Bonterra
Energy Income Trust

Q2

FOR THE PERIOD ENDED JUNE 30, 2006

INTERIM REPORT

HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Financial ($000, except $ per unit)				
Revenue – oil and gas	**23,219**	17,114	**43,350**	33,552
Funds Flow from Operations (1)	**14,008**	10,167	**26,161**	19,881
Per Unit - Basic	**0.84**	0.62	**1.57**	1.22
Per Unit - Diluted	**0.83**	0.61	**1.56**	1.20
Net Earnings	**10,617**	7,115	**20,338**	14,241
Per Unit - Basic	**0.64**	0.44	**1.22**	0.87
Per Unit - Diluted	**0.63**	0.43	**1.21**	0.86
Cash Distributions per Unit	**0.69**	0.55	**1.38**	1.09
Capital Expenditures and Acquisitions (2)	**6,246**	1,678	**16,294**	42,702
Total Assets			**122,166**	99,914
Working Capital Deficiency (3)			**28,820**	11,379
Unitholders Equity			**61,202**	60,467
Operations				
Oil and NGL's				
Barrels Per Day	**3,001**	2,635	**2,999**	2,679
Average Price ($ per barrel)	**69.90**	55.37	**63.46**	53.85
Natural Gas				
MCF Per Day	**6,181**	5,462	**6,127**	5,555
Average Price ($ per MCF)	**7.16**	7.59	**7.83**	7.28
Total Barrels per Day	**4,031**	3,545	**4,020**	3,605

(1) Funds flow from operations is not a recognized measure under GAAP. Management believes that in addition to net earnings, funds flow from operations is a useful supplemental measure as it demonstrates the Trust's ability to generate the cash necessary to make trust distributions, repay debt or fund future growth through capital investment. Investors are cautioned, however, that this measure should not be construed as an indication of the Trust's performance. The Trust's method of calculating this measure may differ from other issuers and accordingly, it may not be comparable to that used by other issuers. For these purposes, the Trust defines funds flow from operations as funds provided by operations before changes in non-cash operating working capital items excluding gain on sale of property.

(2) Capital expenditures and acquisitions include the purchase of Novitas Energy Ltd. (Novitas) on January 7, 2005. The Trust issued 1,335,753 units at a value of $25 per unit plus paid $769,000 in cash for all the outstanding common shares of Novitas. For accounting purposes the transaction was recorded at the cost of the Novitas' assets and liabilities due to Novitas being considered a related party to the Trust.

(3) Includes 100 percent of debt.

(4) BOE's are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following report dated August 4, 2006 is a review of the operations, current financial position and outlook for Bonterra Energy Income Trust and should be read in conjunction with the unaudited financial statements for the six months ended June 30, 2006, including the notes related thereto, and the audited financial statements for the fiscal year ended December 31, 2005, together with the notes related thereto.

General

Bonterra Energy Income Trust ("Bonterra" or "the Trust") is pleased to report its results for the first half of 2006. The Trust's first half results are the best it has every recorded with substantial increases in revenue, funds flow and net earnings. Funds flow from operations and net earnings increased by 32 and 43 percent respectively over the results from the first half of 2005. With increased commodity prices and production volumes in Q2 2006 compared to Q1 2006 the Trust saw increases of 15 and 9 percent in funds flow from operations and net earnings respectively.

Oil prices averaged $63.46 per barrel and natural gas prices averaged $4.83 per MCF for the six month period in 2006 compared to $53.85 per barrel for oil and $7.28 per MCF for natural gas for the comparable period in 2005. During the 2006 six month period production volumes on a barrel of oil equivalent basis increased to 4,020 compared to 3,605 in 2005. This volume should continue to increase during the last six months of 2006 since the Trust had 12 (9.9 net) Pembina Cardium oil wells and 9 (7.8 net) Edmonton Sand and 7 (5.5 net) coal-bed natural gas wells drilled, but not on production at June 30, 2006. The 2006 drill program also will be continuing for most of the balance of the year.

During the second quarter of 2006 the Trust distributed $0.69 per unit to its Unitholders from funds flow of $0.84 per unit, an 82 percent payout ratio. This compares to $0.69 in the first quarter 2006 and $0.55 in the second quarter of 2005. The Trust also has increased its July 2006 distribution, payable on August 31, 2006 to $0.24 per unit from $0.23 per unit.

Financial and Operational Discussion

Production

Average daily production volume for the six months ended June 30, 2006 was 4,020 barrels of oil equivalent (BOE's) per day. BOE's are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation. Production consists of 2,999 barrels per day of crude oil and natural gas liquids and 6,127 MCF per day of natural gas. Bonterra's first half 2005 average production was 3,605 BOE's per day consisting of 2,679 barrels per day of crude oil and natural gas liquids and 5,555 MCF per day of natural gas.

