Interim Report

Bonterra
Energy Income Trust

For the Three Months
Ended March 31, 2005

Highlights

For the three months ended	**March 31, 2005**	December 31, 2004	March 31, 2004
FINANCIAL			
Revenue – oil and gas (net of royalties)	**$ 14,711,000**	$ 13,166,000	$ 10,787,000
Funds Flow From Operations [1]	**$ 9,714,000**	$ 8,678,000	$ 6,493,000
Per Unit - Basic	**$0.59**	$0.57	$0.48
Per Unit - Diluted	**$0.58**	$0.56	$0.47
Net Earnings	**$ 7,126,000**	$ 6,389,000	$ 4,248,000
Per Unit – Basic	**$0.44**	$0.42	$0.31
Per Unit - Diluted	**$0.43**	$0.41	$0.31
Cash Distributions per Unit	**$0.54**	$0.55	$0.39
Capital Expenditures and Acquisitions [2]	**$ 35,927,000**	$ 6,038,000	$ 2,597,000
Total Assets	**$102,088,000**	$ 84,989,000	$ 80,540,000
Working Capital Deficiency [3]	**$ 11,896,000**	$ 8,948,000	$ 21,384,000
Unitholders' Equity	**$ 61,985,000**	$ 54,060,000	$ 38,615,000
OPERATIONS			
Oil and NGL's- Barrels Per Day	**2,724**	2,355	2,401
Gas - MCF Per Day	**5,649**	5,478	4,641

(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.

(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.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

Management's Discussion and Analysis

The following report dated May 2, 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 three months ended March 31, 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

Bonterra Energy Income Trust ("Bonterra" or "the Trust") is pleased to report its results for the first quarter of 2005. The Trust has been successful in substantially increasing its net revenue, funds flow and net earnings but has had lower production volumes than expected. Funds flow from operations and net earnings both increased by 12 percent over the results from the fourth quarter of 2004 and by 50 percent of funds flow and 68 percent of net earnings over the results from the first quarter of 2004. During the first quarter of 2005 the Trust distributed $0.54 per unit to its Unitholders from cash flow of $0.59 per unit, a 91 percent payout ratio. In the first three months of 2004 the distribution was $0.39 per unit from funds flow of $0.48 per unit, an 82 percent payout ratio.

The industry production volumes in West Central Alberta have generally been hampered in the first quarter of 2005 by road bans that were imposed as early as mid February. The bans make it impossible to complete tie-ins of new wells, to service existing producing wells and to truck oil from locations that do not have pipeline connections. Although production volumes increased to 3,666 barrels of oil equivalent (BOE's) for the first quarter of 2005 compared to 3,268 for the fourth quarter of 2004 and 3,175 for the first quarter of 2004, the lengthy road bans along with a pipeline break have resulted in lower production volumes than projected for the quarter.

Financial and Operational Discussion

Production

Average daily production volume for the three months ended March 31, 2005 was 3,666 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 2,724 barrels per day of crude oil and natural gas liquids and 5,649 MCF per day of natural gas. Bonterra's first quarter 2004 average production was 3,175 BOE's per day consisting of 2,401 barrels per day of crude oil and natural gas liquids and 4,641 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, due to weather and infrastructure constraints, was only able to tie-in for approximately one month of quarter one, four of the five oil wells drilled in the fourth quarter of 2004. In addition, due to weather conditions, production from these wells has not been continuous. When weather conditions improve and allow full access to the locations, maintenance on these wells will be completed and full production will be reached.

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 quarter. Continued regulatory restrictions regarding CBM wells prevented the completion and tie-in of the remaining four. 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 third quarter 2005.

<u>Revenue</u>

Net revenue from petroleum and natural gas sales was $14,711,000 (2004 - $10,787,000). The increase in net revenue over the 2004 first quarter 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 quarter of 2005 was $52.35 per barrel and $6.98 per MCF for natural gas compared to $41.85 per barrel and $6.62 per MCF in the corresponding 2004 period. The $1,545,000 increase over the fourth quarter net revenue of $13,166,000 was primarily due to the Novitas acquisition.

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 quarter compared to the 2004 first quarter funds flow from operations by approximately 7 cents per unit and approximately 6 cents per unit on net earnings.

