

Bonterra Energy Corp.



Second Quarter 2010

HIGHLIGHTS

(\$ 000s except \$ per share/unit)	Three months ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
FINANCIAL				
Revenue – oil and gas sales	29,191	20,501	56,439	39,801
Funds flow ⁽¹⁾	17,550	9,780	38,876	18,156
Per share – basic	0.94	0.55	2.08	1.04
Per share – diluted	0.91	0.55	2.02	1.04
Payout ratio ⁽²⁾	68%	73%	58%	73%
Cash flow from operations	16,644	9,238	31,717	15,875
Per share – basic	0.89	0.52	1.70	0.91
Per share – diluted	0.86	0.52	1.65	0.91
Payout ratio ⁽²⁾	72%	77%	71%	83%
Cash dividends per share ⁽²⁾	0.64	0.40	1.21	0.76
Net earnings	10,887	4,544	22,927	10,637
Per share – basic	0.58	0.26	1.22	0.61
Per share – diluted	0.56	0.26	1.19	0.61
Capital expenditures and acquisitions net of disposals	10,994	2,255	26,135	4,956
Total assets			307,934	258,393
Working capital deficiency			2,281	13,989
Long-term debt			78,434	71,573
Shareholders' equity			126,045	72,332
OPERATIONS				
Oil and NGLs – barrels per day	3,874	3,029	3,611	3,148
– average price (\$ per barrel)	71.09	59.77	72.84	52.56
Natural gas – MCF per day	11,157	11,551	10,600	11,713
– average price (\$ per MCF)	3.97	3.64	4.51	4.42
Total barrels of oil equivalent per day (BOE) ⁽³⁾	5,733	4,954	5,378	5,100

⁽¹⁾ Funds flow is not a recognized measure under GAAP. For these purposes, the Company defines funds flow as funds provided by operations before changes in non-cash operating working capital items but including gain on sale of property and investments, adjustments of investment tax credit receivable and excluding restricted cash recoveries and asset retirement expenditures.

⁽²⁾ Cash payments per share are based on payments made in respect of production months within the quarter.

⁽³⁾ BOE is 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.

REPORT TO SHAREHOLDERS

Bonterra Energy Corp. (“Bonterra” or “the Company”) is pleased to report its operating and financial results for the three months and six months ended June 30, 2010.

Operations

Bonterra remained focused on its operations during the quarter and continued to achieve encouraging results in its Pembina Cardium horizontal drill program and achieved record level production volumes despite having substantial delays in Q2 2010 due to weather conditions.

Production in the second quarter of 2010 increased 14 percent quarter over quarter and 16 percent compared with the second quarter of 2009 to 5,733 barrels of oil equivalent (BOE) per day, a new high for the Company. The increase is mainly attributable to the production additions associated with the horizontal drill program in the Company’s core Pembina Cardium holdings. These additions served to not only substantially increase overall volumes but also offset natural production declines and the impact of the Company’s divestiture program in Q4 2009 and Q1 2010 whereby the company sold approximately 270 BOE per day of production. Based on these results, Bonterra will maintain its forecast for 2010 average daily production to exceed 5,700 BOE per day.

Bonterra’s capital expenditures during the first six months of 2010 totaled approximately \$31.7 million net of drilling credits. The costs related primarily to the drilling and completion of 10 gross (9.1 net) Pembina Cardium wells. The second quarter is typically less active for the Company due to spring break-up and this quarter was no exception with an exceptionally wet season that caused additional delays after road bans were terminated. As such, the majority of drilling activity has been planned for the second half of the year.

Following a mid-year review of Bonterra’s development program, the Board of Directors and management made the determination to increase the full year program from the original budget of \$50 million to \$65 million in recognition of additional development opportunities available in the Company’s Pembina Cardium horizontal drilling program.

Bonterra has one of the highest-quality asset bases in the Canadian energy industry with approximately 85 percent of corporate reserves on a Proved plus Probable basis in the Pembina Cardium field, Canada’s largest original-oil-in-place pool. The Company has a 14 year drilling inventory with over 435 gross locations identified including approximately 80 horizontal drill locations in the halo area of the pool and numerous horizontal and vertical locations in the main pool. The Company currently anticipates drilling a further 13 gross (11.6 net) operated and four gross (0.6 net) non-operated Pembina Cardium horizontal wells in the third and fourth quarters of this year.

To date, Bonterra has focused primarily in drilling horizontal wells outside of the main Pembina field. In the second half of 2010, Bonterra will be involved as a 15 percent working interest partner in a four-well horizontal program in the main pool. This program and the drill programs presently being conducted in the main pool by other companies will greatly assist Bonterra in its selection of drill locations in the main pool.

Financial

Oil prices decreased slightly quarter over quarter but have increased significantly when compared to the second quarter of 2009. The Company’s average realized price for crude oil and natural gas liquids was \$71.09 in the second quarter of 2009 versus \$74.88 recorded during the first quarter of the year and \$52.56 in the same period last year. Fairly stable crude oil prices during the quarter were partially offset by a decline in natural gas prices from \$5.11 per MCF in Q1 2010 to \$3.97 per MCF in Q2 2010.

Despite the lower pricing environment, Bonterra recorded a 10 percent increase in cash flow from operations quarter over quarter and an 80 percent increase over the same period in 2010 mainly due to the increase in production volumes, lower operating costs and lower general and administrative expense.

As a result, Bonterra was able to increase dividends to shareholders during the second quarter. The payout ratio was 68 percent of funds flow from operations. Dividends to shareholders during the quarter totaled \$0.64 per share which included an increase to the current level of \$0.22 per share beginning with the month of June dividend that was paid on July 30, 2010.

Dividends can and may fluctuate in the future. Funds flow is derived mainly from producing and selling oil, natural gas and related products and as such, it is highly dependent on commodity prices. Bonterra's board of directors will continue to examine dividends on a monthly basis while considering overall market conditions to set the dividend level each month.

Outlook

Bonterra has built a strategic land position in the Pembina Cardium field. The 2010 capital program will continue to target its high return horizontal drilling program and improvements in ongoing operations. The Company is also continuing to assess opportunities for the acquisition of producing and non-producing properties in Western Canada. Taking this approach should allow the Company to sustain its strong dividend policy while ensuring the long-term growth and sustainability of its business.



George F. Fink
Chief Executive Officer and Director



Randy M. Jarock
President and Chief Operating Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following report dated August 11, 2010 is a review of the operations and current financial position for Bonterra Energy Corp. ("Bonterra" or the "Company") and should be read in conjunction with the unaudited financial statements for the six months ended June 30, 2010, including the notes related thereto, and the audited financial statements for the fiscal year ended December 31, 2009, together with the notes related thereto.

