Interim Report

Bonterra
Energy Income Trust

For the Nine Months
Ended September 30, 2005

Highlights

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	**2005**	2004
FINANCIAL				
Revenue – oil and gas				
(net of royalties)	**$ 18,183,000**	$12,790,000	**$ 48,117,000**	$ 34,800,000
Funds Flow from Operations [1]	**$ 12,209,000**	$ 7,499,000	**$32,090,000**	$ 20,928,000
Per Unit - Basic	**$ 0.75**	$ 0.52	**$ 1.96**	$ 1.51
Per Unit - Diluted	**$ 0.74**	$ 0.50	**$ 1.93**	$ 1.47
Net Earnings	**$ 9,309,000**	$ 5,393,000	**$23,550,000**	$ 13,977,000
Per Unit – Basic	**$ 0.57**	$ 0.38	**$ 1.44**	$ 1.01
Per Unit - Diluted	**$ 0.56**	$ 0.36	**$ 1.42**	$ 0.98
Cash Distributions Per Unit	**$ 0.60**	$ 0.51	**$ 1.69**	$ 1.33
Percent of Basic Funds Flow	**80**	98	**86**	88
Capital Expenditures and				
Acquisitions [2]	**$ 3,022,000**	$ 1,476,000	**$ 39,627,000**	$ 4,905,000
Total Assets			**$101,008,000**	$ 80,811,000
Working Capital Deficiency [3]			**$ 10,920,000**	$ 4,995,000
Unitholders' Equity			**$ 60,662,000**	$ 56,380,000
OPERATIONS				
Oil and NGL's - Barrels Per Day	**2,680**	2,339	**2,679**	2,363
Natural Gas - MCF Per Day	**5,692**	5,214	**5,601**	4,834

(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 of 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.

Management's Discussion and Analysis

The following report dated November 1, 2005 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 nine months ended September 30, 2005, including the notes related thereto, and the audited financial statements for the fiscal year ended December 31, 2004, together with the notes related thereto.

General

The Trust is pleased with its operations for the first nine months of 2005. As outlined in the preceding "Highlights" section, net revenue, funds flow from operations, net earnings, cash distributions and production are substantially higher on a gross and per unit basis over the comparable 2004 period. Production volumes for the first nine months are below expectations; however, this is entirely due to weather related delays. Road bans that lasted from mid February to mid June and heavy rains in the third quarter throughout Western Canada prevented Bonterra and most other oil and gas producers from meeting their production objectives. During this period Bonterra was not able to repair existing producing wells in a timely manner if they had mechanical problems, was not able to drill many wells or tie-in new wells that had been drilled.

Commencing in the third quarter and to the date of this report the Trust drilled six shallow gas wells (three net) and seven gross and net Cardium infill wells. It is anticipated that completion and tie-in of these wells will occur during the 4th quarter of 2005.

Financial and Operational Discussion

Production

Average daily production volume for the nine months ended September 30, 2005 was 3,613 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 2,679 barrels per day of crude oil and natural gas liquids and 5,601 MCF per day of natural gas. Bonterra's 2004 first nine months average production was 3,169 BOE's per day consisting of 2,363 barrels per day of crude oil and natural gas liquids and 4,834 MCF per day of natural gas.

The Trust completed its acquisition of Novitas Energy Ltd. (Novitas) on January 7, 2005. The acquisition added approximately 535 BOE's per day. The Trust has completed the tie-in of four out of the five Cardium oil wells drilled in late 2004. The fifth well will require further completion work prior to commencing production.

Of the five shallow gas wells drilled in the fourth quarter of 2004, only one has been tied-in and on production as of the end of the first nine months of 2005. Of the remaining four wells, two are coal-bed methane (CBM) wells and two wells are dry holes and have been abandoned. Continued regulatory restrictions regarding CBM wells have prevented completion and tie-in of the two potential CBM wells. The Trust is working on resolving all regulatory issues so that the CBM wells can be completed and on production by the end of the first quarter of 2006.

