Bonterra
Energy Income Trust

Q1

FOR THE PERIOD ENDED MARCH 31, 2006

INTERIM REPORT

HIGHLIGHTS

For the Three Months Ended	**March 31 2006**	December 31 2005	March 31 2005
Financial ($000, except $ per unit)			
Revenue – oil and gas	**20,131**	21,753	16,438
Funds Flow from Operations (1)	**12,153**	12,489	9,714
Per Unit – Basic	**0.73**	0.76	0.59
Per Unit – Diluted	**0.72**	0.76	0.58
Net Earnings	**9,721**	9,918	7,126
Per Unit – Basic	**0.58**	0.59	0.44
Per Unit – Diluted	**0.58**	0.59	0.43
Cash Distributions per Unit	**0.69**	0.68	0.54
Capital Expenditures and Acquisitions (2)	**10,048**	10,979	42,024
Total Assets	**118,439**	110,149	102,088
Working Capital Deficiency (3)	**25,532**	21,972	11,896
Unitholders' Equity	**61,365**	57,322	61,985
Operations			
Oil and NGL's			
Barrels per Day	**2,996**	2,814	2,724
Average Price ($ per barrel)	**57.02**	61.13	52.35
Natural Gas			
MCF per Day	**6,071**	5,795	5,649
Average Price ($ per MCF)	**8.52**	11.16	6.98
Total barrels per day (4)	**4,008**	3,780	3,666

(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 May 2, 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 three months ended March 31, 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 quarter of 2006. The Trust has been successful on a year over year basis in substantially increasing its revenue, funds flow and net earnings. Funds flow from operations and net earnings increased by 25 and 36 percent respectively over the results from the first quarter of 2005. However, with reduced commodity prices in Q1 2006 compared to Q4 2005 the Trust saw marginal decreases in funds flow from operations and net earnings of 3 and 2 percent respectively.

During the first quarter of 2006 the Trust distributed $0.69 per unit to its Unitholders from funds flow of $0.73 per unit, a 94 percent payout ratio. In the first three months of 2005 the distribution was $0.54 per unit from funds flow of $0.59 per unit, a 91 percent payout ratio. The payout ratio is higher in Q1, 2006 than what is expected for the year, due mainly to wells drilled in 2005 not being tied in and on production until the latter part of March and therefore contributed little to the Q1, 2006 funds flow. Also 13 of the 14 wells drilled in 2006 are not yet on production.

Financial and Operational Discussion

Production

Average daily production volume for the three months ended March 31, 2006 was 4,008 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 2,996 barrels per day of crude oil and natural gas liquids and 6,071 MCF per day of natural gas. Bonterra's first quarter 2005 average production was 3,666 BOE's per day consisting of 2,724 barrels per day of crude oil and natural gas liquids and 5,649 MCF per day of natural gas.

The Trust drilled on its operated lands 11 gross (9.6 net) Cardium oil wells and 3 gross (2 net) shallow gas wells in the first quarter of 2006. As at March 31, 2006 Bonterra had on its operated lands 14 gross (11.5 net) Cardium oil wells and 10 gross (8 net) natural gas wells including 3 gross (3 net) coal-bed wells drilled but not on production. During the first quarter of 2006, the Trust tied-in on its operated lands 10 gross (8.9 net) Cardium wells and no natural gas wells. Of the wells tied-in during the first quarter, 5 gross (5 net) were tied-in during the last 10 days of March.

Management anticipates that the majority of the currently drilled but not producing wells will be completed and tied-in by the end of the third quarter 2006. It is becoming increasingly difficult to obtain services and materials to complete and tie-in wells on a timely basis. In addition, the current spring breakup is preventing access to the majority of the wells hindering their completion.

Revenue

Revenue from petroleum and natural gas sales was $20,131,000 (2005 – $16,438,000). The increase in revenue over the 2005 first quarter 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 quarter of 2006 was $57.02 per barrel and $8.52 per MCF for natural gas compared to $52.35 per barrel and $6.98 per MCF in the corresponding 2005 period. On a quarter over quarter basis, revenue declined by $1,622,000 due to a decline in crude oil and natural gas prices from fourth quarter pricing of $61.13 and $11.16 for crude oil and natural gas respectively. The crude oil price decline was due to the increased price differential in heavier crude oils experienced during the first quarter effecting approximately 400 barrels of mid grade oil production as well as an industry change to the calculation of quality adjustment which resulted in an approximate $1.50 per barrel reduction in the Trust's crude oil pricing effective February 1, 2006.

Although the Trust received higher U.S. WTI oil prices and U.S. Nymex natural gas prices in the first quarter 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 quarter compared to the 2005 first quarter funds flow from operations by approximately 6 cents per unit and approximately 6 cents per unit on net earnings.