The Trust drilled on its operated lands 16 gross (13 net) Cardium oil wells and 6 gross (5.3 net) shallow gas wells in the first six months of 2006. As at June 30, 2006 Bonterra had on its operated lands 12 gross (9.9 net) Cardium oil wells and 9 gross (7.8 net) natural gas wells and 7 gross (5.5 net) coal-bed wells drilled but not on production. During the first six months of 2006, the Trust tied-in on its operated lands 17 gross (14 net) Cardium wells and no natural gas wells.

Management anticipates that the majority of the currently drilled but not producing Cardium wells will be completed and tied-in by the end of the third quarter of 2006. Several of the natural gas wells are on newly farmed in lands and require additional pipeline capacity. The Trust is currently negotiating several surface access agreements to facilitate the completion of the pipelines. The Trust anticipates that the majority of the natural gas wells drilled to date will be on production by the end of 2006. Bonterra is currently waiting on final regulatory decisions prior to commencing further completion work on the coal-bed methane wells.

Overall production rates in the second quarter of 2006 were affected by normal spring break up conditions resulting in the inability to perform maintenance on wells. Production in the Dodsland area of Saskatchewan was 80 BOE's lower in the second quarter of 2006 than the first quarter of 2006 and over 100 BOE's per day lower from 2005 average production mainly due to approximately 80 wells being temporarily shutin. The Trust is working with the contract operator of this property to restore production to 2005 levels as soon as possible.

Revenue

Revenue from petroleum and natural gas sales was $43,350,000 (2005 - $33,552,000). The increase in revenue over the 2005 first half was primarily due to higher commodity prices and additional production from the wells drilled during the fall 2005 drill program. The average price received for crude oil and natural gas liquids during the first six months of 2006 was $63.46 ($69.90 in the second quarter) per barrel and $7.83 ($7.16 in the second quarter) per MCF for natural gas compared to $53.85 per barrel and $7.28 per MCF in the corresponding 2005 period. On a quarter over quarter basis, revenue increased by $3,088,000 due to increased crude oil prices from first quarter pricing of $57.02 and a reduction of $735,000 in hedge losses from $915,000 in Q1 2006 to $180,000 in Q2 2006.

Although the Trust received higher U.S. WTI oil prices and U.S. Nymex natural gas prices in the first half of 2006 than in the corresponding 2005 period, the increases were partially offset by the rising Canadian dollar. The rising Canadian dollar negatively impacted the 2006 first six months compared to the 2005 first six months funds flow from operations by approximately 18 cents per unit and approximately 18 cents per unit on net earnings.

Gross revenue has been reduced by $1,091,000 (2005 - $1,584,000) due to lower prices received as a result of price hedging. The Trust will continue to assess hedging future production to assist in managing its funds flow. The Trust continues to follow the policy of protecting production that has high operating costs with hedges that provide a significant level of profitability and also to provide for a reasonable amount of funds flow protection for development projects. The Trust will however maintain a policy of not hedging more than 50 percent of production to allow it to benefit from any price movements in either crude oil or natural gas. Kindly refer to Note 7 to the attached interim financial statements for present hedging details. At June 30, 2006, the fair value of the outstanding commodity hedging contracts was a net liability of $636,000 (December 31, 2005 - $1,349,000).

Royalties

Royalties paid by the Trust consist primarily of Crown royalties paid to the Provinces of Alberta and Saskatchewan. During the first six months of 2006 the Trust paid $4,389,000 (2005 - $2,762,000) in Crown royalties and $1,062,000 (2005 - $856,000) in freehold royalties, gross overriding royalties and net carried interests. The majority of the Trust's wells are low productivity wells and therefore have low Crown royalty rates. The Trust's average Crown royalty rate is approximately ten percent (2005 – eight percent) and approximately 2.5 percent (2005 – 2.5 percent) for other royalties before hedging adjustments. The average Crown royalty rate has increased over 2005 due to higher production rates on the newly drilled wells. The Trust is eligible for Alberta Crown Royalty rebates for Alberta production from all wells that it drilled on Crown lands and from a small number of purchased wells.

Gain on Sale of Property

During the first quarter of 2006, the Trust disposed of a non-operated; non-core property for gross proceeds of $750,000 (approximately $75,000 per producing BOE). The Trust follows successful efforts accounting for its oil and gas properties and therefore reported a gain of $532,000 on the difference between the depleted value of the property and the above proceeds. A similar disposal occurred in the second quarter of 2005 resulting in a gain of $263,000.

