Bonterra Energy Corp. **Q1** For the Three Months ended March 31, 2015

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BONTERRA ENERGY REPORTS FIRST QUARTER 2015 FINANCIAL AND OPERATING RESULTS

HIGHLIGHTS

As at and for the three months period ended ($000s except $ per share)		**March 31, 2015**	December 31, 2014	March 31, 2014
FINANCIAL				
Revenue – realized oil and gas sales		**42,480**	68,940	82,521
Funds flow [3]		**22,090**	31,926	54,414
Per share – basic		**0.69**	0.99	1.73
Per share – diluted		**0.69**	0.99	1.72
Payout ratio		**87%**	91%	50%
Cash flow from operations		**26,079**	50,465	49,094
Per share – basic		**0.81**	1.57	1.56
Per share – diluted		**0.81**	1.57	1.55
Payout ratio		**74%**	57%	56%
Cash dividends per share		**0.60**	0.90	0.87
Net earnings (loss)		**(1,935)**	(32,877) [2]	23,041
Per share – basic		**(0.06)**	(1.04)	0.73
Per share – diluted		**(0.06)**	(1.03)	0.73
Capital expenditures and acquisitions, net of dispositions		**38,960** [1]	20,605	54,236
Total assets		**1,072,534**	1,042,938	1,043,822
Working capital deficiency		**37,633**	53,642	62,488
Long-term debt		**207,217**	154,723	143,103
Shareholders' equity		**613,886**	635,198	678,224
OPERATIONS				
Oil	- barrels per day	**8,128**	8,762	7,567
	- average price ($ per barrel)	**48.70**	71.37	96.53
NGLs	- barrels per day	**791**	911	721
	- average price ($ per barrel)	**22.36**	37.49	67.81
Natural gas	- MCF per day	**19,709**	22,883	22,307
	- average price ($ per MCF)	**2.97**	3.92	6.16
Total barrels of oil equivalent per day (BOE) [4]		**12,204**	13,488	12,006

(1) Includes a deposit of $17,200,000 for a purchase of primarily Pembina Cardium oil and gas assets that closed on April 15, 2015 and increased capital expenditures from $21,760,000.
(2) Net loss in the fourth quarter of 2014 is primarily due to an increase in deferred tax expense as a result of an agreement with Canada Revenue Agency.
(3) 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.
(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

Bonterra Energy Corp. (Bonterra or the "Company") is pleased to report its financial and operational results for the three months ended March 31, 2015.

Bonterra's first quarter results have been impacted by the continued low commodity prices that started their decline in Q3 2014. The price reductions have resulted in a large reduction in funds flow and made it necessary for the Company to reduce the monthly dividend, its budgeted 2015 capital expenditures and to delay the completion of drilled wells until commodity prices improve.

Following are comparatives for Q1 2015, Q4 2014 and Q1 2014 as well as the implications Bonterra has realized as a result of the lower commodity price environment:

- Average Canadian dollar realized commodity price per barrel of oil equivalent (BOE) net of royalties was $35.50 in Q1 2015; $67.61 in Q1 2014; and $49.69 in Q4 2014.
- Corporate cash netback per BOE was $20.78 in Q1 2015; $50.37 in Q1 2014 and $34.20 in Q4 2014.
- Corporate funds flow for Q1 2015 was $22.1 million compared to $54.4 million in Q1 2014 and $31.9 million in Q4 2014.
- The reduction in funds flow resulted in a reduction of the monthly dividend from $0.30 to $0.15 per common share effective in February 2015, as well as a lower level of capital expenditures in Q1 of $21.7 million compared to $55.2 million in Q1 2014.
- The Company achieved Q1 2015 production of 12,204 BOE per day compared to 12,006 in Q1 2014 and 13,488 in Q4 2014. The Q1 2015 production does not include any volumes from the January 2015 Pembina area acquisition of approximately 1,800 BOE per day, had fewer wells commencing production in Q1 2015, and had approximately 640 BOE per day of shut in production due to volume restrictions from non-operated facilities, oil apportionments and gas capacity restrictions imposed by pipeline operators and voluntary shut ins by the Company.
- Kindly refer to the "Highlights" and "Quarterly Comparison" sections of the full Q1 2015 quarterly report for further details.

Subsequent Events

- Closed the acquisition to acquire oil and gas assets on April 15 2015 in the Pembina area of Alberta for $170 million (after adjustments) that averaged production of approximately 1,760 BOE per day (86 percent liquids) for the period January 1, 2015 to April 30, 2015. The decline rate for this production is approximately 7 percent and Bonterra has identified 136 Cardium horizontal drill locations on this property.
- Renewed the existing bank credit facility with its syndicated banks to $425 million from $250 million to finance the above described $170 million acquisition. Equity issues to reduce the debt may be considered in the future, subject to commodity and Bonterra share prices.
- The possible impact on the oil and gas industry resulting from the Alberta Provincial election remains unclear.

Outlook

It is a volatile period for the industry and difficult to develop a five year plan. The likely largest impact items will be predicting commodity prices, the policies of the new Alberta government and take away pipeline capacity.

Bonterra's favourable asset base makes it possible to operate successfully at low commodity prices and with its present debt levels. The Company continues to take the approach that capital spending and dividend payments will continue to be monitored on an ongoing basis and can be modified quickly in response to changes in production volumes, commodity prices and regulatory changes.

If commodity pricing continues to move upward as seen subsequent to Q1 2015, the Board and Management will give considerations to increasing capital expenditures, reducing the debt or increasing the dividend, or a combination of these options in 2015.

It is important to remember that not all is negative during difficult times. Capital costs on a per well basis have been reduced by 20 to 25 percent; operating and general and administration costs are lower; the differential between WTI oil prices is substantially lower than in recent months and realized prices received by the Company are beginning to trend higher; and the Canadian dollar compared to the U.S. dollar is substantially lower which contributes to higher revenues in Canadian dollars. Each of these items help to somewhat offset the broader negative impact of low commodity pricing.

General

The Board of Directors recognizes that the Company has a qualified team of devoted individuals and wish to take the opportunity to thank the staff and consultants for the extra effort that has been provided by them during the past months.

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

Management's Discussion and analysis

The following report dated May 12, 2015 is a review of the operations and current financial position for the three months ended March 31, 2015 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, 2014 presented under International Financial Reporting Standards (IFRS).

Use of Non-IFRS Financial Measures

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

The Company calculates payout ratio as a percentage by dividing cash dividends paid to shareholders by cash flow from operating activities, both of which are measures prescribed by IFRS which appear on our statements of cash flows. We calculate cash netback by dividing various financial statement items as determined by IFRS by total production for the period on a barrel of oil equivalent basis.