Production increased by approximately 80 BOE's per day (2.4 percent) Q3 over Q2 due to tie-in of the fourth Cardium well as well as completion and tie-in of two (one net) of the six (three net) shallow natural gas wells drilled during the third quarter. It is anticipated that completion and tie-in of the remaining natural gas wells will be completed in the next two quarters. The Trust's Cardium infill drilling commenced in mid September after delays due to weather conditions and in obtaining a drilling rig. Please refer to the Liquidity and Capital Resources section for further discussion on the Trust's 2005 drill program.

<u>Revenue</u>

Net revenue from petroleum and natural gas sales was $48,117,000 (2004 - $34,800,000). The increase in net revenue over the 2004 first nine months was primarily due to higher commodity prices and additional production from the Novitas acquisition. The average price received for crude oil and natural gas liquids during the first nine months of 2005 was $57.44 per barrel and $7.76 per MCF for natural gas compared to $45.78 per barrel and $6.80 per MCF in the corresponding 2004 period after adjustments for hedging losses.

The $2,960,000 increase in net revenue in the third quarter over the second quarter net revenue of $15,223,000 was primarily due to increased commodity prices to $64.48 (second quarter $55.37) per barrel for crude oil and natural gas liquids and $8.69 (second quarter $7.59) per MCF for natural gas.

Although the Trust received higher U.S. WTI oil prices and U.S. Nymex natural gas prices in 2005 than in 2004, the increases were partially offset by the rising Canadian dollar. The rising Canadian dollar negatively impacted the 2005 first nine months compared to the 2004 first nine months funds flow from operations by approximately 23 cents per unit and approximately 22 cents per unit on net earnings.

Gross revenue has been reduced by $3,019,000 (2004 - $1,861,000) 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 with high operating costs with hedges that provide a significant level of profitability and also to provide for a reasonable amount of cash 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. At the present time the Trust has approximately 15 percent of its anticipated forward 12 month production hedged. Kindly refer to Note 8 to the attached interim financial statements for details. As at September 30, 2005 the mark to market value of the outstanding commodity hedging transactions was a net liability of $4,640,000.

<u>Royalties</u>

Royalties paid by the Trust consist primarily of Crown royalties paid to the Provinces of Alberta and Saskatchewan. During the first nine months of 2005 the Trust paid $4,556,000 (2004 - $3,178,000) in Crown royalties and $1,411,000 (2004 - $833,000) 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 eight percent (2004 – eight percent) and approximately two percent (2004 – two percent) for other royalties before hedging adjustments. The Trust is eligible for Alberta Crown

Royalty rebates for Alberta production from all wells that it drilled on Crown lands and from certain purchased wells.

Production Costs

Production costs for the nine months ended September 30, 2005 were $14,662,000 compared to $12,072,000 for the nine months ended September 30, 2004. On a BOE basis, production costs averaged $14.86 in 2005 verses $13.90 in the corresponding 2004 period. The increase in total production costs is mainly attributable to the Novitas acquisition ($1,548,000), a pipeline spill that occurred in March ($100,000 net of insurance claim), and settlement of 2000 to 2003 natural gas processing charges ($600,000) with the operator of several of the Trust's natural gas processing plants.

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 leases, power and personnel costs are not variable with production volumes. Production costs in the $14 per BOE range are expected. As the Trust develops its shallow natural gas potential and further develops its infill Cardium program, the average costs per BOE should decline. When calculating cash net backs the high production costs for the Trust are substantially offset by low royalty rates of approximately 10 percent, which are much lower than industry average for conventional production, and results in high cash net backs on a combined basis. Please refer to the Cash Netback section of the MD&A for details.

Gain on Sale of Property

On April 8, 2005, Pine Cliff Energy Ltd.'s (Pine Cliff) (former subsidiary with common directors and management) rights offering closed with over 97 percent of former Novitas shareholders exercising their rights to acquire common shares in Pine Cliff for $0.15 per common share. As part of the rights offering, the Trust agreed to sell to Pine Cliff effective January 1, 2005 (closing April 9, 2005) approximately 18 BOE per day of production and some exploration lands formally held by Novitas for proceeds of $1,000,000. As a result of this sale the Trust reported a gain on sale of property of $225,000. The balance of the gain ($38,000) relates to a disposition of an interest in a non-core area property.