Gross revenue has been reduced by $815,000 (2004 - $332,000) 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 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. Kindly refer to Note 8 to the attached interim financial statements for details. As at March 31, 2005 the mark to market value of the outstanding commodity hedging transactions was a net liability of $3,435,000.

Royalties

Royalties paid by the Trust consist primarily of Crown royalties paid to the Provinces of Alberta and Saskatchewan. During the first quarter of 2005 the Trust paid $1,245,000 (2004 - $1,023,000) in Crown royalties and $482,000 (2004 - $221,000) 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 three 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 a small amount of purchased wells.

Production Costs

Production costs for the three months ended March 31, 2005 were $4,751,000 compared to $3,723,000 for the three months ended March 31, 2004. On a BOE basis production costs averaged $14.40 in 2005 verses $12.89 in the corresponding 2004 period. The increase in total production costs is mainly attributable to the Novitas acquisition and pipeline spill that occurred in March. The pipeline spill added approximately $0.30 per BOE in operating costs in the first quarter of 2005. Continued increases in well service costs have resulted in the balance of the cost increase.

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 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 10 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. The 2005 cash netback is $29.42 per BOE compared to $22.42 per BOE for the first quarter of 2004.

General and Administrative Expenses

General and administrative expenses were $554,000 in the first quarter of 2005 compared to $426,000 in the three months ended March 31, 2004 and $20,000 in the three months ended December 31, 2004. The cost increase in the first quarter of 2005 over the last three months of 2004 is primarily due to a $500,000 Novitas' management fee in the fourth quarter of 2004 and no management fee in 2005 due to the acquisition of Novitas on January 7, 2005.

Costs on a BOE bases increased to $1.68 per BOE in the first quarter of 2005 from $1.47 per BOE in the first quarter of 2004. The increase in general and administrative expenses year over year was due primarily to increased employee compensation of $90,000.

The Trust received a management fee from Comaplex Minerals Corp. (Comaplex), a company with common directors and management, of $60,000

1 2 3 4 **5** 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

(2004 - $60,000) for management services and office administration. This recovery has been offset against the Trust's general and administrative expense.

Interest Expense

Interest expense decreased to $126,000 for the three months ended March 31, 2005 compared to $228,000 for the three months ended March 31, 2004. Decreased average debt levels were the primary factors in the decrease in interest expense. The Trust's total debt as a percentage of annualized first quarter funds flow was approximately five months which is significantly less than the Trust's goal of one year.

The Trust's bank loan increased by approximately $11 million from December 31, 2004 compared to March 31, 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 for the 2004 fourth quarter drilling program. Offsetting the increases was additional unit option proceeds of $1,260,000 and an $850,000 refund of the Trusts abandonment deposit from the Alberta Energy and Utilities Board. The Trust continues to experience an approximate four percent average borrowing cost on its outstanding debt.

Depletion, Depreciation and Accretion

Provision for depletion, depreciation and accretion was $2,365,000 and $2,003,000 for the three-month periods ending March 31, 2005 and March 31, 2004 respectively. The increase was primarily due to depletion resulting from the Novitas acquisition.

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 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 that resulted in approximately $560,000 of current income tax being incurred. With the completion of the 2004 program and the tax pools it generated as well as the 2005 development programs in place Comstate Ltd. was able to recover $350,000 of the 2004 taxes and anticipates a full recovery of taxes in subsequent 2005 quarters.

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 recovery 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 $7,126,000 in the first quarter of 2005 from $4,248,000 in the corresponding 2004 period. Revenue increases due to increased commodity prices and production was the primary reason for the net earnings increase of $2,878,000 or 67.7 percent. The Trust's quarter over quarter net earnings increased 11.5 percent primarily due to the Novitas acquisition and the $350,000 income tax recovery.

Funds Flow from Operations

Funds flow from operations for the three months ending March 31, 2005 was $9,714,000 compared to $6,493,000 for the three months ended March 31, 2004 and $8,678,000 for the final three months of 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.

The increase 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 2005 commodity prices continuing high and having a positive impact on future funds flow.