Gross revenue has been reduced by $915,000 (2005 – $815,000) 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 high cost production 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 details. As at March 31, 2006, the fair value of the outstanding commodity hedging contracts was a net liability of $579,000 (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 quarter of 2006 the Trust paid $2,085,000 (2005 – $1,245,000) in Crown royalties and $494,000 (2005 – $482,000) 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 – three 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 amount of purchased wells.

Production Costs

Production costs for the three months ended March 31, 2006 were $5,152,000 compared to $4,751,000 for the three months ended March 31, 2005. On a BOE basis production costs averaged $14.28 in 2006 verses $14.40 in the corresponding 2005 period. A pipeline spill in March of 2005 added approximately $0.30 per BOE in operating costs in the first quarter of 2005. Increases in well service costs over the past 12 months have offset the added 2005 spill costs.

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 $13 to $14 per BOE range are expected. As the Trust develops its infill Cardium oil and shallow natural gas potential, the average costs per BOE should decline. 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 $632,000 in the first quarter of 2006 compared to $554,000 in the three months ended March 31, 2005 and $550,000 in the three months ended December 31, 2005.

Costs on a BOE bases increased to $1.75 per BOE in the first quarter of 2006 from $1.68 per BOE in the first quarter of 2005. The increase in general and administrative expenses year over year was due to increased employee compensation. The quarter over quarter increase 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 $75,000 (2005 - $60,000) for management 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 $54,000 (2005 - $24,000) for management services and office administration. These recoveries have been offset against the Trust's general and administrative expense.

Interest Expense

Interest expense increased to $231,000 for the three months ended March 31, 2006 compared to $126,000 for the three months ended March 31, 2005 and $139,000 for the fourth quarter of 2005. Increased average debt levels and increased interest rates were the primary factors in the increase in interest expense. The Trust's total debt as a percentage of annualized first 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 $7 million from December 31, 2005 compared to March 31, 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 which represents substantially more than 25 percent of the Trust's estimated 2006 capital expenditure program. Offsetting the increases was proceeds of $1,817,000 from the exercise of unit options.

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. No employee options were granted during the first quarter of 2006.

Depletion, Depreciation and Accretion

Provision for depletion, depreciation and accretion was $2,597,000 and $2,365,000 for the three-month periods ending March 31, 2006 and March 31, 2005 respectively. The increase was primarily due to increased production resulting from the Trust's 2005 fall drill program.

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 $9,721,000 in the first quarter of 2006 from $7,126,000 in the corresponding 2005 period. Revenue increases due to increased commodity prices and production was the primary reason for the net earnings increase of $2,595,000 or 36 percent. The Trust's quarter over quarter net earnings decreased 2 percent primarily due to decreased commodity prices offset partially by increased production rates.

Funds Flow from Operations

Funds flow from operations for the three months ending March 31, 2006 was $12,153,000 compared to $9,714,000 for the three months ended March 31, 2005 and $12,489,000 for the final three months of 2005. 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 quarter 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. During the months of February and March 2006, natural gas prices declined substantially from approximately $11 per MCF to less than $7 per MCF by the end of March. Although Bonterra is primarily a crude oil producer its gross revenue was still impacted in Q1, 2006 compared to Q4, 2005 by reduced natural gas pricing by approximately $1,400,000. This decline along with a smaller impact due to reduced oil pricing was mostly offset by higher production rates; however funds flow did decline quarter over quarter by $336,000.

The following reconciliation compares funds flow for the first three 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	**$9,721,000**	$7,126,000
Items not affecting cash		
Unit based compensation	**158,000**	8,000
Depletion, depreciation and accretion	**2,597,000**	2,365,000
Future income taxes	**(323,000)**	215,000
Funds flow for the period	**$12,153,000**	$9,714,000

Cash Netback

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

$ per Barrel of Oil Equivalent (BOE)	March 31 2006	December 31 2005	March 31 2005
Production volumes (BOE)	**360,720**	347,745	329,895
Gross production revenue	**$55.80**	$62.55	$49.83
Royalties	**(7.15)**	(8.71)	(5.01)
Field operating	**(14.28)**	(15.93)	(14.40)
Field netback	**34.37**	37.91	30.42
General and administrative	**(1.75)**	(1.58)	(1.68)
Interest and taxes	**(0.91)**	(0.97)	.68
Cash netback	**$31.71**	$35.36	$29.42

Liquidity and Capital Resources

During the first quarter of 2006, the Trust incurred capital costs of $10,048,000 excluding proceeds on disposition of $750,000 for a non-core non-operated property. The Trust drilled 11 gross (9.6 net) Cardium oil wells and 3 gross (2 net) shallow gas wells in the first quarter of 2006 on its operated lands. In addition several wells on non-operated properties were completed and tied in during the quarter.