General and Administrative Expenses

General and administrative expenses were $1,870,000 in the first nine months of 2005 compared to $1,267,000 in the nine months ended September 30, 2004. Costs on a BOE bases increased to $1.90 per BOE in the first nine months of 2005 from $1.46 per BOE in the first nine months of 2004. The cost increase was primarily due to increases in employee compensation ($305,000), additional consulting fees ($117,000) and additional costs associated with continuous disclosure requirements ($33,000).

The Trust received a management fee from Comaplex Minerals Corp. (Comaplex), a company with common directors and management, of $180,000 (2004 - $180,000) for management services and office administration. This recovery has been offset against the Trust's general and administrative expense.

The Trust also received a management fee from Pine Cliff of $96,000 for management services and office administration. This recovery has also been offset against the Trust's general and administrative expense.

Interest Expense

Interest expense was relatively unchanged at $436,000 for the nine months ended September 30, 2005 compared to $446,000 for the nine months ended September 30, 2004. Decreased average debt levels in 2005 were offset by slightly higher average interest rates. The Trust's total debt as a percentage of annualized third quarter funds flow is approximately three months. The Trust makes every effort to maintain a debt to cash flow ratio of less than one year.

The Trust's bank loan increased by approximately $11 million from December 31, 2004 compared to September 30, 2005. The increase is due to the acquisition of Novitas ($769,000 for shares and the take over of a bank loan of $4.6 million) and the payment of costs (principally in February 2005) for the 2004 fourth quarter drilling program. Offsetting the increases were additional unit option proceeds of $1,520,000 and a $1,522,000 refund of the Trust's abandonment deposit from the Alberta Energy and Utilities Board. The Trust's current borrowing rate is approximately 4.25 percent.

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. During the first nine months of 2005 the Trust granted 407,000 unit options at an average price of $23.32 resulting in $312,000 of unit based compensation expense for the 2005 nine month period. The total unit based compensation expense to be amortized over the vesting period of these new options is $1,014,000.

Dry Hole Costs

The Trust follows the successful efforts method of accounting for petroleum and natural gas properties. Under this accounting method, costs of dry holes and abandoned properties are charged to operations as incurred. During the third quarter two wells (two net) which were originally drilled in 2004 were tested and it was determined that they were uneconomic and written off as dry holes and abandoned.

Depletion, Depreciation and Accretion

Provision for depletion, depreciation and accretion was $7,335,000 and $6,066,000 for the nine month periods ending September 30, 2005 and September 30, 2004, respectively. The increase was primarily due to depletion resulting from the Novitas acquisition as well as production from infill Cardium wells drilled in late 2004.

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 Ltd.) and 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. For the taxation periods ending prior to 2004 Bonterra Corp. and Comstate Ltd. both paid to the Trust sufficient royalty and interest payments to eliminate all their taxable income. During 2004, due to timing of capital expenditures and other funds flow factors, Comstate Ltd. was unable to pay sufficient payments to the Trust to eliminate all of its taxable income and this resulted in approximately $560,000 of current income tax being incurred. With the completion of the 2004 program and the tax pools it generated, Comstate Ltd. was able to recover the full amount of the 2004 taxes as of the end of the 2005 second quarter.

During the third quarter of 2005 the Trust settled a tax audit that resulted in an assessment of $39,000 in non-recoverable income taxes.

The Trust and its subsidiaries are subject to Saskatchewan Capital Tax. As of September 30, 2005, Bonterra Corp.'s taxable capital exceeded the permitted individual corporate deduction level resulting in a provision of $150,000 for Saskatchewan Capital Tax being recorded. Currently both Comstate Ltd. and Novitas are below the permitted individual corporate deduction levels. The Trust's and its combined subsidiaries are below the consolidated permitted deduction levels.

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

Net Earnings

Net earnings increased to $23,550,000 in the first nine months of 2005 from $13,977,000 in the corresponding 2004 period. This represents the largest net earnings ever reported by the Trust. Revenue increases due to increased commodity prices and production were the primary reasons for the net earnings increase of $9,573,000 or 68.5 percent. The Trust's quarter over quarter net earnings increased by $2,194,000 primarily as a result of increased revenue (higher commodity prices) offset partially by dry hole costs.