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; "bbl" refers to barrel; "NGL" refers to Natural gas liquids; "MCF" refers to thousand cubic feet; "MMBTU" refers to million British Thermal Units; 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

	2015	2014			
As at and for the periods ended ($ 000s except $ per share)	**Q1**	Q4	Q3	Q2	Q1
Financial					
Revenue – oil and gas sales	**42,480**	68,940	88,959	99,274	82,521
Cash flow from operations	**26,079**	50,465	65,705	57,089	49,094
Per share – basic	**0.81**	1.57	2.05	1.79	1.56
Per share – diluted	**0.81**	1.57	2.03	1.78	1.55
Payout ratio	**74%**	57%	44%	49%	56%
Cash dividends per share	**0.60**	0.90	0.90	0.87	0.87
Net earnings (loss)	**(1,935)**	(32,877) [2]	20,983	27,614	23,041
Per share – basic	**(0.06)**	(1.04)	0.65	0.87	0.73
Per share – diluted	**(0.06)**	(1.03)	0.65	0.86	0.73
Capital expenditures and acquisitions, net of dispositions	**38,960** [1]	20,605	41,205	39,519	54,236
Total assets	**1,072,534**	1,042,938	1,080,801	1,066,145	1,043,822
Working capital deficiency	**37,633**	53,642	55,047	36,399	62,488
Long-term debt	**207,217**	154,723	140,339	151,145	143,103
Shareholders' equity	**613,886**	635,198	697,337	699,284	678,224
Operations					
Oil (barrels per day)	**8,128**	8,762	8,874	9,109	7,567
NGLs (barrels per day)	**791**	911	818	775	721
Natural gas (MCF per day)	**19,709**	22,883	21,981	24,163	22,307
Total BOE per day	**12,204**	13,488	13,355	13,911	12,006

	2013			
As at and for the periods ended ($ 000s except $ per share)	Q4	Q3	Q2	Q1 [3]
Financial				
Revenue – oil and gas sales	70,917	78,946	79,344	66,468
Cash flow from operations	47,772	43,953	41,445	40,726
Per share – basic	1.53	1.41	1.35	1.47
Per share – diluted	1.52	1.40	1.35	1.46
Payout ratio	56%	60%	62%	53%
Cash dividends per share	0.85	0.84	0.84	0.80
Net earnings	15,254	19,690	15,119	12,695
Per share – basic	0.50	0.63	0.49	0.46
Per share – diluted	0.49	0.63	0.49	0.46
Capital expenditures and acquisitions, net of dispositions	25,965	34,025	9,731	39,506 [4]
Total assets	1,000,531	1,002,773	987,067	1,016,594
Working capital deficiency	35,895	43,681	26,824	31,519
Long-term debt	156,764	147,189	179,379	189,509
Shareholders' equity	667,641	671,528	648,574	658,062
Operations				
Oil (barrels per day)	7,964	7,310	8,414	7,459
NGLs (barrels per day)	691	772	782	732
Natural gas (MCF per day)	22,802	22,274	20,554	22,176
Total BOE per day	12,456	11,794	12,621	11,887

(1) Includes a deposit of $17,200,000 for a purchase of primarily Pembina Cardium oil and gas assets that closed on April 15, 2015 and increased capital expenditures from $21,760,000.

(2) Net loss in the fourth quarter of 2014 is primarily due to an increase in deferred tax expense as a result of an agreement with Canada Revenue Agency.

(3) Quarterly figures for Q1 2013 include the results of Spartan Oil Corp. (Spartan), for the period of January 25, 2013 to March 31, 2013. Production includes 65 days for Spartan and 90 days for Bonterra.

(4) Includes the Spartan Transaction that closed on January 25, 2013 that included $10,000,000 of acquired cash that reduced capital expenditures from $49,506,000.

Business Environment and Sensitivities

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

	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013
Crude oil								
WTI (U.S.$/bbl)	**48.63**	73.15	97.17	102.99	98.68	97.44	105.82	94.22
WTI to MSW Stream Index								
Differential (U.S.$/bbl)[1]	**(6.93)**	(6.46)	(7.93)	(6.14)	(8.25)	(14.93)	(4.72)	(3.67)
Foreign exchange								
U.S.$ to Cdn$	**1.2411**	1.1357	1.0893	1.0905	1.1035	1.0498	1.0385	1.0234
Bonterra average realized								
price (Cdn$/bbl)	**48.70**	71.37	92.73	102.36	96.53	80.88	103.30	89.38
Natural gas								
AECO (Cdn$/mcf)	**2.74**	3.58	4.00	4.67	5.69	3.52	2.43	3.52
Bonterra average realized								
price (Cdn$/mcf)	**2.97**	3.92	4.54	4.85	6.16	3.85	2.71	4.13

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

The overall volatility in Bonterra's average realized commodity pricing can be impacted by numerous events, some of which are:

- Worldwide crude oil supply and demand imbalance;
- Geo-political events in the middle east countries that affect worldwide crude oil production;
- Potential North American production decline due to low prices;
- The reduced value of the Canadian dollar compared to the U.S. dollar continues to positively affect Bonterra's realized prices;
- Whether there is sufficient take-away capacity to transport energy commodities;
- Weather dependence; even with the cold winter across North America, the demand still did not offset the increased gas production; and
- Timing of plant and refinery turnarounds. .

The following chart shows the Company's sensitivity to key commodity price variables. The sensitivity calculations are performed independently showing the effect of the change of one variable; with all other variables being held constant.

Annualized sensitivity analysis on cash flow, as estimated for 2015[1]

Impact on cash flow	Change ($)	$000s	$ per share[2]
Realized crude oil price ($/bbl)	1.00	2,880	0.09
Realized natural gas price ($/mcf)	0.10	713	0.02
U.S.$ to Canadian $ exchange rate	0.01	1,267	0.04

(1) This analysis uses current royalty rates, annualized estimated average production of 12,800 BOE per day and no changes in working capital
(2) Based on annualized basic weighted average shares outstanding of 32,169,623

Business Overview, Strategy and Key Performance Drivers

Bonterra's first quarter results are generally in line with expectations and reflect the impact of low commodity prices. In an effort to remain focused on shareholder value, the Company has maintained its guidance to reduce its capital spending compared to 2014 until commodity prices increase. In recent weeks however, Bonterra has developed a more optimistic outlook on commodity prices and as such, has decided to complete its inventory of pre-drilled wells towards the end of the second quarter 2015 and has commenced production from its previously shut in oil wells.

On February 19, 2015, the Company entered into a purchase and sale agreement (the "Agreement") to acquire certain oil and gas assets (the "Pembina Assets") from a senior oil and gas producer (the "Acquisition"). The Pembina Assets are Cardium focused in the Pembina Area of Alberta, with a production base that is complementary to Bonterra's current acreage, and which provides an additional inventory of long-term drilling locations. The Acquisition closed on April 15, 2015 with an effective date of January 1, 2015. Consideration for the Pembina Assets was $170,896,000 ($172,000,000 prior to any adjustments). To coincide with the close of the Acquisition, the Company renewed its bank facility with its syndicate of lenders (the "Lenders") and increased the existing credit facility commitment to $425 million from $250 million.

The Company averaged 12,204 BOE per day for the quarter, which was lower than expected due to 640 BOE per day for the quarter being shut-in due to non-operated facility turnarounds and restrictions imposed by Trans Canada Pipelines. The Company expects 200 BOE per day to be brought on by July 1, 2015, with the remaining production related to the Trans Canada restrictions brought on by December 1, 2015. Also, some marginal oil and gas wells have been shut in due to weak commodity prices realized in the first quarter. All of the oil wells have been reactivated in the second quarter due to the recent increase in crude oil prices.