The following reconciliation compares funds flow for the first three 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	**$7,126,000**	$4,248,000
Items not affecting cash		
Unit based compensation	**8,000**	54,000
Depletion, depreciation and accretion	**2,365,000**	2,003,000
Future income taxes	**215,000**	188,000
Funds flow for the period	**9,714,000**	6,493,000

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 2005**	December 31 2004	March 31 2004
Production volumes (BOE)	**329,895**	300,656	288,880
Gross production revenue	**$49.83**	$49.14	$41.82
Royalties	**(5.01)**	(4.99)	(4.25)
Field operating	**(14.40)**	(14.52)	(12.89)
Field netback	**30.42**	29.63	24.68
General and administrative	**(1.68)**	(0.07)	(1.47)
Interest and taxes	**0.68**	(0.86)	(0.79)
Cash netback	**$29.42**	$28.70	$22.42

Liquidity and Capital Resources

During the first quarter of 2005, the Trust incurred capital costs of $1,990,000 (excluding the Novitas acquisition) consisting primarily of $911,000 for completion of four Cardium infill oil wells and $530,000 for drilling of non-operated infill oil wells.

The Trust currently has plans to drill or recomplete 40 net Cardium infill oil and shallow natural gas (including CBM) wells in 2005. 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 operators of the properties on these prospects. Total capital costs of approximately $18,000,000 are 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 March 31, 2005 (December 31, 2004 - $32,000,000). The credit facilities carry an interest rate of Canadian chartered bank prime. As of March 31, 2005, the Trust had an outstanding balance under the facilities of $13,002,000 (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 three 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	101,500	1,260,000
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	-	104,000
Balance, March 31, 2005	16,380,658	$82,272,000

The Trust provides an option plan for its directors, officers, employees and consultants. Under the plan, the Trust may grant options for up to 1,323,450 (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 March 31, 2005 and December 31, 2004, and changes during the three month and twelve month periods ending on those dates is presented below:

	March 31, 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	395,000	23.35	10,000	15.60
Options exercised	(101,500)	12.41	(322,000)	10.22
Options cancelled	(36,000)	15.20	(60,000)	10.00
Outstanding at end of period	822,500	$16.96	565,000	$11.56
Options exercisable at end of period	67,500	$10.17	152,000	$11.52

The following table summarizes information about unit options outstanding at March 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 3/31/05	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 3/31/05	Weighted-Average Exercise Price
$9.70-$10.00	340,500	1.8 years	$ 9.99	65,500	$10.00
$15.20-$15.60	87,000	2.0 years	15.22	2,000	15.60
$23.35	395,000	4.1 years	23.35	-	-
$9.70-$23.35	822,500	2.9 years	$16.96	67,500	$10.17

The Trust records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. On March 31, 2005 the fair value of options granted has been 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.

Outlook

The Trust will be commencing its Pembina Cardium oil 10 well infill program as soon as road bans are removed. A shallow gas drill program will also commence in June in the Pembina area. The Trust is continuing with its development program in the Pembina area where it has a large inventory of undrilled locations.

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

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

For the Three Months Ended March 31 (unaudited)	**2005**	2004
Revenue		
Oil and gas sales, net of royalties	**$14,711,000**	$10,787,000
Production costs	**(4,751,000)**	(3,723,000)
Alberta royalty tax credits	**74,000**	66,000
Interest and other	**10,000**	18,000
	10,044,000	7,148,000
Expenses		
General and administrative	**554,000**	426,000
Interest on debt	**126,000**	228,000
Unit based compensation	**8,000**	54,000
Depletion, depreciation and accretion	**2,365,000**	2,003,000
	3,053,000	2,711,000
Earnings before Income Taxes	**6,991,000**	4,437,000
Income Taxes (Recovery)		
Current	**(350,000)**	1,000
Future	**215,000**	188,000
	(135,000)	189,000
Net Earnings for the Period	**7,126,000**	4,248,000
Accumulated earnings at beginning of period	**51,688,000**	31,663,000
Accumulated Earnings at End of Period	**$58,814,000**	$35,911,000
Net Earnings Per Unit – Basic	**$0.44**	$0.31
Net Earnings Per Unit – Diluted	**$0.43**	$0.31