Funds Flow from Operations

Funds flow from operations for the nine months ending September 30, 2005 was $32,090,000 compared to $20,928,000 for the nine months ended September 30, 2004. 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 in funds flow was primarily due to higher commodity prices and the Novitas acquisition. As with all oil and gas producers the Trust's funds flow is highly dependent on commodity prices. International events and control of crude oil production by OPEC are likely factors that will result in commodity prices continuing high and having a positive impact on future funds flow.

The following reconciliation compares funds flow for the first nine months of 2005 and 2004 to the Trust's net earnings as calculated according to Canadian generally accepted accounting principles:

	2005	2004
Net earnings for the period	**$23,550,000**	$13,977,000
Items not affecting funds flow		
Unit based compensation	**353,000**	195,000
Depletion, depreciation and accretion	**7,335,000**	6,066,000
Dry hole costs	**617,000**	-
Future income taxes	**235,000**	690,000
Funds flow for the period	**$32,090,000**	$20,928,000

<u>Cash Netback</u>

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

$ per Barrel of Oil Equivalent (BOE)	**Sept. 30, 2005**	Sept. 30, 2004
Production volumes (BOE)	**986,213**	868,215
Gross production revenue	**$54.84**	$44.70
Royalties	**(5.77)**	(4.39)
Field operating	**(14.86)**	(13.90)
Field netback	**34.21**	26.41
General and administrative	**(1.90)**	(1.46)
Interest and taxes	**(0.09)**	(0.95)
Cash netback	**$32.22**	$24.00

Liquidity and Capital Resources

The Trust, due to continued weather and government regulatory delays has reduced its 2005 drilling program for Cardium infill oil and shallow natural gas (including CBM) wells to between 20 and 25 net wells. A revised net capital cost of approximately $13,000,000 (approximately $7.3 million in fourth quarter) is budgeted for 2005 and will be funded from cash flow and existing lines of credit.

The Trust, through its operating subsidiaries, has a bank revolving credit facility of $36,900,000 at September 30, 2005 (December 31, 2004 - $32,000,000). The credit facilities carry an interest rate of Canadian chartered bank prime. As of September 30, 2005, the Trust had an outstanding balance under the facilities of $12,089,000 (December 31, 2004 - $3,550,000).

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

Issued	Number	Amount
Trust Units		
Balance, January 1, 2005	14,943,405	$75,486,000
Issued pursuant to Trust's unit option plan	127,500	1,520,000
Units issued on acquisition of Novitas	1,335,753	5,681,000
Unit issue costs on acquisition of Novitas	-	(259,000)
Transfer of contributed surplus to unit capital	-	114,000
Balance, September 30, 2005	16,406,658	$82,542,000

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, 2004 – 1,323,450) 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 September 30, 2005 and December 31, 2004, and changes during the nine month and twelve month periods ending on those dates is presented below:

	September 30, 2005		December 31, 2004	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	565,000	$11.56	937,000	$10.96
Options granted	407,000	23.32	10,000	15.60
Options exercised	(127,500)	11.92	(322,000)	10.22
Options cancelled	(44,000)	15.94	(60,000)	10.00
Outstanding at end of period	800,500	$17.24	565,000	$11.56
Options exercisable at end of period	41,500	$10.27	152,000	$11.52

The following table summarizes information about unit options outstanding at September 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 9/30/05	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 9/30/05	Weighted-Average Exercise Price
$9.70-$10.00	314,500	1.4 years	$ 9.99	39,500	$10.00
$15.20-$15.60	83,000	1.6 years	15.23	2,000	15.60
$22.45-$23.35	403,000	3.6 years	23.32	-	-
$9.70-$23.35	800,500	2.5 years	$17.24	41,500	$10.27

Outlook

The Trust is presently focusing its efforts towards the following projects:

(1) Infill drilling in the Pembina Cardium formation. The Trust has numerous locations where the drill spacing units are 320, 160 or 80 acres in size. Many of the other operators in this area have down-spaced to 40 acre spacing units. If Bonterra decided to drill to 40 acre spacing units it would have in excess of 600 drill locations. The present plan is to down-space in numerous areas to 80 acre spacing and reducing to 40 acres only in areas that have been proven economic.