Production Costs

Production costs for the six months ended June 30, 2006 were $10,552,000 compared to $9,624,000 for the six months ended June 30, 2005. On a BOE basis production costs averaged $14.50 in 2006 verses $14.75 in the corresponding 2005 period. The 2005 production cost figure included approximately $700,000 ($1.07 per BOE) for one time items. After adjusting for these items the Trust recorded a year over year increase of approximately 6 percent in overall costs on a BOE basis.

The Trust's production comes primarily from low productivity wells. These wells generally result in higher production costs on a per unit-of-production basis as costs such as municipal taxes, surface lease, power and personnel costs are not variable with production volumes. Production costs in the $14 to $15 per BOE range are expected. The high production costs for the Trust are substantially offset by low royalty rates of approximately 12.5 percent, which is much lower than industry average for conventional production and results in high cash net backs on a combined basis despite higher than average production costs.

General and Administrative Expenses

General and administrative expenses were $1,244,000 ($612,000 in the second quarter) in the first half of 2006 compared to $1,143,000 in the six months ended June 30, 2005 and $632,000 in the three months ended March 31, 2006.

Costs on a BOE bases remained relatively unchanged at $1.71 per BOE in the first half of 2006 compared to $1.75 per BOE in the first half of 2005. The increase in general and administrative expenses year over year was due to increased employee compensation. The quarter over quarter decrease was due primarily to annual report costs and TSX and security commission filing costs associated with filing of the annual report and other continuous disclosure documentation incurred during the first quarter.

The Trust received a management fee from Comaplex Minerals Corp., a company with common directors and management, of $150,000 (2005 - $120,000) for management services, accounting services and office administration. In addition the Trust received a management fee from Pine Cliff Energy Ltd., a company with common directors and management, of $108,000 (2005 - $60,000) for management services, accounting services and office administration. These recoveries have been offset against the Trust's general and administrative expense.

Interest Expense

Interest expense increased to $654,000 ($423,000 in the second quarter) for the six months ended June 30, 2006 compared to $288,000 for the six months ended June 30, 2005 and $231,000 for the first quarter of 2006. Increased average debt levels and increased interest rates were the primary factors in the increase in interest expense. The Trusts average borrowing rate for the second quarter of 2006 was approximately 5.5 percent compared to 4.5 percent for the first quarter of 2006 and approximately 4 percent in the first half of 2005. The Trust's total debt as a percentage of annualized second quarter funds flow was approximately seven months which is significantly less than the Trust's goal of one year.

The Trust's bank loan increased by approximately $11.5 million from December 31, 2005 compared to June 30, 2006. The increase is due to the payment of the balance of the costs for the 2005 fourth quarter drilling program as well as for expenditures related to the Trusts winter 2006 drill program and a large number of wells drilled not being on production or just recently having been placed on production and therefore making no or little contribution to funds flow. Offsetting the increases was proceeds of $2,366,000 from the exercise of unit options and retained funds flow of approximately $3,300,000.

Unit Based Compensation

Unit based compensation is a statistically calculated value representing the estimated expense of issuing employee unit options. The Trust records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. The Trust issued 407,000 unit options during the second quarter of 2006 at an average price of $28.75. As a result of the issuances, the Trust recorded an increase in the second quarter of 2006 of $49,000 in unit based compensation over Q1 2006.

Depletion, Depreciation and Accretion

Provision for depletion, depreciation and accretion was $5,507,000 and $4,828,000 for the six month periods ending June 30, 2006 and June 30, 2005 respectively. The increase was primarily due to increased production resulting from the Trust's 2005/2006 drill programs. The commencement of production in late March 2006 of several newly drilled wells as well as additional wells tied in and on production in the second quarter resulted in approximately $300,000 of additional depletion costs in Q2 2006 verses Q1 2006.

Income Taxes

Taxable income earned within the Trust is required to be allocated to its Unitholders and as such the Trust will not incur any current taxes. However, the Trust operates its oil and gas interests through its 100 percent owned subsidiaries Bonterra Energy Corp. (Bonterra Corp.), Comstate Resources Ltd. (Comstate) and Novitas Energy Ltd. (Novitas) and these corporations may periodically be taxable. These corporations pay the majority of their income to the Trust through interest and royalty payments which are deductible for income tax purposes. The current tax provision relates to resource surcharge payable by the Trusts subsidiaries to the Province of Saskatchewan. The surcharge is calculated as a flat percent of revenues generated from the sale of petroleum products produced in Saskatchewan. The provincial government of Saskatchewan has announced its intention to reduce the current resource surcharge rate of 3.6 percent to 3 percent by 2008.