Non-GAAP Measures

Throughout this Management's Discussion and Analysis (MD&A) we use the terms "payout ratio" and "cash netback" to analyze operating performance. We calculate payout ratio by dividing cash dividends to shareholder by cash flow from operating activities both of which are measures prescribed by GAAP which appear on our consolidated statements of cash flows. We calculate cash netback by dividing various operation and deficit statement items as determined by GAAP by total production on a barrel of oil equivalent basis.

Forward-looking Information

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

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control.

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

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

FINANCIAL AND OPERATIONAL DISCUSSION

Quarterly Comparisons

Financial (\$ 000s except \$ per share)	2010			2009		
	Q2	Q1	Q4	Q3	Q2	Q1
Revenue – oil and gas sales	29,191	27,248	24,946	20,965	20,501	19,300
Cash flow from operations	16,644	15,073	13,668	9,350	9,238	6,637
Per share – basic	0.89	0.81	0.76	0.50	0.52	0.38
Per share – diluted	0.86	0.79	0.75	0.50	0.52	0.38
Cash distributions ⁽¹⁾	0.64	0.57	0.50	0.44	0.40	0.36
Payout Ratio ⁽¹⁾	72%	70%	66%	87%	77%	94%
Net earnings	10,887	12,040	52,136	5,790	4,544	6,093
Per share – basic	0.58	0.64	2.88	0.32	0.26	0.35
Per share – diluted	0.56	0.63	2.85	0.32	0.26	0.35
Capital expenditures and acquisitions net of disposals	10,994	15,141	(16,976)	17,660	2,255	2,701
Total assets	307,934	305,440	293,987	273,543	258,393	260,732
Working capital deficiency	2,281	13,178	10,162	14,455	13,989	14,909
Bank debt	78,434	63,097	59,823	81,386	71,573	89,383
Shareholders' equity	126,045	125,392	118,874	74,025	72,332	56,377
Operations						
Oil and NGLs (barrels per day)	3,874	3,345	3,182	3,084	3,029	3,268
Natural gas (MCF per day)	11,157	10,038	10,193	10,881	11,551	11,877
Total BOE per day ⁽²⁾	5,733	5,018	4,881	4,898	4,954	5,245

Financial (\$ 000s except \$ per share/unit)	2008			
	Q4	Q3	Q2	Q1
Revenue – realized oil and gas sales	22,613	34,226	34,398	30,493
Cash flow from operations	10,336	22,492	20,530	16,212
Per share/unit – basic	0.59	1.31	1.21	0.96
Per share/unit – diluted	0.59	1.30	1.20	0.96
Cash payments per share/unit ⁽¹⁾	0.62	0.96	0.84	0.70
Payout Ratio ⁽¹⁾	105%	73%	69%	73%
Net earnings	10,585	21,125	12,912	10,804
Per share/unit – basic	0.62	1.23	0.76	0.64
Per share/unit – diluted	0.62	1.22	0.75	0.64
Capital expenditures and acquisitions net of disposals	30,405	6,038	2,543	6,421
Total assets	265,301	150,120	153,247	150,169
Working capital deficiency	23,878	47,499	57,148	57,810
Bank debt	79,910	-	-	-
Shareholders'/unitholders' equity	56,777	57,623	46,612	48,136
Operations				
Oil and NGLs (barrels per day)	3,055	2,998	3,009	3,153
Natural gas (MCF per day)	8,817	7,233	7,272	7,139
Total BOE per day ⁽²⁾	4,525	4,204	4,221	4,343

⁽¹⁾ Cash payments per share/unit are based on payments made in respect of production months within the quarter.

⁽²⁾ BOE is 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

	Three months ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Crude oil and NGLs (barrels per day)	3,874	3,345	3,029	3,611	3,148
Natural gas (MCF per day)	11,157	10,038	11,551	10,600	11,713
Average BOE per day	5,733	5,018	4,954	5,378	5,100

Barrels of oil equivalent (BOE) 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 volumes for the first half of 2010 were up 5.5 percent over the corresponding 2009 period. An increase in production volumes related to Bonterra's Q1 2010 horizontal drilling resulted in a quarter over quarter production gain of 14.3 percent even after replacement of approximately 270 barrels per day of property divestments in Q4 2009 and Q1 2010.

During the second quarter, a non-operated natural gas plant, to which Bonterra delivers a portion of its natural gas, reached capacity and resulted in the shut in of a few of the Company's gas wells. The amount of shut in natural gas as of June 30, 2010 was between 400 to 500 MCF per day. The Company is currently reviewing alternatives to either redirecting this natural gas production or participating with the other owners in the plant in the expansion of the facility.

The Company drilled ten gross (9.1 net) Pembina Cardium horizontal wells during the first half of 2010 (1 gross and net in Q2 2010). Of these wells all but two gross (two net) were on production prior to June 30, 2010. One of the remaining wells commenced production as of July 13, 2010 with the other well anticipated to be on production at the end of Q3 2010. Commencing in mid June, 2010, Bonterra had two drill rigs active on its horizontal Cardium drill program.

Revenue

(\$)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue – oil and gas sales (000's)	29,191	27,248	20,501	56,439	39,801
Average Realized Prices:					
Crude oil and NGLs (per barrel)	71.09	74.88	59.77	72.84	52.56
Natural gas (per MCF)	3.97	5.11	3.64	4.51	4.42

Revenue from petroleum and natural gas sales increased \$16,638,000 in the first half of 2010 from the corresponding period in 2009 primarily due to a 38.6 percent increase in crude oil prices and a 14.7 percent increase in crude oil production. Quarter over quarter saw an increase in revenues of \$1,943,000 due to increased production volumes which were partially offset by reduced commodity prices.

The Company's product split on a revenue basis is approximately 85 percent weighted towards crude oil and NGLs. This ratio will further increase as the Company develops its Pembina Cardium horizontal program.

Royalties

(\$ 000s except \$ per BOE)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Crown royalties	1,757	1,806	674	3,563	2,038
Freehold royalties, gross overriding royalties and net carried interests	1,052	1,025	587	2,077	1,088
Total royalty expense	2,809	2,831	1,261	5,640	3,126
% of total revenue	9.6	10.4	6.2	10.0	7.9
\$ per BOE	5.38	6.27	2.76	5.79	3.35

Royalties paid by the Company consist primarily of Crown royalties paid to the Provinces of Alberta, Saskatchewan and British Columbia. Most of the Company's wells are low productivity wells and therefore have low Crown royalty rates. The Company's average Crown royalty rate is approximately 6.3 percent (2009 – 5.2 percent) and approximately 3.7 percent (2009 – 2.7 percent) for other royalties.

The increase in the dollar amount and percentage of revenues for other royalties is due to several of the newly completed Pembina Horizontal wells being drilled on freehold lands. Freehold royalty rates averaged 17 percent compared to a five percent royalty rate for wells drilled on crown lands.