(2) Continue to develop shallow gas locations in the Pembina area in the upper Edmonton sand formation and the coal beds. The Trust is continuing to assess the economics of natural gas from coals and if it is determined to be economical the Trust may have in excess of 300 drill locations.

(3) Assess and evaluate the potential of increasing recoverable reserves in the Pembina area by means of Carbon Dioxide (CO_2) injection into the Cardium formation. There presently are pilot projects being conducted in the

Western Sedimentary Basin using CO2 and it appears that formations such as the Cardium in the Pembina area may be conducive to this type of secondary recovery. Presently recovery of original oil in place in the Cardium formation ranges from 15 to 35 percent. If the recovery can be increased by CO2 injection on an economic basis there may be significant increases in production volumes and recoverable reserves.

(4) Continue to evaluate properties that are for sale and infill drilling and exploitation on the Trust's other producing and non producing lands.

In summary, Bonterra has low risk drill locations that will provide drill opportunities for the next few years.

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.

Bonterra Energy Income Trust

Consolidated Statements of Operations and Accumulated Earnings

(unaudited)	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2005	2004	**2005**	2004
Revenue				
Oil and gas sales, net of royalties	**$ 18,183,000**	$ 12,790,000	**$ 48,117,000**	$ 34,800,000
Production costs	**(5,038,000)**	(4,455,000)	**(14,662,000)**	(12,072,000)
Alberta royalty tax credits	**118,000**	80,000	**277,000**	197,000
Gain on sale of property (Note 4)	**–**	–	**263,000**	–
Interest and other	**10,000**	12,000	**29,000**	91,000
	13,273,000	8,427,000	**34,024,000**	23,016,000
Expenses				
General and administrative	**727,000**	515,000	**1,870,000**	1,267,000
Interest on debt	**148,000**	39,000	**436,000**	446,000
Unit based compensation	**182,000**	71,000	**353,000**	195,000
Dry hole costs	**617,000**	–	**617,000**	–
Depletion, depreciation and accretion	**2,507,000**	2,061,000	**7,335,000**	6,066,000
	4,181,000	2,686,000	**10,611,000**	7,974,000
Earnings before Income Taxes	**9,092,000**	5,741,000	**23,413,000**	15,042,000
Income Taxes (Recovery)				
Current	**189,000**	374,000	**(372,000)**	375,000
Future	**(406,000)**	(26,000)	**235,000**	690,000
	(217,000)	348,000	**(137,000)**	1,065,000
Net Earnings for the Period	**9,309,000**	5,393,000	**23,550,000**	13,977,000
Accumulated earnings at beginning of period	**65,929,000**	39,903,000	**51,688,000**	31,319,000
Accumulated Earnings at End of Period	**$ 75,238,000**	$ 45,296,000	**$ 75,238,000**	$ 45,296,000
Net Earnings per Trust Unit – Basic	**$ 0.57**	$ 0.38	**$ 1.44**	$ 1.01
Net Earnings per Trust Unit – Diluted	**$ 0.56**	$ 0.36	**$ 1.42**	$ 0.98