Future tax provision relates to the future taxes that exist within Bonterra Corp., Comstate, and Novitas. The liability on the balance sheet relates to temporary differences existing between Bonterra Corp.'s, Comstate's and Novitas' book value of their assets and their remaining tax pools.

Net Earnings

Net earnings increased to $20,338,000 in the first six months of 2006 from $14,241,000 in the corresponding 2005 period. Revenue increases due to increased commodity prices and production was the primary reason for the net earnings increase of $6,097,000 or 43 percent. The Trust's quarter over quarter net earnings increased 9 percent again primarily due to increased commodity prices and production volumes.

Funds Flow from Operations

Funds flow from operations for the six months ending June 30, 2006 was $26,161,000 ($14,008,000 in the second quarter) compared to $19,881,000 for the six months ended June 30, 2005 and $12,153,000 for the first three months of 2006. Funds flow from operations is not a recognized measure under GAAP. The Trust believes that in addition to net earnings, funds flow from operations is a useful supplemental measure as it demonstrates the Trust's ability to generate the cash necessary to make trust distributions, repay debt or fund future growth through capital investment. Investors are cautioned, however, that this measure should not be construed as an indication of the Trust's performance. The Trust's method of calculating this measure may differ from other issuers and accordingly, it may not be comparable to that used by other issuers. For these purposes, the Trust defines funds flow from operations as funds provided by operations before changes in non-cash operating working capital items excluding gain on sale of property.

The increase over the first half of 2005 was primarily due to higher commodity prices and increased production resulting from the Trust's 2005 fall drill program. As with all oil and gas producers the Trust's funds flow is highly dependent on commodity prices.

The following reconciliation compares funds flow for the first six months of 2006 and 2005 to the Trust's net earnings as calculated according to Canadian generally accepted accounting principles:

	2006	2005
Net earnings for the period	**$20,338,000**	$14,241,000
Items not affecting cash		
Unit based compensation	**365,000**	171,000
Depletion, depreciation and accretion	**5,507,000**	4,828,000
Future income taxes	**(49,000)**	641,000
Funds flow for the period	**$26,161,000**	$19,881,000

Cash Netback

The following table illustrates the Trust's cash netback for the six month periods ended:

$ per Barrel of Oil Equivalent (BOE)	**June 30 2006**	June 30 2005
Production volumes (BOE)	**727,620**	652,475
Gross production revenue	**$59.58**	$51.42
Royalties	**(7.49)**	(5.55)
Field operating	**(14.50)**	(14.75)
Field netback	**37.59**	31.12
General and administrative	**(1.71)**	(1.75)
Interest and taxes	**(1.16)**	.42
Cash netback	**$34.72**	$29.79

The following table illustrates the Trust's cash netback for the three month periods ended:

$ per Barrel of Oil Equivalent (BOE)	**June 30 2006**	March 31 2006
Production volumes (BOE)	**366,900**	360,720
Gross production revenue	**$63.28**	$55.80
Royalties	**(7.83)**	(7.15)
Field operating	**(14.72)**	(14.28)
Field netback	**40.73**	34.37
General and administrative	**(1.67)**	(1.75)
Interest and taxes	**(1.40)**	(0.91)
Cash netback	**$37.66**	$31.71

Liquidity and Capital Resources

During the first half of 2006, the Trust incurred capital costs of $16,294,000 excluding proceeds on disposition of $750,000 for a non-core non-operated property. The Trust drilled 16 gross (13 net) Cardium oil wells and 6 gross (5.3 net) shallow gas wells in the first half of 2006 on its operated lands. In addition several wells on non-operated properties were completed and tied in during the six month period.

The Trust currently has plans to drill a total of 50 gross (40 net) Cardium infill oil and shallow natural gas wells in 2006. Bonterra commenced its spring drilling program in the West Central area of Alberta at the end of May. Two drill rigs; one for Cardium and one for shallow gas have been utilized in the quarter. Further infill drilling to enhance crude oil production is planned in several areas where the Trust has non-operated interests. The Trust will participate with the operator of the properties on these prospects. Total capital cost of approximately $30,000,000 is budgeted for 2006. The Trust has increased its drilling budget from that announced during the first quarter due to anticipated drilling of higher ownership wells as well as more Cardium infill wells and fewer natural gas wells. The capital expenditures will be funded from funds flow, the Trust's lines of credit and funds from the exercising of employee unit options.

The Trust through its operating subsidiaries has a bank revolving credit facility of $44,900,000 at June 30, 2006 (December 31, 2005 - $36,900,000). The Trust has made arrangements for a further $5,000,000 of available credit facility at the Trust's option. The credit facilities carry an interest rate of Canadian chartered bank prime.