ALBERTA GOVERNMENT COMPETITIVENESS REVIEW

On March 11, 2010, the Government of Alberta announced it will modify conventional oil and natural gas royalties effective January 2011 to increase Alberta's competitiveness in the upstream energy sector. The current five per cent front-end royalty rate on conventional oil and natural gas will become a permanent feature of the royalty system. The maximum royalty rate for conventional oil will be reduced to 40 percent from 50 percent. The maximum royalty rate for conventional and unconventional natural gas will be reduced at higher prices from 50 to 36 percent. Other royalty incentive programs will remain in effect. Management believes these changes to the royalty system should have a positive effect on cash flow.

Production Costs

(\$ 000s except \$ per BOE)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Production costs	6,981	6,702	7,355	13,683	14,393
\$ per BOE	13.38	14.84	16.12	14.06	15.41

Total production costs in the first half of 2010 have decreased by \$710,000 over the first half of 2009. The decrease is due to a reduction of approximately \$830,000 in repair and maintenance costs offset partially by an increase in trucking costs. On a per BOE basis, production costs have declined in the first half of 2010 compared to the same period in 2009 mainly due to higher production volumes from the Company's horizontal Cardium wells that result in much lower costs per BOE from these wells.

Quarter over quarter saw an increase of \$279,000 resulting primarily from increased natural gas processing charges due to higher production levels.

The Company's production comes primarily from low productivity wells. These wells generally have 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. The higher production costs for the

Company are substantially offset by current low royalty rates of approximately 10 percent, which is much lower than industry average for conventional production and results in high cash netbacks on a combined basis.

General and Administrative (G&A) Expense

(\$ 000s except \$ per BOE)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
G&A Expense	1,226	1,508	1,108	2,734	2,047
\$ per BOE	2.35	3.34	2.43	2.81	2.19

The increase in G&A expense year over year was primarily due to increased employee compensation resulting from accrued bonuses which increased approximately \$725,000 in the first half of 2010 compared to the first half of 2009. The Company has a bonus plan that is based on three percent of earnings before taxes. The Company firmly believes that tying employee compensation (including the use of stock options) to the performance of the Company clearly aligns the interest of the employees to that of the shareholders as the employees are not given a bonus unless the Company earns a profit.

Quarter over quarter saw a decrease of \$282,000 related primarily to reduced employee compensation resulting from a reduced bonus accrual and a reduction in legal and bank fees.

Interest Expense

(\$ 000s except \$ per BOE)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Interest Expense	619	632	915	1,251	1,741
\$ per BOE	1.19	1.40	2.01	1.29	1.86

Interest charges decreased in the first half of 2010 over the corresponding 2009 period primarily due to an approximate one percent decrease in the average interest rate charged on the Company's outstanding debt balance. The interest rate decrease is due to a reduced bank rate resulting from a better debt to cash flow ratio and to increases in loans from related parties which have a lower interest rate than bank loans.

Effective April 9, 2010, the Company renewed its bank facility under similar terms and conditions with the exception of extending the revolving period to April 27, 2012, reducing its interest and bank fees and amending one of the material covenants (see below).

The interest rate on the renewed credit facility is calculated as follows:

	Level I	Level II	Level III	Level IV	Level V
Consolidated Total Funded Debt ⁽¹⁾ to Consolidated Cash flow Ratio	Under 1.0:1	Over 1.0:1 to 1.5:1	Over 1.5:1 to 2.0:1	Over 2.0:1 to 2.5:1	Over 2.5:1
Canadian Prime Rate Plus ⁽²⁾	100	150	175	200	250
Bankers' Acceptances Rate Plus ⁽²⁾	225	275	300	325	375

⁽¹⁾ Consolidated total funded debt excludes related party amounts but includes working capital.

⁽²⁾ Numbers in table represent basis points.

Consolidated total funded debt to consolidated cash flow ratio shall be calculated each fiscal quarter and the interest rates adjusted effective as of the first day of the fiscal quarter commencing immediately after the fiscal quarter in which Bonterra files a compliance certificate containing the ratio, with each such adjustment to be effective until the next such adjustment.

As of June 30, 2010 the Company will continue to qualify for the Level I interest rates. The revised rates, resulting from the renewed banking agreement, applied commencing April 9, 2010 resulting in a reduction of 50 basis points in the cost of the Company's banker acceptance borrowings.

The following is a list of the material covenants of the Company's bank facility:

- The Company is required to not exceed \$120,000,000 in consolidated debt (includes negative working capital but excludes debt to related parties). As of June 30, 2010 the Company had consolidated debt of \$57,215,000.
- Dividends paid in the current quarter and the three previous quarters shall not exceed 80 percent of the previous four quarters' cash flow as defined under GAAP. Dividend payments totaled \$38,581,000 during the quarter and the three previous quarters while cash flow totaled \$56,746,000 during the same period for an overall payout ratio of 68 percent.

Stock-Based Compensation

Stock-based compensation is a statistically calculated value representing the estimated expense of issuing employee stock options. The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Based on currently outstanding options, the Company anticipates that an expense of approximately \$250,000 will be recorded for the balance of 2010, \$206,000 in 2011 and \$16,000 in 2012.

Depletion, Depreciation, Accretion and Dry Hole Costs

The Company follows the successful efforts method of accounting for petroleum and natural gas exploration and development costs. Under this method, the costs associated with dry holes are charged to operations. For intangible capital costs that result in the addition of reserves, the Company depletes its oil and natural gas intangible assets using the unit-of-production basis by field.

For tangible assets such as well equipment, the Company now uses a 10 percent declining basis for depreciation calculation. The Company changed from the straight line basis due to the increasing reserve life index which continues to indicate a longer service life for its production assets.

Provision for depletion, depreciation and accretion was \$10,009,000 and \$9,523,000, respectively for the six month periods ending June 30, 2010 and June 30, 2009. The increase in the depletion amount was due primarily to increased production volumes. The Company has capital costs of approximately \$6.70 (June 30, 2009 - \$6.60) per proved BOE of reserves based on the December 31, 2009 independent engineering report.

Taxes

The current tax provision relates to a resource surcharge of \$81,000 (2009 - \$129,000) payable to the Province of Saskatchewan. The resource surcharge is calculated as a flat percent of revenues generated from the sale of petroleum products produced in Saskatchewan. The resource surcharge rate is three percent in 2010. In 2009, a capital tax amount of \$269,000 payable to the Province of Quebec was incurred due to the 2008 reorganization for the conversion from a Trust to a Corporation. The capital tax payable to the Province of Quebec was a one-time charge.