The Trust currently has plans to drill a total of 50 gross (37.5 net) Cardium infill oil and shallow natural gas wells in 2006. Bonterra will commence its spring drilling when road bans are removed in the West Central area of Alberta. Two drill rigs, one for Cardium and one for shallow gas will be used. 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 $27,000,000 is budgeted for 2006. The Trust has increased its drilling budget due to anticipated increased drilling costs. The capital expenditures will be funded from funds flow, the Trusts 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 $36,900,000 at March 31, 2006 (December 31, 2005 - $36,900,000). 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 three 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	163,000	1,817,000
Transfer of contributed surplus to unit capital	-	107,000
Balance, March 31, 2006	16,698,158	$85,824,000

The Trust provides an option plan for its directors, officers, employees and consultants. Under the plan, the Trust may grant options for up to 1,635,000 (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 March 31, 2006 and December 31, 2005, and changes during the three month and twelve month periods ending on those dates is presented below:

	March 31, 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	23.32
Options exercised	**(163,000)**	**11.14**	(256,000)	11.03
Options cancelled	**-**	**-**	(70,000)	16.35
Outstanding at end of period	**483,000**	**$21.21**	646,000	$18.67
Options exercisable at end of period	**56,000**	**$10.58**	214,000	$10.89

The following table summarizes information about unit options outstanding at March 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 3/31/06	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 3/31/06	Weighted-Average Exercise Price
$10.00	50,000	0.8 years	$10.00	50,000	$10.00
$15.20-$15.60	44,000	1.0 years	15.22	6,000	15.37
$22.45-$23.35	389,000	3.0 years	23.32	-	-
$10.00-$23.35	483,000	2.6 years	$21.21	56,000	$10.58

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 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 Three Months Ended March 31 (unaudited)

Financial ($, except $ per unit)

	2006	2005
Revenue		
Oil and gas sales	20,131,000	16,438,000
Royalties	(2,579,000)	(1,727,000)
Gain on sale of property (Note 3)	532,000	-
Alberta royalty tax credits	176,000	74,000
Interest and other	7,000	10,000
	18,267,000	14,795,000
Expenses		
Production costs	5,152,000	4,751,000
General and administrative	632,000	554,000
Interest on debt	231,000	126,000
Unit based compensation	158,000	8,000
Depletion, depreciation and accretion	2,597,000	2,365,000
	8,770,000	7,804,000
Earnings before Income Taxes	9,497,000	6,991,000
Income Taxes (Recovery)		
Current	99,000	(350,000)
Future	(323,000)	215,000
	(224,000)	(135,000)
Net Earnings for the Period	9,721,000	7,126,000
Accumulated earnings at beginning of period	85,156,000	51,688,000
Accumulated Earnings at End of Period	94,877,000	58,814,000
Net Earnings Per Unit - Basic	0.58	0.44
Net Earnings Per Unit - Diluted	0.58	0.43

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31 (unaudited)
Financial ($)

	2006	2005
Operating Activities		
Net earnings for the period	9,721,000	7,126,000
Items not affecting cash		
Gain on sale of property	(532,000)	-
Unit based compensation	158,000	8,000
Depletion, depreciation and accretion	2,597,000	2,365,000
Future income taxes	(323,000)	215,000
	11,621,000	9,714,000
Change in non-cash working capital		
Accounts receivable	275,000	(1,234,000)
Crude oil inventory	(127,000)	(9,000)
Parts inventory	75,000	(315,000)
Prepaid expenses	(125,000)	104,000
Accounts payable and accrued liabilities	293,000	(1,872,000)
Asset retirement obligations settled	(83,000)	(226,000)
	308,000	(3,552,000)
Cash Provided by Operating Activities	11,929,000	6,162,000
Financing Activities		
Increase in debt	7,040,000	6,446,000
Unit option proceeds	1,817,000	1,260,000
Unit issue costs on acquisition of Novitas Energy Ltd.	-	(259,000)
Unit distributions	(11,291,000)	(8,581,000)
Cash Used in Financing Activities	(2,434,000)	(1,134,000)
Investing Activities		
Property and equipment expenditures	(10,048,000)	(1,764,000)
Proceeds on sale of property	750,000	-
Partial refund of abandonment deposit	-	843,000
Cash portion of Novitas Energy Ltd. acquisition	-	(769,000)
Change in non-cash working capital		
Accounts receivable	(991,000)	196,000
Accounts payable and accrued liabilities	794,000	(3,534,000)
Cash Used in Investing Activities	(9,495,000)	(5,028,000)
Net Cash Inflow	-	-
Cash, beginning of period	-	-
Cash, End of Period	-	-
Cash Interest Paid	231,000	126,000
Cash Taxes Paid	112,000	505,000