Bonterra spent $21,760,000 on its capital program, primarily on the drilling of 7 gross (5.4 net) operated wells and completing and tying-in 9 gross (7.4 net) wells (of which 6 wells were drilled in 2014) and adding field compression to redirect gas production in the Carnwood area to its two wholly-owned plants. The Company has deferred completions of 8 (7.9 net) operated wells in the Carnwood area until the latter part of the second quarter. This should result in significant benefit to the Company as savings in completion costs nearing 50 percent have been experienced, coupled with recently increased crude oil prices.

Bonterra's annual production and capital budget will be reevaluated every quarter and will be modified in accordance with changing commodity prices. In addition, the Company reduced the monthly dividend from $0.30 per share to $0.15 per share commencing with the February 2015 dividend.

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

Drilling

	Three months ended					
		March 31, 2015		December 31, 2014		March 31, 2014
	Gross[1]	**Net[2]**	Gross[1]	Net[2]	Gross[1]	Net[2]
Crude oil horizontal-operated	**7**	**5.4**	10	9.9	15	14.9
Crude oil horizontal-non-operated	**1**	**0.1**	-	-	8	2.3
Total	**8**	**5.5**	10	9.9	23	17.2
Success rate		**100%**		100%		100%

(1) "Gross" wells means the number of wells in which Bonterra has a working interest.
(2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Bonterra's percentage of working interest.

During the first quarter of 2015, the Company placed six gross (5.9 net) wells on production that were drilled in the later part of 2014, drilled 7 gross (5.4 net) wells, of which 1 (0.47 net) was placed on production with the remaining 6 wells scheduled to be on production in the latter part of Q2 2015 due to the recent increase in oil prices. The Company also has 4 gross (3.9 net) additional wells that were drilled in the latter part of Q4 2014 that are to be placed on production in Q2 2015. As well, 1 gross (0.1 net) non-operated well was drilled and placed on production during the period.

Production

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Crude oil (barrels per day)	**8,128**	8,762	7,567
NGLs (barrels per day)	**791**	911	721
Natural gas (MCF per day)	**19,709**	22,883	22,307
Average BOE per day	**12,204**	13,488	12,006

Production volumes during the first quarter of 2015 increased to 12,204 BOE per day compared to 12,006 BOE per day during the same period in 2014. Quarter-over-quarter, production volumes decreased by 1,284 BOE per day. The decrease in production is primarily due to lower capital spending as a function of weaker crude oil prices, which resulted in the reduction in the number of wells completed.. In addition, 640 BOE per day for the quarter have been shut-in primarily due to non-operated facility turnarounds and restrictions imposed by Trans Canada Pipelines. Production from the Pembina Asset is not included until the closing date of April 15, 2015.

Cash Netback

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

	Three months ended		
$ per BOE	**March 31, 2015**	December 31, 2014	March 31, 2014
Production volumes (BOE)	**1,098,375**	1,240,864	1,080,575
Gross production revenue	**$38.68**	$55.56	$76.37
Royalties	**(3.18)**	(5.87)	(8.76)
Field operating costs	**(11.93)**	(12.50)	(13.90)
Field netback	**$23.57**	$37.19	$53.71
General and administrative	**(1.50)**	(1.83)	(2.28)
Interest and other	**(1.29)**	(1.16)	(1.06)
Cash netback	**$20.78**	$34.20	$50.37

Cash netbacks have decreased in Q1 2015 compared to the same period in 2014 primarily due to lower commodity prices, which were partially offset by lower royalties, production costs and lower general and administrative costs. Quarter-over-quarter cash netbacks decreased due to the combination of lower production volumes and commodity prices.

Oil and Gas Sales

	Three months ended		
($ 000s)	**March 31, 2015**	December 31, 2014	March 31, 2014
Revenue – oil and gas sales	**42,480**	68,940	82,521
Average Realized Prices ($):			
Crude oil (per barrel)	**48.70**	71.37	96.53
NGLs (per barrel)	**22.36**	37.49	67.81
Natural gas (per MCF)	**2.97**	3.92	6.16
Average (per BOE)	**38.68**	55.56	76.37

Revenue from oil and gas sales decreased by $40,041,000 in Q1 2015 or 49 percent compared to Q1 2014. This decrease was due to a 49 percent decrease in commodity prices.

The quarter-over-quarter decrease in oil and gas revenues of $26,460,000 or 38 percent was due to decreased commodity prices and production volumes.

The Company's product split on a revenue basis for 2015 is approximately 88 percent weighted towards crude oil and NGLs.

Royalties

	Three months ended		
($ 000s)	**March 31, 2015**	December 31, 2014	March 31, 2014
Crown royalties	**2,044**	5,021	5,233
Freehold, gross overriding and other royalties	**1,444**	2,259	4,233
Total royalties	**3,488**	7,280	9,466
Crown royalties - percentage of revenue	**4.8**	7.3	6.3
Freehold, gross overriding and other royalties - percentage of revenue	**3.4**	3.3	5.1
Royalties – percentage of revenue	**8.2**	10.6	11.4
Royalties $ per BOE	**3.18**	5.87	8.76

Royalties paid by the Company consist of Crown royalties paid to the Provinces of Alberta, Saskatchewan and British Columbia. The Company's average Crown royalty rate is approximately 4.8 percent for 2015 compared to 6.3 percent for 2014 (Q4 2014 - 7.3 percent). The crown royalty rate decrease was primarily due to decreased commodity prices reducing the overall crown royalty rate.

Non-crown royalties decreased for 2015 compared to the same period in 2014, primarily due to the Company drilling the majority of its new wells in the second half of 2014 onwards on crown lands compared to freehold lands.

Production Costs

	Three months ended		
($ 000s except $ per BOE)	**March 31, 2015**	December 31, 2014	March 31, 2014
Production costs	**13,100**	15,516	15,025
$ per BOE	**11.93**	12.50	13.90

Production costs on a per BOE basis for 2015 decreased 13 percent from the comparable period in 2014. The decrease in production costs on a per BOE basis can be mainly attributed to a reduction in rates charged by service companies, while in 2014, the Company was subject to a 2013 freehold mineral tax re-assessment in the Keystone area that was received in the first quarter of 2014.

Quarter-over-quarter the production costs decreased as a result of a reduction in rates charged by service companies, lower production volumes, facility equalizations and turnarounds.

Other Income

	Three months ended		
($ 000s)	**March 31, 2015**	December 31, 2014	March 31, 2014
Investment income	**96**	12	18
Administrative income	**29**	22	191
Gain on sale of properties	**-**	-	581
	125	34	790

In January 2014, the Company sold a portion of its undeveloped land in the Willesden Green area for cash proceeds of $1,000,000. At the time of disposition, the Company had a carrying value of $419,000 for exploration and evaluation expenditures, resulting in a gain on sale of $581,000.

The market value of the investments held by the Company is $19,226,000 at March 31, 2015 (March 31, 2014 - $8,821,000). The increase in carrying value is mainly due to the $12,221,000 of investments purchased by the Company during the quarter.

The Company receives administrative income by way of management fees from related parties (see related party transactions).