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

(\$ 000s)	Rate of Utilization (%)	Amount
Undepreciated capital costs	20-100	\$ 24,262
Eligible capital expenditures	7	7,107
Share issue costs	20	2,199
Canadian oil and gas property expenditures	10	20,798
Canadian development expenditures	30	79,499
Canadian exploration expenditures	100	11,140
SR&ED expenditures	100	59,485
Income tax losses carried forward ⁽¹⁾	100	222,596
		\$ 427,086

⁽¹⁾ Income tax losses carried forward expire in the following years; 2024 - \$3,347,000, 2025 - \$7,532,000, 2026 - \$46,671,000, 2027 - \$117,189,000, 2028 - \$34,726,000, 2029 - \$13,131,000.

In addition to the above pools, the Company also has \$27,670,000 (December 31, 2009 - \$27,670,000) remaining of investment tax credits that expire in the following years; 2019 - \$3,469,000, 2020 - \$3,059,000, 2021 - \$4,667,000, 2022 - \$3,909,000, 2023 - \$3,155,000, 2024 - \$1,995,000, 2025 - \$2,257,000, 2026 - \$2,405,000, 2027 - \$2,009,000, 2028 - \$745,000.

The Company also has \$142,583,000 (December 31, 2009 - \$143,061,000) of capital loss carry forwards which can only be claimed against taxable capital gains.

The amount and timing of reversals of temporary differences will also depend on the Company's future operating results and its future acquisitions and dispositions of assets and liabilities. A significant change in any of the preceding assumptions could materially affect the Company's estimate of the future income tax asset.

Net Earnings

(\$ 000s except \$ per share)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net Earnings	10,887	12,040	4,544	22,927	10,637
\$ per share – basic	0.58	0.64	0.26	1.22	0.61
\$ per share – fully diluted	0.56	0.63	0.26	1.19	0.61

Net earnings increased in the first six months of 2010 by \$12,290,000 from the corresponding 2009 period. Increased revenues resulting from increased crude oil prices combined with a 14.7 percent increase in crude oil and NGL production volumes were the main reasons for the increase. The Company returned in excess of 35 percent of its gross realized revenues in net earnings. The Company's low capital costs combined with the Company's low production decline rates should allow for continued positive earnings even in a low commodity price environment.

The three months ended June 30, 2010 saw a decline of \$1,153,000 in net earnings from the first three months of 2010. The Q2 decrease from Q1 net earnings was primarily due to the recording in Q1 of a \$5,785,000 gain on sale of property. Q2 saw greater revenues and reduced future tax provision which partially offset the Q1 gain on sale of property.

Comprehensive Income

Other comprehensive income for 2010 consists of an unrealized gain in its investments of \$3,607,000 (2009 – \$818,000) due to an increase in the share price of these entities. Also during the quarter the Company disposed of a portion of its investments resulting in a realized gain, net of tax, of \$14,000.

Cash Flow from Operations

(\$ 000s)	Three months ended			Six Months Ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash flow from operations	16,644	15,073	9,238	31,717	15,875
\$ per share – basic	0.89	0.81	0.52	1.70	0.91
\$ per share – fully diluted	0.86	0.79	0.52	1.65	0.91

First half 2010 cash flow from operations increased 99.8 percent compared to first half 2009 due to increased crude oil prices and increased production. The quarter over quarter cash flow increase of \$1,571,000 was due primarily to increased production volumes offset partially by reduced commodity pricing.

Cash Netback

The following table illustrates the Company's cash netback from operations for the six month periods ended June 30:

\$ per Barrel of Oil Equivalent (BOE)	2010	2009
Production volumes (BOE)	973,374	933,781
Gross production revenue	\$ 57.98	\$ 42.62
Royalties	(5.79)	(3.35)
Field operating costs	(14.06)	(15.41)
Field netback	38.13	23.86
General and administrative	(2.81)	(2.19)
Interest and taxes	(1.37)	(2.29)
Cash netback	\$ 33.95	\$ 19.38

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

\$ per Barrel of Oil Equivalent (BOE)	June 30, 2010	March 31, 2010
Production volumes (BOE)	521,736	451,638
Gross production revenue	\$ 55.95	\$ 60.33
Royalties	(5.38)	(6.27)
Field operating costs	(13.38)	(14.84)
Field netback	37.19	39.22
General and administrative	(2.35)	(3.34)
Interest and taxes	(1.25)	(1.50)
Cash netback	\$ 33.59	\$ 34.38

Related Party Transactions

The Company owned 689,682 (December 31, 2009 – 689,682) common shares in Comaplex which had a fair market value as of June 30, 2009 of \$7,587,000 (December 31, 2009 - \$4,827,000). Effective July 6, 2010, Comaplex was acquired by Agnico-Eagle Mines Limited (Agnico). In exchange for its Comaplex common shares, Bonterra received 108,693 common shares in Agnico and 689,682 common shares in Geomark Exploration Ltd. (Geomark) (a Company with common directors and management). The common shares of Agnico trade on the Toronto Stock Exchange under the symbol AEM and the common shares of Geomark trade on the TSX Venture Exchange under the symbol GME. The investment in Geomark represents 1.3 percent ownership in the outstanding common shares of Geomark.

Comaplex paid a management fee to the Company of \$180,000 (2009 - \$165,000). Comaplex also shared office rental costs and reimburses the Company for costs related to employee benefits and office materials. In addition, Comaplex owned 204,633 (December 31, 2009 – 204,633) common shares in the Company. Services provided by the Company included executive services (chief executive officer, president and vice president, finance duties), accounting services, oil and gas administration and office administration. All services performed were charged at estimated fair value. At June 30, 2010, Comaplex owed the Company \$82,000 (December 31, 2009 - \$105,000).

As of June 30, 2010, Comaplex had loaned the Company \$12,000,000 (December 31, 2009 - \$12,000,000). The loan was unsecured, bears interest at Canadian chartered bank prime less one quarter of a percent and had no set repayment terms. Effective May 1, 2010, the interest rate was reduced to Canadian chartered bank prime less 5/8ths of a percent. The reduction in rate was due to the lowering of the Company's bank interest rate caused by the amending of the Company's bank agreement (see Interest Expense section).

The loan cannot be repaid, or demanded to be paid by Comaplex, unless the Company has sufficient available borrowing limits under the Company's credit facility. Interest paid on this loan during the first six months of 2010 was \$114,000 (2009 - \$79,000). This loan results in being a substantial benefit to Bonterra and to Comaplex. The interest paid to Comaplex by Bonterra is substantially lower than bank interest and for Comaplex, the interest earned is substantially higher than Comaplex would receive by investing in bank instruments such as BA's or GIC's.

As a result of the acquisition of Comaplex by Agnico, the above management agreement, loan agreement and Bonterra common shares were transferred to Geomark. The only amendment to these agreements was a reduction in the monthly management fee from \$30,000 to \$22,500.

