price ($)			
Oil	Financial collar - WTI	500 BBL/day	Jan 1, 2025	to	Jun 30, 2025	65.00	to	80.00	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, 2024, the Company's debt facilities consist of a $85,000,000 syndicated revolving credit facility, and a $25,000,000 non-syndicated revolving credit facility, $66,500,000 second lien Subordinated Term 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. The subordinated debt has a fixed interest rate of 11.7 percent for a quarter of the outstanding balance and prime plus 6.25 percent for the remaining outstanding balance. 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 $706,000.

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.

12. COMMITMENTS AND FINANCIAL LIABILITIES

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

($ 000s)	Recognized on Financial Statements	Less than 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Total
Accounts payable and accrued liabilities	Yes - Liability	40,620	-	-	-	40,620
Bank debt	Yes - Liability	-	41,889	-	-	41,889
Subordinated debentures(1)	Yes - Liability	-	59,000	-	-	59,000
Subordinated term debt(1)	Yes - Liability	19,000	47,500	-	-	66,500
Future interest	No	12,012	6,572	-	-	18,584
Firm service commitments	No	1,047	1,846	969	131	3,993
Office lease commitments	No	489	701	-	-	1,190
Total		73,168	157,508	969	131	231,776

(1) 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 2.4 years.

CORPORATE INFORMATION

Board of Directors

D. Michael G. Stewart - Chair
John J. Campbell
David M. Humphreys
Stacey E. McDonald
Patrick G. Oliver
Jacqueline R. Ricci

Officers

Patrick G. Oliver, President and CEO
Robb D. Thompson, CFO and Corporate Secretary
Brad A. Curtis, Senior VP, Business Development

Registrar and Transfer Agent

Odyssey Trust Company

Auditors

Deloitte LLP

Solicitors

Borden Ladner Gervais LLP

Bankers

CIBC
ATB Financial
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