1 2 3 4 5 6 7 8 9 10 11 12 **13** 14 15 16 17 18 19 20

Bonterra Energy Income Trust

Consolidated Statements of Cash Flows

For the Three Months Ended March 31 (unaudited)	**2005**	2004
Operating Activities		
Net earnings for the period	**$7,126,000**	$4,248,000
Items not affecting cash		
Unit based compensation	**8,000**	54,000
Depletion, depreciation and accretion	**2,365,000**	2,003,000
Future income taxes	**215,000**	188,000
	9,714,000	6,493,000
Change in non-cash working capital		
Accounts receivable	**(1,234,000)**	(1,196,000)
Crude oil inventory	**(9,000)**	129,000
Parts inventory	**(315,000)**	(51,000)
Prepaid expenses	**104,000**	(59,000)
Accounts payable and accrued liabilities	**(1,872,000)**	1,765,000
	(3,326,000)	588,000
Cash Provided by Operating Activities	**6,388,000**	7,081,000
Financing Activities		
Increase in debt	**6,446,000**	656,000
Due from related party	**-**	(800,000)
Unit option proceeds	**1,260,000**	866,000
Unit issue costs on acquisition of Novitas Energy Ltd. (Note 6)	**(259,000)**	-
Unit distributions	**(8,581,000)**	(5,157,000)
Cash Used in Financing Activities	**(1,134,000)**	(4,435,000)
Investing Activities		
Property and equipment expenditures	**(1,990,000)**	(2,646,000)
Partial refund of abandonment deposit (Note 3)	**843,000**	-
Cash portion of Novitas Energy Ltd. acquisition (Note 4)	**(769,000)**	-
Change in non-cash working capital		
Accounts receivable	**196,000**	-
Accounts payable and accrued liabilities	**(3,534,000)**	-
Cash Used in Investing Activities	**(5,254,000)**	(2,646,000)
Net Cash Inflow	**-**	-
Cash, beginning of period	**-**	-
Cash, End of Period	**$-**	$-
Cash Interest Paid	**$126,000**	$228,000
Cash Taxes Paid	**$505,000**	$1,000

Bonterra Energy Income Trust

Consolidated Balance Sheets

As at March 31, 2005 (unaudited) and December 31, 2004	**2005**	2004
Assets		
Current		
Accounts receivable	**$8,710,000**	$7,104,000
Crude oil inventory	**716,000**	569,000
Parts inventory	**706,000**	391,000
Prepaid expenses	**983,000**	1,040,000
Investments in related party (Note 2)	**461,000**	461,000
	11,576,000	9,565,000
Abandonment Deposit (Note 3)	**679,000**	1,522,000
Property and Equipment (Note 4)		
Petroleum and natural gas properties and related equipment	**127,357,000**	102,679,000
Accumulated depletion and depreciation	**(37,524,000)**	(28,777,000)
Net Property and Equipment	**89,833,000**	73,902,000
	$102,088,000	$84,989,000
Liabilities		
Current		
Distribution payable	**$-**	$2,690,000
Accounts payable and accrued liabilities	**8,566,000**	11,962,000
Debt (Note 5)	**14,906,000**	3,861,000
	23,472,000	18,513,000
Future Income Tax Liability	**4,301,000**	997,000
Asset Retirement Obligations	**12,330,000**	11,419,000
	40,103,000	30,929,000
Unitholders' Equity (Note 6)		
Unit capital	**82,272,000**	75,486,000
Contributed surplus	**210,000**	307,000
Accumulated earnings	**58,814,000**	51,688,000
Accumulated cash distributions	**(79,311,000)**	(73,421,000)
	61,985,000	54,060,000
	$102,088,000	$84,989,000

Bonterra Energy Income Trust

Consolidated Statements of Unitholders' Equity

For the Three Months Ended March 31 (unaudited)	**2005**	2004
Unitholders' equity, beginning of period	**$54,060,000**	$37,325,000
Net earnings for the period	**7,126,000**	3,904,000
Net capital contributions	**1,260,000**	866,000
Units issued on acquisition of		
Novitas Energy Ltd. (Note 6)	**5,681,000**	-
Unit issue costs on acquisition of		
Novitas Energy Ltd. (Note 6)	**(259,000)**	-
Unit option adjustment	**8,000**	54,000
Cash distributions	**(5,891,000)**	(3,534,000)
Unitholders' Equity, End of Period	**$61,985,000**	$38,615,000

Notes to the Interim Financial Statements

Periods Ended March 31, 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. 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 Trusts 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 March 31, 2005 of $2,138,000 (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 is refundable based on several conditions including abandonment or reactivation of inactive wells. During the quarter the Trust was refunded $850,000 of the deposit. The deposit bears interest at Canadian chartered bank prime less approximately 2 percent.