The Company also has a management agreement with Pine Cliff Energy Ltd. (Pine Cliff). Pine Cliff has common directors and management with the Company. Pine Cliff trades on the TSX Venture Exchange. Pine Cliff paid a management fee to the Company of \$45,000 (2009 - \$60,000). Services provided by the Company include executive services (CEO, president and vice president, finance duties), accounting services, oil and gas administration and office administration. All services performed are charged at estimated fair value. The Company has no share ownership in Pine Cliff. At June 30, 2010, the Company had an account receivable from Pine Cliff of \$1,000 (December 31, 2009 – \$1,000).

As of June 30, 2010, the Company's CEO and major shareholder has loaned the Company \$11,500,000 (December 31, 2009 - \$11,500,000). The Company repaid \$750,000 of the outstanding loan in July, 2010. The loan is unsecured, bears interest at Canadian chartered bank prime less one quarter of a percent and has no set repayment terms. Effective May 1, 2010 the interest rate was decreased to Canadian chartered bank prime less 5/8ths percent. The reduction in rate was due to the lowering of the Company's bank interest rate caused by the amending of the Company's bank agreement (see Interest Expense section).

The loan cannot be repaid, or demanded to be paid by the Company's CEO, unless the Company has sufficient available borrowing limits under the Company's credit facility. Interest paid on this loan during the first six months of 2010 was \$109,000 (2009 - \$101,000). This loan results in being a substantial benefit to Bonterra and to the CEO. The interest paid to the CEO by Bonterra is substantially lower than bank interest and for the CEO the interest earned is substantially higher than the CEO would receive by investing in bank instruments such as BA's or GIC's.

Liquidity and Capital Resources

During the first six months of 2010, the Company incurred capital costs of \$31,669,000 (2009 - \$4,956,000) net of drilling tax credits. The costs relate primarily to the drilling, completing, tie-in and equipping of 10 gross (9.1 net) Pembina Cardium horizontal wells.

The Company currently has plans to spend an estimated \$65,000,000 net of drilling credits on its 2010 Pembina Cardium horizontal well program (an increase of \$15,000,000 from its previously announced budget). This includes the drilling of a further 13 gross (11.6 net) operated and four gross (0.6 net) non-operated Pembina Cardium horizontal wells in the third and fourth quarters of 2010. Bonterra anticipates funding the 2010 capital program out of cash flow, proceeds from the exercise of employee stock options, sale of investments and the Company's line of credit.

As of June 30, 2010 and December 31, 2009, the Company has a bank facility consisting of a \$100,000,000 syndicated revolving credit facility and a \$20,000,000 non-syndicated revolving credit facility. Amounts drawn under these facilities at June 30, 2010 were \$78,434,000 (December 31, 2009 - \$59,823,000). The interest rates on the outstanding debt as of June 30, 2010 were 3.5 percent and 2.9 percent on the Company's Canadian prime rate loan and Bankers' Acceptances, respectively. For information related to interest rate levels and material covenants please refer to the discussion under Interest Expense.

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

Issued	Number	Amount (\$ 000s)
Common Shares		
Balance, January 1, 2010	18,619,641	121,955
Issued pursuant to Company share option plan	113,300	2,260
Transfer of contributed surplus to share capital	-	92
Balance, June 30, 2010	18,732,941	124,307

The Company provides an option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 1,873,294 (December 31, 2009 – 1,861,964) common shares. The exercise price of each option granted equals the market price of the common shares on the date of grant and the option's maximum term is five years.

A summary of the status of the Company's stock option plan as of June 30, 2010 and December 31, 2009, and changes during the six month and twelve month periods ended on those dates is presented below:

	June 30, 2010		December 31, 2009	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	1,330,900	\$ 20.36	1,390,500	\$ 20.50
Options granted	30,000	34.66	33,000	14.90
Options exercised	(113,300)	19.96	(92,600)	20.50
Outstanding at end of period	1,247,600	\$ 20.74	1,330,900	\$ 20.36
Options exercisable at end of period	268,600	\$ 20.50	370,900	\$ 20.50

The following table summarizes information about options outstanding at June 30, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 6/30/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 6/30/10	Weighted-Average Exercise Price
\$14.90	22,000	2.5 years	\$14.90	-	\$ -
20.50	1,195,600	2.4 years	20.50	268,600	20.50
34.66	30,000	2.5 years	34.66	-	-
\$14.90-\$34.66	1,247,600	2.4 years	\$20.74	268,600	\$20.50

Disclosure Controls and Procedures

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

Internal Control Update

The Company has conducted a review of its Internal Control Over Financial Reporting (ICFR), with the conclusion that as of June 30, 2010 the Company's system of ICFR as defined under NI 52-109 is adequately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The control framework the Company used to design its ICFR was the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In its review, the Company identified certain material weaknesses in internal controls over financial reporting:

1. due to the limited number of staff at the Company, it is not feasible to achieve the complete segregation of incompatible duties; and
2. due to the limited number of staff, the Company relies upon third parties as participants in the Company's internal controls over financial reporting.

The Company believes these weaknesses are mitigated by: the active involvement of senior management and the board of directors in the affairs of the Company; open lines of communication within the Company; the present levels of activities and transactions within the Company being readily transparent; the thorough review of the Company's financial statements by management, the board of directors and by the Company's auditors; and the establishment of a whistle-blower policy. However, these mitigating factors will not necessarily prevent a material misstatement occurring as a result of the aforesaid weaknesses in the Company's internal controls over financial reporting. A system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are met. The Company has no plans for remediating the above weaknesses.

Financial Reporting Update

In December 2008, the CICA issued Section 1582, "Business Combinations", which will replace former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted.

In December 2008, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. Section 1602 currently does not impact the Company as the Company has no subsidiaries.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board has confirmed the convergence of Canadian GAAP with IFRS will be effective January 1, 2011.

In the fourth quarter of 2009, the Company commenced phase two of the process of conversion to IFRS by engaging its external auditors to perform a detailed review of the implementation of IFRS on the Company's high impact and medium impact areas identified below:

High impact areas:

- IFRS 1 – First time adoption of IFRS
- IFRS 3 – Business combinations
- IAS 16 – Property and equipment
- IAS 36 – Impairment of assets

Medium impact areas include:

- IFRS 6 – Exploration and evaluation of mineral resources
- IFRS 2 – Share-based payments
- IAS 1 – Presentation of financial statements
- IAS 10 – Events after the balance sheet date
- IAS 12 – Income Taxes
- IAS 18 – Revenues
- IAS 23 – Borrowing costs
- IAS 39 – Financial instruments, recognition and measurement
- IAS 37 – Provisions, contingent liabilities and contingent assets

The Company has completed its review and adjustments to its opening balance sheet required in relation to its IFRS policies. The policies as well as the financial impact on the Company's opening financial statement items are currently being reviewed by the Company's auditors. The Company anticipates commencing phase three (financial statement and note compilation) during the third quarter of 2010. Key information will be disclosed as it becomes available during the transition period.