The Trust is authorized to issue an unlimited number of trust units without nominal or par value. Equity transactions during the past six months are as follows:

Issued	Number	Amount
Trust Units		
Balance, January 1, 2006	16,535,158	$83,900,000
Issued pursuant to Trust's unit option plan	208,000	2,366,000
Transfer of contributed surplus to unit capital	-	143,000
Balance, June 30, 2006	16,743,158	$86,409,000

The Trust provides an option plan for its directors, officers, employees and consultants. Under the plan, the Trust may grant options for up to 1,670,000 (December 31, 2005 - 1,635,000) trust units. The exercise price of each option granted equals the market price of the trust unit on the date of grant and the option's maximum term is five years.

A summary of the status of the Trust's unit option plan as of June 30, 2006 and December 31, 2005, and changes during the six month and twelve month periods ending on those dates is presented below:

	June 30, 2006		December 31, 2005	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	**646,000**	**$18.67**	565,000	$11.56
Options granted	**407,000**	**28.75**	407,000	23.32
Options exercised	**(208,000)**	**11.37**	(256,000)	11.03
Options cancelled	**(16,000)**	**23.35**	(70,000)	16.35
Outstanding at end of period	**829,000**	**$25.36**	646,000	$18.67
Options exercisable at end of period	**26,000**	**$15.13**	214,000	$10.89

The following table summarizes information about unit options outstanding at June 30, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 6/30/06	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 6/30/06	Weighted-Average Exercise Price
$10.00	16,000	0.6 years	$10.00	16,000	$10.00
$15.20-$15.60	38,000	0.8 years	15.22	-	-
$22.45-$23.35	368,000	2.8 years	23.31	10,000	23.35
$28.70-$28.75	407,000	3.6 years	28.75	-	-
$10.00-$28.75	829,000	3.1 years	$25.36	26,000	$15.13

OUTLOOK

The Trust is optimistic that it can continue its distribution growth with its asset base consisting of under developed long life, low risk and predictable reserves and its successful record of production replacement through drilling and exploitation. Bonterra has an existing inventory of low risk and predictable drilling locations that exceeds 10 years. In addition, the Trust has entered into, and continues to actively pursue, farm-in agreements with other oil and gas producers relating to potential shallow gas opportunities.

Bonterra also has significant growth potential from enhanced oil recovery by CO2 flooding mainly of the Pembina Cardium pool. The Trust has a 5% interest in the entire Pembina Cardium pool which is the largest oil pool in Canada containing 7.8 billion barrels of original oil in place and at the present time accounts for approximately 75% of the Trusts production. The economics of a CO2 project are very complicated, however the current price environment, efforts to find a “made in Canada” solution to reduce CO2 emissions and encouraging results from existing CO2 projects and pilots all bodes well for increasing the value of Bonterra’s Pembina assets.

Bonterra has also been assessing production of coal-bed methane (CBM) from the Ardley coals in the Pembina field with encouraging results. The Trust has extensive prospective CBM land holdings that are near existing operated infrastructure and will continue testing of the coals to determine the economic feasibility of development. There is also an ongoing CO2 pilot being conducted in the Pembina field adjacent to Trust lands that may improve the economic feasibility of the development of Ardley coals.

The Trust has significant unvalued infill locations, CO2 flooding and CBM development potential which will allow Bonterra to grow its asset base and production volumes in future years. These opportunities should enable Bonterra to out perform its peers in terms of sustainability. Future development of these opportunities is of course subject to economic conditions related to commodity prices, capital cost and operating costs.

Additional information relating to the Trust may be found on SEDAR.COM.

For further information please visit our website at www.bonterraenergy.com.

Submitted on behalf of the Board of Directors,

George F. Fink

President, CEO and Director

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

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

The Trust's auditors have not performed a review of these interim financial statements. The audit committee has reviewed these 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.

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED EARNINGS

For the Periods Ended June 30 (unaudited)

Financial ($, except $ per unit)