Bonterra Energy Income Trust

Consolidated Statements of Cash Flows

(unaudited)	Three Months Ended September 30 2005	Three Months Ended September 30 2004	Nine Months Ended September 30 2005	Nine Months Ended September 30 2004
Operating Activities				
Net earnings for the period	$ 9,309,000	$ 5,393,000	$ 23,550,000	$ 13,977,000
Items not affecting cash				
Gain on sale of property (Note 4)	–	–	(263,000)	–
Unit based compensation	182,000	71,000	353,000	195,000
Depletion, depreciation and accretion	2,507,000	2,061,000	7,335,000	6,066,000
Dry hole costs	617,000	–	617,000	–
Future income taxes	(406,000)	(26,000)	235,000	690,000
	12,209,000	7,499,000	31,827,000	20,928,000
Change in non-cash working capital				
Accounts receivable	(1,484,000)	(382,000)	(2,764,000)	(1,785,000)
Crude oil inventory	24,000	57,000	(68,000)	95,000
Parts inventory	(30,000)	13,000	167,000	(13,000)
Prepaid expenses	101,000	200,000	(74,000)	(281,000)
Accounts payable and accrued liabilities	(209,000)	379,000	(2,215,000)	1,116,000
	(1,598,000)	267,000	(4,954,000)	(868,000)
Cash Provided by Operating Activities	10,611,000	7,766,000	26,873,000	20,060,000
Financing Activities				
Increase (decrease) in debt	(9,000)	2,214,000	6,137,000	(16,835,000)
Decrease (increase) in due from related party	–	175,000	–	(225,000)
Proceeds on issuance of units pursuant to public offering	–	–	–	21,450,000
Unit issue costs	–	3,000	–	(1,175,000)
Unit option proceeds	210,000	–	1,520,000	1,151,000
Unit issue costs on acquisition of Novitas Energy Ltd.	–	–	(259,000)	–
Unit distributions	(9,506,000)	(7,074,000)	(26,933,000)	(17,822,000)
Cash Used in Financing Activities	(9,305,000)	(4,682,000)	(19,535,000)	(13,456,000)
Investing Activities				
Property and equipment expenditures	(3,124,000)	(1,570,000)	(6,802,000)	(5,090,000)
Proceeds on sale of property (Note 4)	–	–	1,097,000	–
Abandonment deposit (Note 3)	679,000	(1,514,000)	1,522,000	(1,514,000)
Cash portion of Novitas Energy Ltd. acquisition (Note 4)	–	–	(769,000)	–
Change in non-cash working capital				
Accounts receivable	(224,000)	–	579,000	–
Accounts payable and accrued liabilities	1,363,000	–	(2,965,000)	–
Cash Used in Investing Activities	(1,306,000)	(3,084,000)	(7,338,000)	(6,604,000)
Net Cash Inflow	–	–	–	–
Cash, beginning of period	–	–	–	–
Cash, End of Period	$ –	$ –	$ –	$ –
Cash Interest Paid	$ 148,000	$ 39,000	$ 436,000	$ 446,000
Cash Taxes Paid	$ 39,000	$ –	$ 594,000	$ 1,000

Bonterra Energy Income Trust

Consolidated Balance Sheets

As at Sept. 30, 2005 (unaudited) and December 31, 2004	**2005**	2004
Assets		
Current		
Accounts receivable	**$ 9,857,000**	$ 7,104,000
Crude oil inventory	**766,000**	569,000
Parts inventory	**224,000**	391,000
Prepaid expenses	**1,161,000**	1,040,000
Investments in related party (Note 2)	**461,000**	461,000
	12,469,000	9,565,000
Abandonment Deposit (Note 3)	**–**	1,522,000
Property and Equipment (Note 4)		
Petroleum and natural gas properties and related equipment	**129,257,000**	102,679,000
Accumulated depletion and depreciation	**(40,718,000)**	(28,777,000)
	88,539,000	73,902,000
	$ 101,008,000	$ 84,989,000
Liabilities		
Current		
Distributions payable	**$ –**	$ 2,690,000
Accounts payable and accrued liabilities	**8,792,000**	11,962,000
Debt (Note 5)	**14,597,000**	3,861,000
	23,389,000	18,513,000
Future Income Tax Liability	**4,321,000**	997,000
Asset Retirement Obligations	**12,636,000**	11,419,000
	40,346,000	30,929,000
Unitholders' Equity (Note 6)		
Unit capital	**82,542,000**	75,486,000
Contributed surplus	**545,000**	307,000
Accumulated earnings	**75,238,000**	51,688,000
Accumulated cash distributions	**(97,663,000)**	(73,421,000)
	60,662,000	54,060,000
	$ 101,008,000	$ 84,989,000

Bonterra Energy Income Trust

Consolidated Statements of Unitholders' Equity

(unaudited)	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2005	2004	**2005**	2004
Unitholders' equity, beginning of period	**$ 60,467,000**	$ 57,987,000	**$ 54,060,000**	$ 36,981,000
Net earnings for the period	**9,309,000**	5,393,000	**23,550,000**	13,977,000
Net capital contributions	**210,000**	3,000	**1,520,000**	21,426,000
Units issued on acquisition of Novitas Energy Ltd.	**–**	–	**5,681,000**	–
Unit issue costs on acquisition of Novitas Energy Ltd. (Note 6)	**–**	–	**(259,000)**	–
Unit option adjustment	**182,000**	71,000	**353,000**	195,000
Cash distributions	**(9,506,000)**	(7,074,000)	**(24,243,000)**	(16,199,000)
Unitholders' Equity, End of Period	**$ 60,662,000**	$ 56,380,000	**$ 60,662,000**	$ 56,380,000

Notes to the Interim Financial Statements

Periods Ended September 30, 2005 and 2004 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 2004 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 2004 annual financial statements.