The impact of IFRS will be significant; however the Company has always maintained an accounting policy of successful efforts for property and equipment that will result in a major reduction in the level of conversion compared to most oil and gas companies who used the full cost accounting policy.

The Company has implemented a new financial accounting system that provides for sufficient detail to comply with the IFRS requirements. As the Company has been using successful efforts since its inception, detail at a well level has been maintained under its past and current financial accounting systems as well as procedures are in place to capture this information at the operational level.

Implications to the Company's controls for DC&P and ICFR are being reviewed; however the Company believes that the majority of the procedures in place will apply once IFRS is implemented. Training will be required and is ongoing. Individuals within the Company have been and will continue to attend courses, seminars and other training activities to ensure the Company is adequately prepared for IFRS. Use of external legal expertise will be used to ensure compliance is maintained with all contractual agreements.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the consolidated 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 Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

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 BALANCE SHEETS

As at June 30, 2010 and December 31, 2009		
(unaudited)		
(\$ 000s)	2010	2009
Assets		
Current		
Accounts receivable (Note 11)	15,633	14,713
Crude oil inventory	386	431
Prepaid expenses	2,683	3,247
Future tax asset (Note 8)	10,735	11,889
Investment	5,689	4,462
Investment in related party (Note 3)	7,587	4,827
	42,713	39,569
Restricted cash (Note 4)	-	812
Investment tax credit receivable (Note 8)	27,670	27,670
Future tax asset (Note 8)	47,876	58,265
Property and Equipment (Note 5)		
Petroleum and natural gas properties and related equipment	287,121	255,840
Accumulated depletion and depreciation	(97,446)	(88,169)
Net Property and Equipment	189,675	167,671
	307,934	293,987
Liabilities		
Current		
Accounts payable and accrued liabilities	12,498	18,868
Due to related parties (Note 6)	23,500	23,500
Deferred credit (Note 8)	8,996	7,363
	44,994	49,731
Bank debt (Note 7)	78,434	59,823
Deferred credit (Note 8)	40,814	47,769
Asset retirement obligations	17,647	17,790
	181,889	175,113
Shareholders' Equity (Note 9)		
Share capital	124,307	121,955
Contributed surplus	3,542	3,350
	127,849	125,305
Deficit	(7,417)	(8,451)
Accumulated other comprehensive income (Note 10)	5,613	2,020
	(1,804)	(6,431)
Total Shareholders' Equity	126,045	118,874
	307,934	293,987

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the periods ended June 30 (unaudited) (\$ 000s)	Three Months		Six Months	
	2010	2009	2010	2009
Shareholders' equity, beginning of period	125,392	56,377	118,874	56,777
Comprehensive income for the period	11,781	5,181	26,520	11,455
Net capital contributions (Note 9)	532	17,243	2,260	17,243
Stock-based compensation	142	239	284	468
Dividends declared	(11,802)	(6,708)	(21,893)	(13,611)
Shareholders' Equity, End of Period	126,045	72,332	126,045	72,332

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the periods ended June 30 (unaudited) (\$ 000s, except \$ per Share)	Three Months		Six Months	
	2010	2009	2010	2009
Revenue				
Oil and gas sales	29,191	20,501	56,439	39,801
Royalties	(2,809)	(1,261)	(5,640)	(3,126)
Gain on sale of property	-	-	5,785	-
Interest and other	29	(6)	41	60
	26,411	19,234	56,625	36,735
Expenses				
Production costs	6,981	7,355	13,683	14,393
General and administrative	1,226	1,108	2,734	2,047
Interest on debt	619	915	1,251	1,741
Stock-based compensation	142	239	284	468
Depletion, depreciation and accretion	5,218	4,909	10,009	9,523
	14,186	14,526	27,961	28,172
Earnings Before Taxes	12,225	4,708	28,664	8,563
Taxes (Recovery)				
Current	35	76	81	398
Future	1,303	88	5,656	(2,472)
	1,338	164	5,737	(2,074)
Net Earnings for the Period	10,887	4,544	22,927	10,637
Deficit, beginning of period	(6,502)	(47,525)	(8,451)	(46,715)
Dividends declared	(11,802)	(6,708)	(21,893)	(13,611)
Deficit, End of Period	(7,417)	(49,689)	(7,417)	(49,689)
Net Earnings Per Share – Basic (Note 9)	0.58	0.26	1.22	0.61
Net Earnings Per Share – Diluted (Note 9)	0.56	0.26	1.19	0.61

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Periods Ended June 30 (unaudited) (\$ 000s, except \$ per Share)	Three Months		Six Months	
	2010	2009	2010	2009
Net Earnings for the Period	10,887	4,544	22,927	10,637
Unrealized gains on investments (net of Income taxes; Three months ended 2010 - \$146, 2009 - \$108; Six months ended 2010 - \$571, 2009 - \$134)	908	637	3,607	818
Realized gains on investments transferred to net earnings (net of Income taxes; Three months ended 2010 - \$3, 2009 - \$Nil; Six months ended 2010 - \$3, 2009 - \$Nil)	(14)	-	(14)	-
Other Comprehensive Income (Loss)	894	637	3,593	818
Comprehensive Income	11,781	5,181	26,520	11,455
Comprehensive Income Per Share – Basic (Note 9)	0.63	0.29	1.42	0.66
Comprehensive Income Per Share – Diluted (Note 9)	0.61	0.29	1.38	0.66

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended June 30 (unaudited) (\$ 000s)	Three Months		Six Months	
	2010	2009	2010	2009
Operating Activities				
Net earnings for the period	10,887	4,544	22,927	10,637
Items not affecting cash				
Stock-based compensation	142	239	284	468
Depletion, depreciation and accretion	5,218	4,909	10,009	9,523
Gain on sale of property	-	-	(5,785)	-
Gain on sale of investments	(17)	-	(17)	-
Future income taxes	1,303	88	5,656	(2,472)
	17,533	9,780	33,074	18,156
Change in non-cash working capital				
Accounts receivable	1,188	104	20	1,200
Crude oil inventory	102	(17)	27	299
Prepaid expenses	381	(814)	564	(246)
Accounts payable and accrued liabilities	(3,070)	243	(2,560)	(3,410)
Restricted cash	612	-	812	5
Asset retirement obligations settled	(102)	(58)	(220)	(129)
	(889)	(542)	(1,357)	(2,281)
Cash Provided by Operating Activities	16,644	9,238	31,717	15,875
Financing Activities				
Increase (decrease) in debt	15,337	(17,810)	18,611	(21,662)
Due to related parties	-	-	-	16,000
Issue of shares pursuant to private placement	-	17,996	-	17,996
Share issue costs	-	(1,011)	-	(1,011)
Stock option proceeds	532	-	2,260	-
Dividends	(11,802)	(6,708)	(21,893)	(13,611)
Cash Provided by (Used in) Financing Activities	4,067	(7,533)	(1,022)	(2,288)
Investing Activities				
Property and equipment expenditures	(10,994)	(2,255)	(31,669)	(4,956)
Proceeds on sale of property	-	-	5,534	-
Proceeds on sale of investments	190	-	190	-
Restricted term deposit	-	-	-	20
Change in non-cash working capital				
Accounts receivable	391	-	(940)	-
Accounts payable and accrued liabilities	(10,298)	550	(3,810)	(8,651)
Cash Used in Investing Activities	(20,711)	(1,705)	(30,695)	(13,587)
Net Cash Inflow	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, End of Period	-	-	-	-
Cash Interest Paid	619	861	1,251	1,687
Cash Taxes Paid	45	31	87	192