	Three Months		Six Months	
	2006	2005	2006	2005
Revenue				
Oil and gas sales	**23,219,000**	17,114,000	**43,350,000**	33,552,000
Royalties	**(2,872,000)**	(1,891,000)	**(5,451,000)**	(3,618,000)
Gain on sale of property (Note 3)	**–**	263,000	**532,000**	263,000
Alberta royalty tax credits	**159,000**	85,000	**335,000**	159,000
Interest and other	**28,000**	9,000	**35,000**	19,000
	20,534,000	15,580,000	**38,801,000**	30,375,000
Expenses				
Production costs	**5,400,000**	4,873,000	**10,552,000**	9,624,000
General and administrative	**612,000**	589,000	**1,244,000**	1,143,000
Interest on debt	**423,000**	162,000	**654,000**	288,000
Unit based compensation	**207,000**	163,000	**365,000**	171,000
Depletion, depreciation and accretion	**2,910,000**	2,463,000	**5,507,000**	4,828,000
	9,552,000	8,250,000	**18,322,000**	16,054,000
Earnings before Income Taxes	**10,982,000**	7,330,000	**20,479,000**	14,321,000
Income Taxes (Recovery)				
Current	**91,000**	(211,000)	**190,000**	(561,000)
Future	**274,000**	426,000	**(49,000)**	641,000
	365,000	215,000	**141,000**	80,000
Net Earnings for the Period	**10,617,000**	7,115,000	**20,338,000**	14,241,000
Accumulated earnings at beginning of period	**94,877,000**	58,814,000	**85,156,000**	51,688,000
Accumulated Earnings at End of Period	**105,494,000**	65,929,000	**105,494,000**	65,929,000
Net Earnings per Trust Unit - Basic	**0.64**	0.44	**1.22**	0.87
Net Earnings per Trust Unit - Diluted	**0.63**	0.43	**1.21**	0.86

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods Ended June 30 (unaudited)
Financial ($)

	Three Months		Six Months	
	2006	2005	**2006**	2005
Operating Activities				
Net earnings for the period	**10,617,000**	7,115,000	**20,338,000**	14,241,000
Items not affecting cash				
Gain on sale of property	**–**	(263,000)	**(532,000)**	(263,000)
Unit based compensation	**207,000**	163,000	**365,000**	171,000
Depletion, depreciation and accretion	**2,910,000**	2,463,000	**5,507,000**	4,828,000
Future income taxes	**274,000**	426,000	**(49,000)**	641,000
	14,008,000	9,904,000	**25,629,000**	19,618,000
Change in non-cash working capital				
Accounts receivable	**15,000**	(46,000)	**290,000**	(1,280,000)
Crude oil inventory	**(26,000)**	(83,000)	**(153,000)**	(92,000)
Parts inventory	**(79,000)**	512,000	**(4,000)**	197,000
Prepaid expenses	**(406,000)**	(279,000)	**(531,000)**	(175,000)
Accounts payable and accrued liabilities	**522,000**	(134,000)	**815,000**	(2,006,000)
Asset retirement obligations settled	**(42,000)**	(10,000)	**(125,000)**	(236,000)
	(16,000)	(40,000)	**292,000**	(3,592,000)
Cash Provided by Operating Activities	**13,992,000**	9,864,000	**25,921,000**	16,026,000
Financing Activities				
Increase (decrease) in debt	**4,302,000**	(300,000)	**11,342,000**	6,146,000
Unit option proceeds	**549,000**	50,000	**2,366,000**	1,310,000
Unit issue costs on acquisition of Novitas Energy Ltd. (Note 6)	**–**	–	**–**	(259,000)
Unit distributions	**(11,536,000)**	(8,846,000)	**(22,827,000)**	(17,427,000)
Cash Used in Financing Activities	**(6,685,000)**	(9,096,000)	**(9,119,000)**	(10,230,000)
Investing Activities				
Property and equipment expenditures	**(6,246,000)**	(1,678,000)	**(16,294,000)**	(3,442,000)
Proceeds on sale of properties	**–**	1,097,000	**750,000**	1,097,000
Partial refund of abandonment deposit (Note 3)	**–**	–	**–**	843,000
Cash portion of Novitas Energy Ltd. acquisition (Note 4)	**–**	–	**–**	(769,000)
Change in non-cash working capital				
Accounts receivable	**270,000**	607,000	**(721,000)**	803,000
Accounts payable and accrued liabilities	**(1,331,000)**	(794,000)	**(537,000)**	(4,328,000)
Cash Used in Investing Activities	**(7,307,000)**	(768,000)	**(16,802,000)**	(5,796,000)
Net Cash Inflow	**–**	–	**–**	–
Cash, beginning of period	**–**	–	**–**	–
Cash, End of Period	**–**	–	**–**	–
Cash Interest Paid	**423,000**	162,000	**654,000**	288,000
Cash Taxes Paid (Recovered)	**(506,000)**	50,000	**(394,000)**	555,000

CONSOLIDATED BALANCE SHEETS

As at June 30, 2006 (unaudited) and December 31, 2005

Financial ($)