General and Administration (G&A) Expense

	Three months ended		
($ 000s except $ per BOE)	**March 31, 2015**	December 31, 2014	March 31, 2014
Employee compensation expense	**712**	1,399	1,930
Office and administration expense	**932**	877	537
Total G&A expense	**1,644**	2,276	2,467
$ per BOE	**1.50**	1.83	2.28

The decrease in employee compensation expense of $1,218,000 for 2015 compared to 2014 is primarily due to staff reorganization and accrued bonuses that resulted from lower net earnings before income taxes. The quarter-over-quarter decrease is primarily due to a decrease in accrued bonuses that resulted from lower net earnings before income taxes, primarily attributable to further reduced commodity prices. The Company has a bonus plan in which the bonus pool consists of a range between 2.5 percent to 3.5 percent of earnings before income taxes. No bonus was accrued in the quarter. The Company firmly believes that tying employee compensation (including the use of stock options) to the performance of the Company clearly aligns the interest of the employees with those of the shareholders.

The increase in office and administration expense for 2015 compared to 2014 related to increased bank fees as a result of increased credit facilities, computer software costs and an increase in the allowance for doubtful accounts. The quarter-over-quarter increase primarily relates to an increase in bank fees and an increase in the allowance for doubtful accounts.

Finance Costs

	Three months ended		
($ 000s except $ per BOE)	**March 31, 2015**	December 31, 2014	March 31, 2014
Interest on long-term debt	**1,180**	1,220	1,016
Other interest	**363**	251	342
Interest expense	**1,543**	1,471	1,358
$ per BOE	**1.40**	1.19	1.26
Unwinding of the discounted value of decommissioning liabilities	**391**	388	280
Total finance costs	**1,934**	1,859	1,638

Interest on long-term debt increased $164,000 in 2015 compared to the same period in 2014 as the Company increased the bank debt outstanding by $52,494,000 from the end of 2014. Due to the Pembina Asset acquisition being financed with debt, subsequent to March 31, 2015, the Company's interest rate is expected to increase as a result of carrying a higher net debt to cash flow ratio. Interest rates are determined by net debt to cash flow ratio on a trailing quarterly basis.

Other interest relates to amounts paid to related party (see related party transactions) and a $40,000,000 subordinated promissory note from a private investor. On April 2, 2015 the Company repaid $5,000,000 of this loan.

A one percent increase (decrease) in the Canadian prime rate would decrease (increase) both annual net earnings and comprehensive income by approximately $1,644,000.

Share-based Payments

	Three months ended		
($ 000s)	**March 31, 2015**	December 31, 2014	March 31, 2014
Share-based payments	**765**	947	318

Share-based payments are 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 employees, directors and consultants.

Share-based payments increased by $447,000 from the same period a year ago due to the Company granting most of its options in the second and third quarter in 2014.

Based on current outstanding options, the Company has an unamortized expense of $5,320,000, of which $2,587,000 will be recorded for the remainder of 2015, $2,262,000 for 2016, and $471,000 for 2017. For more information about options issued and outstanding, refer to Note 8 of the March 31, 2015 condensed financial statements.

Depletion and Depreciation, Exploration and Evaluation and Goodwill

	Three months ended		
($ 000s)	**March 31, 2015**	December 31, 2014	March 31, 2014
Depletion and depreciation	**23,891**	26,975	23,815
Exploration and evaluation	**-**	-	24

Provision for depletion and depreciation for 2015 remained relatively unchanged from the same period a year ago. The decrease in depletion and depreciation quarter-over-quarter is primarily due to a decrease in production volumes.

Exploration and evaluation expense related to expired leases.

There were no impairment provisions recorded for the three month periods ended March 31, 2015 and March 31, 2014.

Taxes

The Company recorded a current tax expense of $740,000 (2014 - $Nil) and a deferred tax recovery of $1,022,000 (2014 - $7,517,000 deferred tax expense) for a total tax recovery of $282,000 (2014 - $7,517,000 total tax expense). The tax expense decrease for 2015 compared to 2014 relates to lower net earnings which is primarily due to depressed commodity prices. The Company also utilized $444,000 of federal investment tax credits to reduce current taxes payable to $296,000.

For additional information regarding income taxes, see Note 7 of the March 31, 2015 condensed financial statements.

Net Earnings (Loss)

	Three months ended		
($ 000s except $ per share)	**March 31, 2015**	December 31, 2014	March 31, 2014
Net earnings (loss)	**(1,935)**	(32,877)	23,041
$ per share – basic	**(0.06)**	(1.04)	0.73
$ per share – diluted	**(0.06)**	(1.03)	0.73

Net earnings in 2015 decreased by $24,976,000 compared to the same period in 2014. Decreased net earnings resulted primarily from decreased commodity prices, which was partially offset by a decrease in royalties, production costs and deferred income tax expense.

The quarter-over-quarter decrease in net loss was mainly due to the tax expense from the Canada Revenue Agency agreement (“CRA Agreement”) recorded in the fourth quarter of 2014, which was partially offset by a decrease in oil and gas sales.

Other Comprehensive Income (Loss)

Other comprehensive income for 2015 consists of an unrealized loss before tax on investments (including investment in a related party) of $960,000 relating to an increase in the investments’ fair value (March 31, 2014 – unrealized gain of $2,017,000). Realized gains decrease other comprehensive income as these gains are transferred to net earnings. Other comprehensive income varies from net earnings by unrealized changes in the fair value of Bonterra’s holdings of investments including the investment in related party, net of tax.

Cash Flow from Operations

	Three months ended		
($ 000s except $ per share)	**March 31, 2015**	December 31, 2014	March 31, 2014
Cash flow from operations	**26,079**	50,465	49,094
$ per share – basic	**0.81**	1.57	1.56
$ per share – diluted	**0.81**	1.57	1.55

In 2015, cash flow from operations decreased by $23,015,000 compared to the same period a year ago. This was primarily due to a decrease in oil and gas sales, which were partially offset by a decrease in production costs and an increase in non-cash working capital. The quarter-over-quarter decrease of $24,386,000 was primarily due to a decrease in commodity prices and non-cash working capital.

Related Party Transactions

Bonterra holds 1,034,523 (December 31, 2013 – 1,034,523) common shares in Pine Cliff, which represents less than one percent ownership in Pine Cliff's outstanding common shares. Pine Cliff's common shares have a fair market value as of March 31, 2015 of $1,345,000 (December 31, 2014 of $1,738,000). Pine Cliff paid a management fee to the Company of $15,000 (March 31, 2014 - $15,000) plus the reimbursement of certain administrative costs. Services provided by the Company include executive services, oil and gas administration and office administration. All services performed are charged at estimated fair value. As at March 31, 2015, the Company had an account receivable from Pine Cliff of $211,000 (December 31, 2014 – $316,000).

As at March 31, 2015, the Company's CEO, Chairman of the Board and major shareholder has loaned the Company $12,000,000 (December 31, 2014 - $12,000,000). The loan bears interest at Canadian chartered bank prime less 5/8th of a percent and has no set repayment terms but is payable on demand. Security under the debenture is over all of the Company's assets and is subordinated to any and all claims in favour of the syndicate of senior lenders providing credit facilities to the Company. The loan can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility. Interest paid on this loan for the first three months of 2015 was $67,000 (March 31, 2014 - $70,000). This loan results in a substantial benefit to Bonterra as the interest paid to the CEO by Bonterra is lower than bank interest.