4. PROPERTY AND EQUIPMENT

	March 31, 2005		December 31, 2004	
	Cost	Accumulated Depletion and Depreciation	Cost	Accumulated Depletion and Depreciation
Undeveloped land	$ 518,000	$ -	$ 308,000	$ -
Petroleum and natural gas properties and related equipment	126,110,000	37,247,000	101,661,000	28,523,000
Furniture, equipment and other	729,000	277,000	710,000	254,000
	$127,357,000	$37,524,000	$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 carry 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	(6,622,000)
Accounts payable and accrued liabilities	(2,010,000)
Debt	(4,599,000)
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.

5. DEBT

The Trust through its operating subsidiaries has a bank revolving credit facility of $36,900,000 at March 31, 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 March 31, 2005, the Trust had an outstanding balance under the facilities of $13,002,000 (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 three month periods ended March 31, 2005 and 2004 for these loans were $126,000 and $191,000 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	101,500	1,260,000
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	-	104,000
Balance, March 31, 2005	16,380,658	$82,272,000

The Trust provides an option plan for its directors, officers, employees and consultants. Under the plan, the Trust may grant options for up to 1,323,450 (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 March 31, 2005 and December 31, 2004, and changes during the three month and twelve month periods ending on those dates is presented below:

	March 31, 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	395,000	23.35	10,000	15.60
Options exercised	(101,500)	12.41	(322,000)	10.22
Options cancelled	(36,000)	15.20	(60,000)	10.00
Outstanding at end of period	822,500	$16.96	565,000	$11.56
Options exercisable at end of period	67,500	$10.17	152,000	$11.52

The following table summarizes information about unit options outstanding at March 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 3/31/05	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 3/31/05	Weighted-Average Exercise Price
$9.70-$10.00	340,500	1.8 years	$ 9.99	65,500	$10.00
$15.20-$15.60	87,000	2.0 years	15.22	2,000	15.60
$23.35	395,000	4.1 years	23.35	-	-
$9.70-$23.35	822,500	2.9 years	$16.96	67,500	$10.17

The Trust records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. On March 31, 2005 the fair value of options granted has been 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 $60,000 (2004 - $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, 2005 the Trust had an accounts receivable from Comaplex of $30,000 (December 31, 2004 - $45,000).

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.)
April 1, 2004 to June 30, 2005	Crude Oil	500 barrels	WTI	$48.52 per barrel
April 1, 2005 to July 31, 2005	Crude Oil	500 barrels	WTI	$66.56 per barrel
July 1, 2005 to September 30, 2005	Crude Oil	500 barrels	WTI	$50.02 per barrel
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, 2005 to October 31, 2005	Natural Gas	1,500 GJ's	AECO	Floor of $5.50 and ceiling of $7.75 per GJ
May 1, 2005 to October 31, 2005	Natural Gas	2,000 GJ's	AECO	Floor of $6.75 per GJ and ceiling of $12.25 per GJ on 2,000 GJ's per day for the period November 1, 2005 to March 31, 2006
November 1, 2005 to March 31, 2006	Natural Gas	2,000 GJ's	AECO	Floor of $6.00 and ceiling of $9.45 per GJ

During the period ended March 31, 2005, the Trust recorded a reduction to net revenue of $815,000 (March 31, 2004 - $332,000). As at March 31, 2005 the mark to market value of the outstanding commodity hedging transactions was a net liability of $3,435,000.

9. SUBSEQUENT EVENT – DISTRIBUTION

Subsequent to March 31, 2005, the Trust declared its distribution of $0.18 per unit payable on April 29, 2005 to Unitholders of record on April 15, 2005. The distribution represents earnings in the Trust for the month of March 2005.

10. SUBSEQUENT EVENT – PINE CLIFF ENERGY LTD. RIGHTS OFFERING AND ASSET DISPOSITION

On April 8, 2005, Pine Cliff Energy Ltd.'s (Pine Cliff) 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 approximately 18 barrels per day of oil equivalent of production and some exploration lands formally held by Novitas in exchange for $761,000 cash.

Bonterra
Energy Income Trust

901, 1015 – 4th ST SW
Calgary, Alberta T2R 1J4