	2006	2005
Assets		
Current		
Accounts receivable	11,451,000	11,020,000
Crude oil inventory	1,004,000	836,000
Parts inventory	225,000	221,000
Prepaid expenses	1,312,000	781,000
Investments in related party (Note 2)	461,000	461,000
	14,453,000	13,319,000
Property and Equipment (Note 3)		
Petroleum and natural gas properties and related equipment	155,540,000	139,798,000
Accumulated depletion and depreciation	(47,827,000)	(42,968,000)
Net Property and Equipment	107,713,000	96,830,000
	122,166,000	110,149,000
Liabilities		
Current		
Distribution payable	–	3,638,000
Accounts payable and accrued liabilities	11,754,000	11,476,000
Debt (Note 4)	31,519,000	20,177,000
	43,273,000	35,291,000
Future Income Tax Liability	4,291,000	4,341,000
Asset Retirement Obligations	13,400,000	13,195,000
	60,964,000	52,827,000
Unitholders' Equity		
Unit capital (Note 5)	86,409,000	83,900,000
Contributed surplus	858,000	636,000
Accumulated earnings	105,494,000	85,156,000
Accumulated cash distributions	(131,559,000)	(112,370,000)
	61,202,000	57,322,000
	122,166,000	110,149,000

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the Periods Ended June 30 (unaudited)
Financial ($)

	Three Months		Six Months	
	2006	2005	**2006**	2005
Unitholders' equity, beginning of period	**61,365,000**	61,985,000	**57,322,000**	54,060,000
Net earnings for the period	**10,617,000**	7,115,000	**20,338,000**	14,241,000
Net capital contributions	**549,000**	50,000	**2,366,000**	1,310,000
Units issued on acquisition of Novitas Energy Ltd.	**–**	–	**–**	5,681,000
Unit issue costs on acquisition of Novitas Energy Ltd.	**–**	–	**–**	(259,000)
Unit option adjustment	**207,000**	163,000	**365,000**	171,000
Cash distributions	**(11,536,000)**	(8,846,000)	**(19,189,000)**	(14,737,000)
Unitholders' Equity, End of Period	**61,202,000**	60,467,000	**61,202,000**	60,467,000

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods Ended June 30, 2006 and 2005 unaudited

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of application followed in the preparation of the interim financial statements are the same as those followed in the preparation of the Trust's 2005 annual financial statements. These interim financial statements do not include all disclosure required for annual financial statements. The interim financial statements as presented should be read in conjunction with the 2005 annual financial statements.

2. INVESTMENT IN RELATED PARTY

The investment consists of 689,682 (December 31, 2005 – 689,682) common shares in Comaplex Minerals Corp. (Comaplex), a company with common directors and management. The investment is recorded at cost. The fair market value as determined by using the trading price of the stock at June 30, 2006 was $2,297,000 (December 31, 2005 - $2,448,000). The common shares trade on the Toronto Stock Exchange under the symbol CMF. The investment represents less than a two percent ownership in the outstanding shares of Comaplex.

3. PROPERTY AND EQUIPMENT

	June 30 2006		December 31, 2005	
	Cost	Accumulated Depletion and Depreciation	Cost	Accumulated Depletion and Depreciation
Undeveloped land	$ 334,000	$ –	$ 334,000	$ -
Petroleum and natural gas properties and related equipment	154,410,000	47,438,000	138,713,000	42,622,000
Furniture, equipment and other	796,000	389,000	751,000	346,000
	$ 155,540,000	$ 47,827,000	$ 139,798,000	$ 42,968,000

During the first quarter the Trust disposed of a non-core property for gross proceeds of $750,000.

4. DEBT

The Trust through its operating subsidiaries has a bank revolving credit facility of $44,900,000 at June 30, 2006 (December 31, 2005 - $36,900,000). In addition, the Trust has received approval for a further $5,000,000 increase in the credit facility at the option of the Trust. The terms of the credit facilities provide that the loans are due on demand and are subject to annual review. The credit facilities have no fixed payment requirements. The amount available for borrowing under the credit facilities is reduced by the amount of outstanding letters of credit. Letters of credit totalling $340,000 were issued at June 30, 2006 (December 31, 2005 - $340,000). Collateral for the loans consists of a demand debenture providing a first floating charge over all of the Trust's subsidiaries assets, and a general security agreement.

The credit facilities carry an interest rate of Canadian chartered bank prime. The Trust has classified borrowing under its bank facilities as a current liability as required by guidance under the CICA's Emerging Issues Committee Abstract 122. It has been management's experience that these types of loans which are required to be classified as a current liability are seldom called by principal bankers as long as all the terms and conditions of the loan are complied with. Cash interest paid during the six month periods ended June 30, 2006 and 2005 for these loans were $654,000 and $288,000 respectively.

5. UNIT CAPITAL

Authorized

The Trust is authorized to issue an unlimited number of trust units without nominal or par value.