Liquidity and Capital Resources

Net Debt to Cash Flow

Bonterra continues to focus on monitoring and managing its cash flow, capital expenditures and dividend payments. The Company has met its annual guidance range of 1 to 1 times to 1.5 to 1 times net debt to twelve month trailing cash flow ratio with a ratio of 1.2 to 1 times. With the closing of the Pembina Asset acquisition on April 15, 2015 and current commodity prices, its net debt to cash flow ratio will exceed current guidance. On April 15, 2015, the Company increased its bank facility to finance the Acquisition. Bonterra has also significantly reduced planned capital expenditures for 2015 compared to 2014 and has reduced the dividend payments by 50 percent on a monthly basis. With the current oil price environment, the Company will be assessing its net debt to cash flow guidance for 2015 on a continuous basis.

Working Capital Deficiency

($ 000s)	**March 31, 2015**	December 31, 2014	March 31, 2014
Working capital deficiency	**37,633**	53,642	62,488
Long-term bank debt	**207,217**	154,723	143,103
Net debt	**244,850**	208,365	205,591
Shareholders' equity	**613,886**	635,198	678,224
Total	**858,736**	843,563	883,815

Net Debt and Working Capital

Net debt is a combination of long-term bank debt and working capital. Net debt increased compared to the same period in 2014 (and the fourth quarter of 2014). This was primarily attributable to decreased cash flow from lower field netbacks, a deposit paid of $17.2 million, and partially offset by decreased capital spending and the monthly dividend reduction from $0.30 per share to $0.15 per share which commenced with the February 2015 dividend.

Working capital is calculated as current liabilities less current assets. The Company finances its working capital deficiency using cash flow from operations, its long-term bank facility, share issuances, option exercises and sale of non-core assets and investments.

The Company has not currently entered into any financial derivative contracts.

Capital Expenditures

During the three months ended March 31, 2015, the Company incurred capital costs of $21,328,000 (March 31, 2014 - $54,236,000) net of proceeds on disposal of property, plant and equipment. The costs relate primarily to the drilling of 7 gross (5.4 net) Cardium operated horizontal wells and 1 (0. 1 net) non-operated wells, and upgrading facilities and gathering systems. The Company also made a $17,200,000 deposit towards the Pembina Asset acquisition.

Long-term Debt

Long-term debt represents the outstanding draws from the Company's credit facilities as described in the notes to the Company's condensed financial statements. As of March 31, 2015, the Company has bank facilities consisting of a $220,000,000 (December 31, 2014 - $220,000,000) syndicated revolving credit facility and a $30,000,000 (December 31, 2014 - $30,000,000) non-syndicated revolving credit facility. Amounts drawn under these facilities at March 31, 2015 totaled $207,217,000 (December 31, 2014 - $154,723,000). The interest rates on the outstanding debt as of March 31, 2015 were 3.6 percent and 2.7 percent on the Company's Canadian prime rate loan and Banker's Acceptances, respectively. The loan is revolving to April 30, 2015 with a maturity date of April 30, 2016 and is subject to annual review. Effective April 15, 2015, the Company renewed its bank facility under similar terms and conditions with the exception of extending the revolving period to April 29, 2016 and the maturity date to April 30, 2017. In addition, the Lenders approved a borrowing base of $500,000,000 and increased the syndicated revolving credit facility to $375,000,000 and the non-syndicated revolving credit facility to $50,000,000, for total credit facilities of $425,000,000. The credit facilities have no fixed terms of repayment.

Advances drawn under the credit facilities are secured by a fixed and floating charge debenture over the assets of the Company. In the event the credit facilities are not extended or renewed, amounts drawn under the facility would be due and payable on the maturity date. The size of the committed credit facilities is based primarily on the value of the Company's producing petroleum and natural gas assets and related tangible assets as determined by the lenders. For more information see Note 6 of the March 31, 2015 condensed financial statements.

Shareholder's Equity

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

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.

Issued and fully paid – common shares	Number	Amount ($ 000s)
Balance, March 31, 2015 and December 31, 2014	**32,169,623**	**728,934**

The Company provides a stock option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 3,216,962 (December 31, 2014 – 3,216,962) common shares. The exercise price of each option granted will not be lower than the market price of the common shares on the date of grant and the option's maximum term is five years. For additional information regarding options outstanding, see Note 8 of the March 31, 2015 condensed financial statements.

Dividend Policy

For the three months ended March 31, 2015, Bonterra paid dividends of $19,302,000 ($0.60 per share) compared to $27,430,000 ($0.87 per share) in 2014. Bonterra's dividend policy is regularly monitored and is dependent upon production, commodity prices, funds from operations, debt levels and capital expenditures. With its large inventory of undrilled locations, Bonterra continues to be well positioned to provide to its shareholders a combination of sustainable growth and meaningful dividend income.

Bonterra's dividends to its shareholders are funded by cash flow from operating activities with the remaining cash flow directed towards capital spending and where applicable, the repayment of debt. To the extent that the excess cash flow from operations after dividends is not sufficient to cover capital spending, the shortfall is funded by funds from the exercising of employee stock options, the sale of investments and by drawdowns from Bonterra's credit facilities. Bonterra intends to provide dividends to shareholders that are sustainable to the Company considering its liquidity and its long-term operational strategy. In addition, since the level of dividends is highly dependent upon cash flow generated from operations, which itself fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates, and many other factors, future dividends cannot be assured. Bonterra's payout ratio based on cash flow from operations was 74 percent for the three months ended March 31, 2015 (56 percent for the three months ended March 31, 2014).

Quarterly Financial Information

	2015	2014			
For the periods ended ($ 000s except $ per share)	**Q1**	Q4	Q3	Q2	Q1
Revenue – oil and gas sales	**42,480**	68,940	88,959	99,274	82,521
Cash flow from operations	**26,079**	50,465	65,705	57,089	49,094
Net earnings (loss)	**(1,935)**	(32,877)	20,983	27,614	23,041
Per share – basic	**(0.06)**	(1.04)	0.65	0.87	0.73
Per share – diluted	**(0.06)**	(1.03)	0.65	0.86	0.73

	2013			
For the periods ended ($ 000s except $ per share)	Q4	Q3	Q2	Q1
Revenue – oil and gas sales	70,917	78,946	79,344	66,468
Cash flow from operations	47,772	43,953	41,445	40,726
Net earnings	15,254	19,690	15,119	12,695
Per share – basic	0.50	0.63	0.49	0.46
Per share – diluted	0.49	0.63	0.49	0.46

The fluctuations in the Company's revenue and net earnings from quarter to quarter are primarily caused by variations in production volumes, realized oil and natural gas pricing, the related impact on royalties and production costs. Q4 2014 net earnings were lower than the prior quarters due to the Company's tax agreement with CRA. Q1 2015 net earnings (prior to Q4 2014) and cash flow are lower than prior periods due to a large decrease in crude oil prices.