CONSOLIDATED BALANCE SHEETS

As at March 31, 2006 (unaudited) and December 31, 2005

Financial ($)

	2006	2005
Assets		
Current		
Accounts receivable	11,736,000	11,020,000
Crude oil inventory	999,000	836,000
Parts inventory	146,000	221,000
Prepaid expenses	906,000	781,000
Investments in related party (Note 2)	461,000	461,000
	14,248,000	13,319,000
Property and Equipment (Note 3)		
Petroleum and natural gas properties and related equipment	149,295,000	139,798,000
Accumulated depletion and depreciation	(45,104,000)	(42,968,000)
Net Property and Equipment	104,191,000	96,830,000
	118,439,000	110,149,000
Liabilities		
Current		
Distribution payable	-	3,638,000
Accounts payable and accrued liabilities	12,563,000	11,476,000
Debt (Note 4)	27,217,000	20,177,000
	39,780,000	35,291,000
Future Income Tax Liability	4,017,000	4,341,000
Asset Retirement Obligations	13,277,000	13,195,000
	57,074,000	52,827,000
Unitholders' Equity		
Unit capital (Note 5)	85,824,000	83,900,000
Contributed surplus	687,000	636,000
Accumulated earnings	94,877,000	85,156,000
Accumulated cash distributions	(120,023,000)	(112,370,000)
	61,365,000	57,322,000
	118,439,000	110,149,000

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the Three Months Ended March 31 (unaudited)

Financial ($)

	2006	2005
Unitholders' equity, beginning of period	**57,322,000**	54,060,000
Net earnings for the period	**9,721,000**	7,126,000
Net capital contributions	**1,817,000**	1,260,000
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 for options exercised	**158,000**	8,000
Cash distributions	**(7,653,000)**	(5,891,000)
Unitholders' Equity, End of Period	**61,365,000**	61,985,000

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods Ended March 31, 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 March 31, 2006 was $2,207,000 (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

	March 31, 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	148,205,000	44,738,000	138,713,000	42,622,000
Furniture, equipment and other	756,000	366,000	751,000	346,000
	$ 149,295,000	$ 45,104,000	$ 139,798,000	$ 42,968,000

During the 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 $36,900,000 at March 31, 2006 (December 31, 2005 - $36,900,000). 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 March 31, 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 three month periods ended March 31, 2006 and 2005 for these loans were $231,000 and $126,000 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	163,000	1,817,000
Transfer of contributed surplus to unit capital	-	107,000
Balance, March 31, 2006	16,698,158	$85,824,000

The Trust provides an option plan for its directors, officers, employees and consultants. Under the plan, the Trust may grant options for up to 1,635,000 (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 March 31, 2006 and December 31, 2005, and changes during the three month and twelve month periods ending on those dates is presented below:

	March 31, 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	23.32
Options exercised	(163,000)	11.14	(256,000)	11.03
Options cancelled	-	-	(70,000)	16.35
Outstanding at end of period	483,000	$21.21	646,000	$18.67
Options exercisable at end of period	56,000	$10.58	214,000	$10.89

The following table summarizes information about unit options outstanding at March 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 3/31/06	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 3/31/06	Weighted-Average Exercise Price
\$10.00	50,000	0.8 years	\$10.00	50,000	\$10.00
\$15.20-\$15.60	44,000	1.0 years	15.22	6,000	15.37
\$22.45-\$23.35	389,000	3.0 years	23.32	-	-
\$10.00-\$23.35	483,000	2.6 years	\$21.21	56,000	\$10.58

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 \$75,000 (2005 - \$60,000) 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. As at March 31, 2006 the Trust had an accounts receivable from Comaplex of \$35,000 (December 31, 2005 - \$29,000).

The Trust received a management fee from Pine Cliff Energy Ltd. (Pine Cliff) of \$54,000 (2005 - \$24,000) for management services and office administration. This fee has been included as a recovery in general and administrative expenses. As at March 31, 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.)
April 1, 2006 to June 30, 2006	Crude Oil	500 barrels	WTI	\$65.07 per barrel
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

During the period ended March 31, 2006, the Trust recorded a reduction to revenue of \$915,000 (March 31, 2005 - \$815,000) from its hedging contracts. As at March 31, 2006 the fair value of the outstanding commodity hedging contracts was a net liability of \$579,000.

8. SUBSEQUENT EVENT - DISTRIBUTION

Subsequent to March 31, 2006, the Trust declared a distribution of \$0.23 per unit payable on April 28, 2006 to Unitholders of record on April 17, 2006. The distribution represents funds flow in the Trust for the month of March 2006.

Bonterra
Energy Income Trust

901, 1015 – 4TH ST SW, CALGARY, ALBERTA T2R 1J4