Issued	Number	Amount
Trust Units		
Balance, January 1, 2006	16,535,158	$83,900,000
Issued pursuant to Trust's unit option plan	208,000	2,366,000
Transfer of contributed surplus to unit capital	–	143,000
Balance, June 30, 2006	16,743,158	$86,409,000

The Trust provides an option plan for its directors, officers, employees and consultants. Under the plan, the Trust may grant options for up to 1,670,000 (December 31, 2005 - 1,635,000) trust units. The exercise price of each option granted equals the market price of the trust unit on the date of grant and the option's maximum term is five years.

A summary of the status of the Trust's unit option plan as of June 30, 2006 and December 31, 2005, and changes during the six month and twelve month periods ending on those dates is presented below:

	June 30, 2006		December 31, 2005	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	646,000	$18.67	565,000	$11.56
Options granted	407,000	28.75	407,000	23.32
Options exercised	(208,000)	11.37	(256,000)	11.03
Options cancelled	(16,000)	23.35	(70,000)	16.35
Outstanding at end of period	829,000	$25.36	646,000	$18.67
Options exercisable at end of period	26,000	$15.13	214,000	$10.89

The following table summarizes information about unit options outstanding at June 30, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 6/30/06	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 6/30/06	Weighted-Average Exercise Price
$10.00	16,000	0.6 years	$10.00	16,000	$10.00
$15.20-$15.60	38,000	0.8 years	15.22	–	–
$22.45-$23.35	368,000	2.8 years	23.31	10,000	23.35
$28.70-$28.75	407,000	3.6 years	28.75	–	–
$10.00-$28.75	829,000	3.1 years	$25.36	26,000	$15.13

The Trust records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants.

6. RELATED PARTY TRANSACTIONS

The Trust received a management fee from Comaplex of $150,000 (2005 - $120,000) for management services and office administration. This cost has been included as a recovery in general and administrative expenses. The above charge represents the fair value of the services rendered. At June 30, 2006 the Trust had an accounts receivable from Comaplex of $42,000 (December 31, 2005 - $29,000).

The Trust received a management fee from Pine Cliff Energy Ltd. (Pine Cliff) of $108,000 (2005 - $60,000) for management services, accounting services and office administration. This fee has been included as a recovery in general and administrative expenses. As at June 30, 2006 the Trust had no amounts for accounts receivable from or accounts payable to Pine Cliff. The above charge represents the fair value of the services rendered.

7. COMMITMENTS - FUTURE SALES AGREEMENTS

The Trust entered into the following commodity hedging contracts for a portion of its 2006 and 2007 production:

Period of Agreement	Commodity	Volume per day	Index	Price (Cdn.)
July 1, 2006 to September 30, 2006	Crude Oil	500 barrels	WTI	Floor of $65 and ceiling of $77.52 per barrel
October 1, 2006 to December 31, 2006	Crude Oil	500 barrels	WTI	Floor of $70 and ceiling of $80.10 per barrel
July 1, 2006 to December 31, 2006	Crude Oil	500 barrels	WTI	Floor of $74.22 and ceiling of $85 per barrel
January 1, 2007 to June 30, 2007	Crude Oil	500 barrels	WTI	Floor of $74.55 and ceiling of $85 per barrel
April 1, 2006 to October 31, 2006	Natural Gas	2,000 GJ's	AECO	Floor of $8.55 and ceiling of $14 per GJ
November 1, 2006 to March 31, 2007	Natural Gas	2,000 GJ's	AECO	Floor of $6.65 and ceiling of $12.50 per GJ
*January 1, 2007 to June 30, 2007	Crude Oil	500 barrels	WTI	Floor of $75 and ceiling of $95.47 per barrel
*July 1, 2007 to December 31, 2007	Crude Oil	500 barrels	WTI	Floor of $75 and ceiling of $93 per barrel

*Entered into subsequent to June 30, 2006.

During the six month period ended June 30, 2006, the Trust recorded a reduction to revenue of $1,091,000 (June 30, 2005 - $1,584,000) from its hedging contracts. As at June 30, 2006 the fair value of the outstanding commodity hedging contracts was a net liability of $636,000.

8. SUBSEQUENT EVENT - DISTRIBUTIONS

Subsequent to June 30, 2006, the Trust declared a distribution of $0.23 per unit payable on July 31, 2006 to Unitholders of record on July 17, 2006. The distribution represents funds flow in the Trust for the month of June 2006.

On August 2, the Trust declared a distribution of $0.24 per unit payable on August 31, 2006 to Unitholders of record on August 15, 2006. The distribution represents funds flow in the Trust for the month of July 2006.

Bonterra
Energy Income Trust

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