Critical Accounting Estimates

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

Forward-Looking Information

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

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

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

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

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure the information required to be disclosed by the Company is accumulated and communicated to the Company's Management, as appropriate, to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with management, have concluded, based on their evaluation as of the end of the period covered by the interim filing that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Company. It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

Internal Control Update

The Company's CEO and CFO are responsible for establishing and maintaining Disclosure Controls and Procedures (DC&P) and adequate Internal Control over Financial Reporting (ICFR) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements as of the period covered by the interim filing for external purposes in accordance with International Financial Reporting Standards. The control framework the Company used to design its ICFR was in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992). The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting at the financial period end of the Company and concluded that the Company's internal control over financial reporting are effective for the foregoing purpose.

No changes were made to the Company's internal controls over financial reporting during the end of the period covered by the interim filing that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

The Company is in the process of reviewing its ICFR to be compliant with the COSO 2013 framework by December 31, 2015.

All internal control systems, no matter how well designed, have inherent limitations. These systems, therefore, provide reasonable but not absolute assurance that financial information is accurate and complete.

Financial Reporting Update

As of January 1, 2015, the Company early adopted IFRS 9 in accordance with the transitional provisions of that standard. A brief description of the new accounting policy and its impact on the Company's financial statements are as follows:

IFRS 9 "Financial Instruments"

Effective January 1, 2015 The Company adopted IFRS 9 "Financial instruments". IFRS 9 replaces the sections of IAS 39 "Financial Instruments: Recognition and Measurements" that relates to the classification and measurement of financial instruments and hedge accounting.

IFRS 9 replaces the multiple classification and measurements models for financial assets with a new model that only has two measurements categories; amortized cost and fair value through profit or loss or other comprehensive income. This determination is made at initial recognition. As a result of adopting IFRS 9, the Company's accounts receivables were reclassified from loans and receivables at amortized cost to financial assets at amortized cost. For financial liabilities, the new standard retains most of the IAS 39 requirements. The main change arises in cases where the Company chooses to designate a financial liability as fair value through net earnings. In these situations, the portion of the fair value change related to the Company's own credit risk is recognized in other comprehensive income rather than net earnings. The Company has no financial liabilities that are measured at fair value through net earnings.

The classification of the Company's investments changed from available-for-sale to financial assets measured at fair value. On the day an investment is acquired the Company can make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI), provided those investments are not classified as held for trading. The Company's investments will be measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value instrument. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all of its investments and its investment in a related party as FVTOCI on its initial adoption of IFRS 9.

After adoption of IFRS 9, the Company's accounting policies are substantially the same as at December 31, 2014 except for the changes discussed above.

Future Accounting Pronouncements

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. This standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact, if any, that the new standard will have on its financial statements or whether to early adopt this new standard.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at (unaudited) ($ 000s)	Note	March 31, 2015	December 31, 2014
Assets			
Current			
Accounts receivable		**18,794**	20,314
Crude oil inventory		**672**	1,227
Prepaid expenses		**1,969**	2,428
Investments		**17,881**	6,228
		39,316	30,197
Investment in related party		**1,345**	1,738
Exploration and evaluation assets		**8,061**	7,629
Property, plant and equipment	3	**922,873**	901,991
Investment tax credit receivable	7	**8,129**	8,573
Goodwill		**92,810**	92,810
		1,072,534	1,042,938
Liabilities			
Current			
Accounts payable and accrued liabilities		**24,949**	31,839
Due to related party	4	**12,000**	12,000
Subordinated promissory note	5	**40,000**	40,000
		76,949	83,839
Bank debt	6	**207,217**	154,723
Decommissioning liabilities		**60,238**	53,792
Deferred tax liability	7	**114,244**	115,386
		458,648	407,740
Subsequent events	11		
Shareholders' equity			
Share capital	8	**728,934**	728,934
Contributed surplus		**12,260**	11,495
Accumulated other comprehensive income		**2,984**	3,824
Retained earnings (deficit)		**(130,292)**	(109,055)
		613,886	635,198
		1,072,534	1,042,938

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31 (unaudited)			
($ 000s, except $ per share)	Note	**2015**	2014
Revenue			
Oil and gas sales, net of royalties	9	**38,992**	73,055
Other income	10	**125**	790
		39,117	73,845
Expenses			
Production		**13,100**	15,025
Office and administration		**932**	537
Employee compensation		**712**	1,930
Finance costs		**1,934**	1,638
Share-based payments	8	**765**	318
Depletion and depreciation	3	**23,891**	23,815
Exploration and evaluation		**-**	24
		41,334	43,287
Earnings (loss) before income taxes		**(2,217)**	30,558
Taxes (recovery)			
Current income tax		**740**	-
Deferred income tax (recovery)		**(1,022)**	7,517
		(282)	7,517
Net earnings (loss) for the period		**(1,935)**	23,041
Other comprehensive income (loss)			
Unrealized gain (loss) on investments		**(960)**	2,017
Deferred taxes on unrealized loss (gain) on investments		**120**	(252)
Other comprehensive income (loss) for the period		**(840)**	1,765
Total comprehensive income (loss) for the period		**(2,775)**	24,806
Net earnings (loss) per share - basic	8	**(0.06)**	0.73
Net earnings (loss) per share – diluted	8	**(0.06)**	0.73
Comprehensive income (loss) per share - basic	8	**(0.09)**	0.79
Comprehensive income (loss) per share – diluted	8	**(0.09)**	0.78

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOW

For the three months ended March 31 (unaudited)

($ 000s)	Note	**2015**	2014
Operating activities			
Net earnings (loss)		**(1,935)**	23,041
Items not affecting cash			
Deferred income taxes		**(1,022)**	7,517
Share-based payments		**765**	318
Depletion and depreciation		**23,891**	23,815
Exploration and evaluation		**-**	24
Unwinding of the discount on decommissioning liabilities		**391**	280
Gain on sale of properties		**-**	(581)
Investment income		**(96)**	(18)
Interest expense		**1,544**	1,358
Change in non-cash working capital accounts:			
Accounts receivable		**2,761**	(4,927)
Crude oil inventory		**388**	(519)
Prepaid expenses		**459**	(157)
Investment tax credit receivable		**444**	-
Accounts payable and accrued liabilities		**55**	708
Decommissioning expenditures		**(22)**	(407)
Interest paid		**(1,544)**	(1,358)
Cash provided by operating activities		**26,079**	49,094
Financing activities			
Increase (decrease) in bank debt		**52,494**	(13,661)
Subordinated promissory note		**-**	15,000
Stock option proceeds		**-**	12,889
Dividends		**(19,302)**	(27,430)
Cash provided by (used in) financing activities		**33,192**	(13,202)
Investing activities			
Investment income received		**96**	18
Exploration and evaluation expenditures		**(432)**	-
Property, plant and equipment expenditures		**(21,328)**	(55,236)
Proceeds on sale of properties		**-**	1,000
Purchase of investments		**(12,221)**	-
Acquisition	3, 11	**(17,200)**	-
Change in non-cash working capital accounts:			
Accounts payable and accrued liabilities		**(6,945)**	18,615
Accounts receivable		**(1,241)**	(289)
Cash used in investing activities		**(59,271)**	(35,892)
Net cash inflow		**-**	**-**
Cash, beginning of period		**-**	**-**
Cash, end of period		**-**	**-**

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the periods ended (unaudited)

($ 000s, except number of shares outstanding)