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2010 and for the three and six month periods ended June 30, 2010 and 2009 (unaudited)

1. CHANGE OF ORGANIZATION

Effective January 1, 2010, Bonterra Energy Income Trust was wound up into Bonterra Oil & Gas Ltd. and Bonterra Oil & Gas Ltd. was amalgamated with Bonterra Energy Corp. The continuing entity officially changed its name to Bonterra Energy Corp. (Bonterra or the Company) subsequent to finalizing the reorganization.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of application followed in the preparation of the interim consolidated financial statements are the same as those followed in the preparation of Bonterra's 2009 annual consolidated financial statements except as described below. These interim consolidated financial statements do not include all disclosures required for annual consolidated financial statements. The interim consolidated financial statements as presented should be read in conjunction with the 2009 annual consolidated financial statements.

Change in Accounting Estimate

Petroleum and Natural Gas Properties and Related Equipment

On January 1, 2010 the Company prospectively began depreciating petroleum and natural gas plant and equipment using the declining balance method at 10 percent per year, a change from the straight-line method. The change of estimate was due to declining balance depreciation providing a better reflection of the estimated service life of the related assets. During the first six months of 2010, the Company incurred \$1,056,000 (Q1 2010 - \$456,000) less depreciation under the declining balance method, than under the straight-line method.

Furniture, Equipment and Other

On January 1, 2010 the Company prospectively began depreciating these assets using the declining balance method at rates of 10 percent to 20 percent per year, a change from the straight-line method. The change of estimate was due to declining balance depreciation providing a better reflection of the estimated service life of the related assets. During the first six months of 2010, the Company incurred \$70,000 (Q1 2010 - \$23,000) less depreciation under the declining balance method, than under the straight-line method.

Recent Accounting Pronouncements

In December 2008, the CICA issued Section 1582, "Business Combinations", which will replace former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted.

In December 2008, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period

beginning on or after January 1, 2011 with earlier adoption permitted. Section 1602 currently does not impact the Company as it does not have any subsidiaries.

The Canadian Accounting Standards Board has confirmed that IFRS will replace Canadian GAAP effective January 1, 2011, including comparatives for 2010, for Canadian publicly accountable enterprises.

3. INVESTMENT IN RELATED PARTY

The investment consists of 689,682 (December 31, 2009 – 689,682) common shares in Comaplex Minerals Corp. (Comaplex), a company with common directors and management with the Company. The investment is recorded at fair market value.

Effective July 6, 2010 Comaplex was acquired by Agnico-Eagle Mines Limited (Agnico). In exchange for Bonterra's 689,682 common shares in Comaplex, the Company received 689,682 shares in Geomark Exploration Ltd. (Geomark) (a company with directors and management common to those of Bonterra) and 108,693 common shares in Agnico. The common shares of Agnico trade on the Toronto Stock Exchange under the symbol AEM and the common shares of Geomark trade on the TSX Venture Exchange under the symbol GME. The investment in Geomark represents 1.3 percent ownership in the outstanding common shares of Geomark.

4. RESTRICTED CASH

An escrow account was held by Silverwing Energy Inc., prior to its acquisition by the Company in 2008. The escrow account was created to support eligible expenditures related to a farm-in agreement. All necessary expenditures have been completed and the funds have been paid to the Company.

5. PROPERTY AND EQUIPMENT

(\$ 000s)	June 30, 2010		December 31, 2009	
	Cost	Accumulated Depletion and Depreciation	Cost	Accumulated Depletion and Depreciation
Undeveloped land	6,072	-	7,992	-
Petroleum and natural gas properties and related equipment	279,577	96,389	246,387	87,153
Furniture, equipment and other	1,472	1,057	1,461	1,016
	287,121	97,446	255,840	88,169

In February 2010, the Company disposed of its Southeast Saskatchewan Pinto property. The proceeds of disposition were \$5,534,000 cash. At the time of disposition, the Company had a net book value of \$120,000 for the property. It also had an asset retirement obligation related to the property of \$371,000 that was transferred resulting in a gain on sale of property of \$5,785,000.

6. DUE TO RELATED PARTIES

As of June 30, 2010, the Company's CEO and major shareholder has loaned the Company \$11,500,000 (December 31, 2009 - \$11,500,000). Subsequent to June 30, 2010, the Company repaid \$750,000 of the outstanding loan. The loan is unsecured, bears interest at Canadian chartered bank prime less one quarter of a percent and has no set repayment terms but is payable on demand. Interest paid on this loan during the first half of 2010 was \$109,000 (2009 - \$101,000).

As of June 30, 2010, Comaplex has loaned the Company \$12,000,000 (December 31, 2009 – \$12,000,000). The loan is unsecured, bears interest at Canadian chartered bank prime less one quarter of a percent and has no set repayment terms but is payable on demand. Interest paid on this loan during the first half of 2010 was \$114,000 (2009 - \$79,000).

Effective May 1, 2010 the interest rate on the above loans was reduced to Canadian chartered bank prime less 5/8ths of a percent.

The Company's bank agreement requires that the above loans can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility. As of June 30, 2010 the Company has sufficient room to repay all balances.

As a result of the acquisition by Agnico of Comaplex on July 6, 2010, the loan has been transferred to Geomark and is repayable by the Company under the same terms and conditions.

Please refer to Note 11 for additional related party transactions.

7. BANK DEBT

As of June 30, 2010 and December 31, 2009, the Company has a bank facility consisting of a \$100,000,000 syndicated revolving credit facility and a \$20,000,000 non-syndicated revolving credit facility. Amounts drawn under the facility at June 30, 2010 were \$78,434,000 (December 31, 2009 - \$59,823,000). Interest paid on the bank loan during the first half of 2010 was \$1,028,000 (2009 - \$1,561,000). The interest rates on the outstanding debt as of June 30, 2010 were 3.5 percent and 2.9 percent on the Company's Canadian prime rate loan and Bankers' Acceptances, respectively. The terms of the syndicated revolving credit facility provided that the loan is revolving to April 28, 2011 and is subject to annual review. The revolving credit facility has no fixed payment requirements.