The consolidated financial statements include the operations of the Trust's three operating subsidiaries, Comstate Resources Ltd. (Comstate), Bonterra Energy Corp. (Bonterra Corp.) and effective January 7, 2005, Novitas Energy Ltd. (Novitas).

2. INVESTMENT IN RELATED PARTY

The investment consists of 689,682 (December 31, 2004 – 689,682) common shares in Comaplex Minerals Corp. (Comaplex), a company with common directors and management. The investment is recorded at cost with the fair market value based on the trading price of stock at September 30, 2005 of $1,731,000 (December 31, 2004 - $2,414,000). 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. ABANDONMENT DEPOSIT

The Trust under the Province of Alberta Regulations provided a cash deposit with the Alberta Energy and Utilities Board for the future abandonment of specific wells. The deposit was refundable based on several conditions including abandonment or reactivation of inactive wells as well as meeting certain financial conditions. During the first nine months of 2005 the Trust was refunded the entire deposit. The deposit bore interest at Canadian chartered bank prime less approximately 2 percent.

4. PROPERTY AND EQUIPMENT

	September 30, 2005		December 31, 2004	
	Cost	Accumulated Depletion and Depreciation	Cost	Accumulated Depletion and Depreciation
Undeveloped land	$ 334,000	$ -	$ 308,000	$ -
Petroleum and natural gas properties and related equipment	128,176,000	40,395,000	101,661,000	28,523,000
Furniture, equipment and other	747,000	323,000	710,000	254,000
	$129,257,000	$40,718,000	$102,679,000	$28,777,000

On January 7, 2005 the Trust acquired Novitas. The acquisition was accounted for at Novitas' carrying value due to the related status of Novitas to the Trust. The carried values are as follows:

Accounts receivable	$ 568,000
Crude oil inventory	122,000
Prepaid expenses	47,000
Property and equipment	23,130,000
Accumulated depletion and depreciation	(6,522,000)
Accounts payable and accrued liabilities	(2,010,000)
Debt	(4,598,000)
Future income tax liability	(3,089,000)
Asset retirement obligations	(1,198,000)
	$ 6,450,000

The acquisition cost was $769,000 cash and the issuance of 1,335,753 trust units.

On April 8, 2005, Pine Cliff Energy Ltd.'s (Pine Cliff) (former subsidiary with common directors and management) rights offering closed with over 97 percent of former Novitas shareholders exercising their rights to acquire common shares in Pine Cliff for $0.15 per common share. As part of the rights offering, the Trust agreed to sell to Pine Cliff effective January 1, 2005 (closing April 9, 2005) approximately 18 barrels per day of oil equivalent of production and some exploration lands formally held by Novitas for proceeds of $1,000,000. As a result of this sale the Trust reported a gain on sale of property of $225,000.

5. DEBT

The Trust, through its operating subsidiaries, has a bank revolving credit facility of $36,900,000 at September 30, 2005 (December 31, 2004 - $32,000,000). 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. 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. As of September 30, 2005, the Trust had an outstanding balance under the facilities of $12,089,000 (December 31, 2004 - $3,550,000). 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 nine month periods ended September 30, 2005 and 2004 for these loans were $436,000 and $409,000 respectively.