	Number of shares outstanding (Note 8)	Share capital (Note 8)	Contributed surplus [1]	Accumulated other comprehensive income [2]	Retained earnings (deficit)	Total shareholders' equity
January 1, 2014	31,322,171	685,898	12,791	3,761	(34,809)	667,641
Share-based payments			318			318
Exercise of options	273,500	12,889				12,889
Transfer to share capital on exercise of options		1,184	(1,184)			-
Comprehensive income				1,765	23,041	24,806
Dividends					(27,430)	(27,430)
March 31, 2014	31,595,671	699,971	11,925	5,526	(39,198)	678,224
Share-based payments			2,407			2,407
Shares issued for oil and gas properties	18,000	1,104				1,104
Exercise of options	555,952	25,022				25,022
Transfer to share capital on exercise of options		2,837	(2,837)			-
Comprehensive income				(1,702)	15,720	14,018
Dividends					(85,577)	(85,577)
December 31, 2014	32,169,623	728,934	11,495	3,824	(109,055)	635,198
Share-based payments			765			765
Comprehensive income				(840)	(1,935)	(2,775)
Dividends					(19,302)	(19,302)
March 31, 2015	32,169,623	728,934	12,260	2,984	(130,292)	613,886

[1] Contributed surplus comprises of share-based payments

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

See accompanying notes to these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and March 31, 2014 (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 and incorporated under the Business Corporations Act (Alberta). The address of the Company's registered office is Suite 901, 1015-4th Street SW, Calgary, Alberta, Canada, T2R 1J4.

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

The financial statements were authorized for issue by the Company's Board of Directors on May 12, 2015.

2. BASIS OF PREPARATION

a) Statement of Compliance

The Company prepares its 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 2014 audited annual financial statements, except as stated 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 2014 audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Adopted Accounting Pronouncements

As of January 1, 2015, the Company adopted several new IFRS interpretations and amendments in accordance with the transitional provisions of each standard. A brief description of the new accounting policy and its impact on the Company's financial statements is as follows:

IFRS 9 "Financial instruments"

Effective January 1, 2015 The Company adopted IFRS 9 "Financial instruments". IFRS 9 replaces the sections of IAS 39 "Financial Instruments: Recognition and Measurements" that relates to the classification and measurement of financial instruments and hedge accounting.

IFRS 9 replaces the multiple classification and measurements models for financial assets with a new model that only has two measurements categories; amortized cost and fair value through profit or loss or other comprehensive income. This determination is made at initial recognition. As a result of adopting IFRS 9, the Company's accounts receivables were reclassified from loans and receivables at amortized cost to financial assets at amortized cost. For financial liabilities, the new standard retains most of the IAS 39 requirements. The main change arises in cases where the Company chooses to designate a financial liability as fair value through net earnings. In these situations, the portion of the fair value change related to the Company's own credit risk is recognized in other comprehensive income rather than net earnings. The Company has no financial liabilities that are measured at fair value through net earnings.

The classification of the Company's investments changed from available-for-sale to financial assets measured at fair value. On the day an investment is acquired the Company can make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI), provided those investments are not classified as held for trading. The Company's investments will be measured at FVTOCI, with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value instrument. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all of its investments and its investment in a related party as FVTOCI on its initial adoption of IFRS 9.

After adoption of IFRS 9, the Company's accounting policies are substantially the same as at December 31, 2014 except for the changes discussed above.

c) Future Accounting Pronouncements

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. This standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact, if any, that the new amended standard will have on its financial statements or whether to early adopt this new requirement.

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, 2014	**1,028,520**	**252,521**	**1,987**	**1,283,028**
Additions	14,733	6,567	28	21,328
Acquistion [(1)]	17,200	-	-	17,200
Adjustment to decomissioning liabilities	6,079	-	-	6,079
Balance at March 31, 2015	**1,066,532**	**259,088**	**2,015**	**1,327,635**
Accumulated Depletion and Depreciation ($ 000s)	**Oil and gas properties**	**Production facilities**	**Furniture, fixtures & other equipment**	**Total property, plant & equipment**
Balance at December 31, 2014	**(305,742)**	**(73,866)**	**(1,429)**	**(381,037)**
Depletion and depreciation	(20,265)	(3,602)	(24)	(23,891)
Disposal and other	166	-	-	166
Balance at March 31, 2015	**(325,841)**	**(77,468)**	**(1,453)**	**(404,762)**
Carrying amounts as at: **($ 000s)**				
December 31, 2014	722,778	178,655	558	901,991
March 31, 2015	**740,691**	**181,620**	**562**	**922,873**

(1) The acquisition of $17,200,000 is a deposit for the purchase for oil and gas assets that closed on April 15, 2015 (see Note 11).

The impairment of property, plant and equipment assets and any subsequent reversal of such impairment losses are recognized in the statement of comprehensive income. There were no impairment losses or reversals recorded in the statement of comprehensive income for the three months ended March 31, 2015 and 2014.

4. TRANSACTIONS WITH RELATED PARTIES

As at March 31, 2015, the Company's CEO, Chairman of the Board and major shareholder has loaned the Company $12,000,000 (December 31, 2014 - $12,000,000). The loan bears interest at Canadian chartered bank prime less 5/8th of a percent and has no set repayment terms but is payable on demand. Security under the debenture is over all of the Company's assets and is subordinated to any and all claims in favour of the syndicate of senior lenders providing credit facilities to the Company. The loan can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility. Interest paid on this loan during the first three months of 2015 was $67,000 (March 31, 2014 - $70,000).

The Company received a management fee of $15,000 plus the reimbursement of certain administrative costs for the three months ended March 31, 2015 (March 31, 2014 - $15,000) for management services and office administration from Pine Cliff Energy Ltd. This fee has been included in other income. As at March 31, 2015, the Company had an account receivable from Pine Cliff for these management fees and the reimbursement of certain administration costs of $211,000 (December 31, 2014 - $316,000).

5. SUBORDINATED PROMISSORY NOTE

As at March 31, 2015, Bonterra borrowed $40,000,000 (December 31, 2014 - $40,000,000) from a private investor in exchange for a subordinated promissory note. The terms of the subordinated promissory note are that it bears interest at three percent and is repayable after thirty days written notice by either party. Security consists of a floating demand debenture totaling $40,000,000 over all of the Company's assets and is subordinated to any and all claims in favor of the syndicate of senior lenders providing credit facilities to the Company. Interest paid on the subordinated promissory note during the first three months was $296,000 (March 31, 2014 - $271,000). On April 2, 2015, the Company repaid $5,000,000.

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

6. BANK DEBT

As at March 31, 2015, the Company has bank facilities consisting of a $220,000,000 (December 31, 2014 - $220,000,000) syndicated revolving credit facility and a $30,000,000 (December 31, 2014 - $30,000,000) non-syndicated revolving credit facility, for total facilities of $250,000,000. Amounts drawn under the credit facilities at March 31, 2015 were $207,217,000 (December 31, 2014 - $154,723,000). Amounts borrowed under the credit facilities bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 0.75 percent and 3.50 percent, depending on the type of borrowing and the Company's consolidated total funded debt to consolidated cash flow. The terms of the revolving credit facilities provided that the loan is revolving to April 30, 2015 and with a maturity date of April 30, 2016 and is subject to annual review. Effective April 15, 2015, the Company renewed its bank facility under similar terms and conditions with the exception of extending the revolving period to April 29, 2016 and the maturity date to April 30, 2017. In addition, the lenders approved a borrowing base of $500,000,000 and increased the syndicated revolving credit facility to $375,000,000 and the non-syndicated revolving credit facility to $50,000,000, for total credit facilities of $425,000,000. The credit facilities have no fixed terms of repayment.

The available lending limits of the credit facilities are reviewed semi-annually on or before April 30 and October 31 each year based on the lender's interpretation of the Company's reserves, future commodity prices and costs. The Company has been approved to request an increase in the commitment amount up to the borrowing base prior to the next scheduled review, subject to the approval of the lenders.

The amount available for borrowing under the credit facilities is reduced by outstanding letters of credit. Letters of credit totaling $700,000 were issued as at March 31, 2015 (December 31, 2014 - $700,000). Security for credit facilities consists of various and floating demand debentures totaling $400,000,000 (December 31, 2014 - $400,000,000) over all of the Company's assets and a general security agreement with first ranking over all personal and real property. With the renewal, the security for credit facilities was increased to $750,000,000.

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

- The Company cannot exceed $250,000,000 ($425,000,000 effective April 15, 2015) in consolidated debt (includes working capital but excludes amounts due to related parties and the subordinated promissory note).

- Dividends paid in the current quarter shall not exceed 80 percent of the average available cash flow for the preceding four fiscal quarters.

Available cash flow is defined to be cash provided by operating activities excluding gains on sale of property and investments, the change in non-cash working capital and decommissioning liabilities settled and including all net proceeds of dispositions included in cash used in investing activities. At March 31, 2015, the Company is in compliance with all covenants.

7. INCOME TAXES

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

($ 000s)	Rate of Utilization (%)	Amount
Undepreciated capital costs	20-100	92,297
Eligible capital expenditures	7	3,307
Share issue costs	20	4,144
Canadian oil and gas property expenditures	10	60,830
Canadian development expenditures	30	234,582
Canadian exploration expenditures	100	8,063
		403,223

The Company has $8,129,000 (December 31, 2014 - $8,573,000) of investment tax credits that expire in the following years; 2021 - $1,218,000; 2022 - $1,735,000; 2023 - $1,097,000; 2024 - $1,241,000; 2025 - $1,323,000; 2026 - $1,105,000; and 2027 - $410,000.

The Company has $68,881,000 (December 31, 2014 - $68,881,000) of capital losses carried forward which can only be claimed against taxable capital gains.

Of the current $740,000 current tax provision, $444,000 of the federal investment tax credit receivable was used to reduce current taxes payable to $296,000.

8. SHAREHOLDERS' EQUITY

Authorized

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

Issued and fully paid – common shares	**Number**	**Amount ($ 000s)**
Balance, March 31, 2015 and December 31, 2014	**32,169,623**	**728,934**

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

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

	2015	2014
Basic shares outstanding	**32,169,623**	31,516,954
Dilutive effect of share options [(1)]	**-**	158,357
Diluted shares outstanding	**32,169,623**	31,675,311

(1) The Company did not include 3,022,000 share options for the three months ended March 31, 2015 (March 31, 2014 – 150,500) in the dilutive effect of share options calculation as these share options were anti-dilutive.

For the three months ended March 31, 2015, the Company declared and paid dividends of $19,302,000 ($0.60 per share) (March 31, 2014 - $27,430,000 ($0.87 per share)).

The Company provides an equity settled option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 3,216,962 (December 31, 2014 – 3,216,962) 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 option plan as of March 31, 2015, and changes during the period ended on those dates is presented below:

	Number of options	**Weighted average exercise price**
At December 31, 2014	2,111,500	$48.31
Options granted	933,500	34.61
Options expired	(23,000)	50.12
At March 31, 2015	3,022,000	$48.70

The following table summarizes information about options outstanding at March 31, 2015:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at March 31, 2015	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at March 31, 2015	Weighted-average exercise price
$ 34.00 – $ 40.00	933,500	2.5 years	$34.61	-	$ -
40.01 – 50.00	317,000	0.8 years	46.12	112,000	45.02
50.01 – 65.00	1,771,500	1.1 years	56.58	643,500	51.52
$ 34.00 – $ 65.00	3,022,000	1.5 years	$48.70	755,500	$50.56

The Company records compensation expense over the vesting period, which ranges between one to three years, based on the fair value of options granted to employees, directors and consultants. In 2015, the Company granted 933,500 stock options with an estimated fair value of $3,781,000 or $4.05 per option using the Black-Scholes option pricing model with the following key assumptions:

	March 31, 2015
Weighted-average risk free interest rate (%)[1]	**0.46**
Expected life (years)	**2.0**
Weighted-average volatility (%) [2]	**29.80**
Forfeiture rate (%)	**9.95**
Weighted average dividend yield (%)	**5.20**

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

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

9. OIL AND GAS SALES, NET OF ROYALTIES

($ 000s)	**March 31, 2015**	March 31, 2014
Oil and gas sales	**42,480**	82,521
Less:		
Crown royalties	**(2,044)**	(5,233)
Freehold, gross overriding royalties and other	**(1,444)**	(4,233)
Oil and gas sales, net of royalties	**38,992**	73,055

10. OTHER INCOME

($ 000s)	**March 31, 2015**	March 31, 2014
Investment income	**96**	18
Administrative income	**29**	191
Gain on sale of properties	**-**	581
Other income	**125**	790

11. SUBSEQUENT EVENTS

i) Dividends

Subsequent to March 31, 2015, the Company declared the following dividends:

Date declared	Record date	$ per share	Date payable
April 1, 2015	April 15, 2015	0.15	April 30, 2015
May 1, 2015	May 15, 2015	0.15	May 29, 2015

ii) Acquisition of Pembina Alberta oil and gas assets

On February 19, 2015, the Company entered into a purchase and sale agreement (the "Acquisition") to acquire Cardium focused oil and gas assets in the Pembina area of Alberta, (the "Pembina Assets"). The Acquisition closed on April 15, 2015 and has an effective date of January 1, 2015. Consideration for the Pembina Assets is $170,896,000 ($172,000,000 excluding adjustments), which was financed on the closing date by an increase in the debt facility.

The preliminary purchase price allocation using the acquisition method was allocated to the assets acquired and the liabilities assumed as follows:

Net assets acquired:	($ 000s)
Property, plant and equipment	173,551
Decommissioning liabilities	(2,655)
Total	170,896

Consideration:	
Cash	170,896
Total purchase price	170,896

The purchase price allocation is subject to change as of the issue date of these financial statements. Bonterra does not believe it is practical to estimate the effect on net earnings for future periods.

Corporate Information

Board of Directors
G. F. Fink - Chairman
G. J. Drummond
R. M. Jarock
C. R. Jonsson
R. A. Tourigny

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

Registrar and Transfer Agent
Computershare Trust Company of Canada, Calgary, Alberta

Auditors
Deloitte LLP, Calgary, Alberta

Solicitors
Borden Ladner Gervais LLP, Calgary, Alberta

Bankers
CIBC, Calgary, Alberta
National Bank of Canada, Calgary, Alberta
J.P. Morgan, Calgary, Alberta
TD Securities, Calgary, Alberta
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