6. 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, 2005	14,943,405	$75,486,000
Issued pursuant to Trust's unit option plan	127,500	1,520,000
Units issued on acquisition of Novitas	1,335,753	5,681,000
Unit issue costs on acquisition of Novitas	-	(259,000)
Transfer of contributed surplus to unit capital	-	114,000
Balance, September 30, 2005	16,406,658	$82,542,000

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, 2004 – 1,323,450) 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 September 30, 2005 and December 31, 2004, and changes during the nine month and twelve month periods ending on those dates is presented below:

	September 30, 2005		December 31, 2004	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	565,000	$11.56	937,000	$10.96
Options granted	407,000	23.32	10,000	15.60
Options exercised	(127,500)	11.92	(322,000)	10.22
Options cancelled	(44,000)	15.94	(60,000)	10.00
Outstanding at end of period	800,500	$17.24	565,000	$11.56
Options exercisable at end of period	41,500	$10.27	152,000	$11.52

The following table summarizes information about unit options outstanding at September 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 9/30/05	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 9/30/05	Weighted-Average Exercise Price
$9.70-$10.00	314,500	1.4 years	$ 9.99	39,500	$10.00
$15.20-$15.60	83,000	1.6 years	15.23	2,000	15.60
$22.45-$23.35	403,000	3.6 years	23.32	-	-
$9.70-$23.35	800,500	2.5 years	$17.24	41,500	$10.27

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 on March 31, 2005, 395,000 unit options with the fair value estimated using the Black-Scholes option pricing model, assuming a weighted risk free interest rate of 3.5 percent, expected weighted average volatility of 31 percent, expected weighted average life of 2.5 years and an annual dividend rate based on the distributions paid to the Unitholders during the year.

7. RELATED PARTY TRANSACTIONS

The Trust received a management fee from Comaplex of $180,000 (2004 - $180,000) for management services and office administration. This fee has been included as a recovery in general and administrative expenses. The above fee represents the fair value of the services rendered.

As at September 30, 2005 the Trust had an accounts receivable from Comaplex of $29,000 (December 31, 2004 - $45,000).

The Trust received a management fee from Pine Cliff of $96,000 for management services and office administration. This fee has been included as a recovery in general and administrative expenses. The above fee represents the fair value of the services rendered.

As at September 30, 2005 the Trust had an accounts receivable from Pine Cliff of $22,000. As at September 30, 2005 the Trust had an accounts payable of $28,000 to Pine Cliff in relation to outstanding post closing adjustment items for the sale of properties to Pine Cliff (see Note 4).

8. COMMITMENTS – FUTURE SALES AGREEMENTS

The Trust entered into the following commodity hedging transactions for a portion of its 2005 and 2006 production:

Period of Agreement	Commodity	Volume per day	Index	Price (Cdn.)
August 1, 2005 to December 31, 2005	Crude Oil	500 barrels	WTI	$65.00 per barrel floor and $75.00 per barrel ceiling
October 1, 2005 to December 31, 2005	Crude Oil	500 barrels	WTI	$55.60 per barrel
January 1, 2006 to March 31, 2006	Crude Oil	500 barrels	WTI	$55.12 per barrel
April 1, 2006 to June 30, 2006	Crude Oil	500 barrels	WTI	$65.07 per barrel
April 1, 2005 to October 31, 2005	Natural Gas	2,000 GJ's	AECO	Floor of $5.50 and ceiling of $7.75 per GJ
May 1, 2005 to March 31, 2006	Natural Gas	2,000 GJ's	AECO	Floor of $6.75 per GJ (May 1, 2005 to October 31, 2005) and ceiling of $12.25 per GJ (November 1, 2005 to March 31, 2006)
November 1, 2005 to March 31, 2006	Natural Gas	1,500 GJ's	AECO	Floor of $6.00 and ceiling of $9.45 per GJ

During the nine month period ended September 30, 2005, the Trust recorded a reduction to net revenue of $3,019,000 (September 30, 2004 - $1,861,000). As at September 30, 2005 the mark to market value of the outstanding commodity hedging transactions was a net liability of $4,640,000.

9. SUBSEQUENT EVENT – COMMITMENT

The Trust entered into a new seven year office lease subsequent to September 30, 2005. The following table outlines the contractual obligations of the new office lease agreement:

Contract Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Office lease	$2,024,000	$222,000	$807,000	$555,000	$440,000

10. SUBSEQUENT EVENT – DISTRIBUTION

Subsequent to September 30, 2005, the Trust declared its distribution of $0.21 per unit payable on October 31, 2005 to Unitholders of record on October 14, 2005. The distribution represents funds flow in the Trust for the month of September 2005.

Bonterra
Energy Income Trust

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