Effective April 9, 2010, the Company renewed its bank facility extending the revolving period to April 27, 2012, reducing its interest and bank fees and amending one of the material covenants (see below).

The amount available for borrowing under the credit facilities is reduced by outstanding letters of credit. Letters of credit totaling \$285,000 were issued at June 30, 2010 (December 31, 2009 - \$285,000). Security for the credit facilities consists of various fixed and floating demand debentures totaling \$200,000,000 over all of the Company's assets, and a general security agreement with first ranking over all personal and real property.

The interest rate on the new credit facility is calculated as follows:

	Level I	Level II	Level III	Level IV	Level V
Consolidated Total Funded Debt ⁽¹⁾ to Consolidated Cash flow Ratio	Under 1.0:1	Over 1.0:1 to 1.5:1	Over 1.5:1 to 2.0:1	Over 2.0:1 to 2.5:1	Over 2.5:1
Canadian Prime Rate Plus ⁽²⁾	100	150	175	200	250
Bankers' Acceptances Rate Plus ⁽²⁾	225	275	300	325	375

⁽¹⁾ Consolidated total funded debt excludes related party amounts but includes working capital. Consolidated cash flow is calculated as cash flow according to GAAP excluding adjustments for non-cash working capital items.

⁽²⁾ Numbers in table represent basis points.

Consolidated total funded debt to consolidated cash flow ratio shall be calculated each fiscal quarter and the interest rates adjusted effective as of the first day of the fiscal quarter commencing immediately after

the fiscal quarter in which Bonterra files a compliance certificate containing the ratio, with each such adjustment to be effective until the next such adjustment.

The following is a list of the material covenants:

- The Company is required to not exceed \$120,000,000 in consolidated debt (includes working capital but excludes debt to related parties).
- Dividends paid in the current quarter and the three previous quarters shall not exceed 80 percent of the previous four quarters' cash flow as defined under GAAP excluding adjustments for non-cash working capital items.

At June 30, 2010, the Company is in compliance with all covenants.

8. TAXES

The Company has recorded a future tax asset related to assets and liabilities and related tax amounts:

(\$ 000s)	June 30 2010	December 31 2009
Future tax liability related to investments	(576)	(824)
Future tax liability related to property and equipment	(11,551)	(5,855)
Future tax asset related to asset retirement obligations	4,425	4,474
Future tax asset related to finance costs	606	802
Future tax asset related to corporate tax losses, ITC's and SR&ED claims	54,396	59,668
Future tax asset related to corporate capital tax loss	17,875	17,883
Valuation adjustment	(17,299)	(17,883)
Future Tax Asset – Long-term	47,876	58,265
Current portion of future income tax asset related to corporate tax losses and SR&ED claims	10,735	11,889
Future Tax Asset - Current	10,735	11,889

A reconciliation of the deferred credit is as follows:

(\$ 000s)	
Amount recorded on reorganization	71,303
Amortized in 2008	(4,240)
Amortized in 2009	(12,356)
Rate adjustment 2009	425
Balance as of December 31, 2009	55,132
Amortized in first quarter of 2010	(3,567)
Amortized in second quarter of 2010	(1,461)
Rate adjustment 2010	(294)
Balance as of June 30, 2010	49,810
Current portion	8,996
Long-term portion	40,814
	49,810

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

(\$ 000s)	Rate of Utilization (%)	Amount
Undepreciated capital costs	20-100	24,262
Eligible capital expenditures	7	7,107
Share issue costs	20	2,199
Canadian oil and gas property expenditures	10	20,798
Canadian development expenditures	30	79,499
Canadian exploration expenditures	100	11,140
SR&ED expenditures	100	59,485
Income tax losses carried forward ⁽¹⁾	100	222,596
		427,086

⁽¹⁾ Federal income tax losses carried forward expire in the following years; 2024 - \$3,347,000, 2025 - \$7,532,000, 2026 - \$46,671,000, 2027 - \$117,189,000, 2028 - \$34,726,000, 2029 - \$13,131,000.

The Company has \$27,670,000 (December 31, 2009 - \$27,670,000) remaining of investment tax credits that expire in the following years; 2019 - \$3,469,000, 2020 - \$3,059,000, 2021 - \$4,667,000, 2022 - \$3,909,000, 2023 - \$3,155,000, 2024 - \$1,995,000, 2025 - \$2,257,000, 2026 - \$2,405,000, 2027 - \$2,009,000, 2028 - \$745,000.

The Company also has \$142,548,000 (December 31, 2009 - \$143,061,000) of capital loss carry forwards which can only be claimed against taxable capital gains.

The amount and timing of reversals of temporary differences will also depend on the Company's future operating results, and acquisitions and dispositions of assets and liabilities. A significant change in any of the preceding assumptions could materially affect the Company's estimate of the future income tax asset.

9. SHAREHOLDERS' EQUITY

Authorized

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

Issued	Number	Amount (\$ 000s)
Common Shares		
Balance, January 1, 2010	18,619,641	121,955
Issued pursuant to Company share option plan	113,300	2,260
Transfer of contributed surplus to share capital	-	92
Balance, June 30, 2010	18,732,941	124,307

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

The number of common shares used to calculate diluted net earnings per share for the three and six month periods ended June 30 is as follows:

	Three Months		Six Months	
	2010	2009	2010	2009
Basic shares outstanding	18,730,338	17,668,372	18,706,426	17,464,122
Dilutive effect of share options	530,073	28,735	534,756	14,447
Diluted shares outstanding	19,260,411	17,697,107	19,241,182	17,478,569

A summary of the changes in the Company's contributed surplus is presented below:

Contributed surplus (\$ 000s)	2010	2009
Balance, beginning of period	3,350	2,542
Stock-based compensation expensed (non-cash)	284	468
Stock-based options exercised (non-cash)	(92)	-
Balance, end of period	3,542	3,010

The deficit balance is composed of the following items:

(\$ 000s)	June 30, 2010	June 30, 2009
Accumulated earnings	299,671	218,819
Accumulated cash dividends/distributions	(307,088)	(268,508)
Deficit	(7,417)	(49,689)

The Company provides an option plan for its directors, officers, employees and consultants. Under the plan, the Company may grant options for up to 1,873,294 common shares. The exercise price of each option granted equals the market price of the common shares on the date of grant and the option's maximum term is five years.

A summary of the status of the Company's stock option plan as of June 30, 2010 and December 31, 2009, and changes during the six month and twelve month periods ended on those dates is presented below:

	June 30, 2010		December 31, 2009	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	1,330,900	\$ 20.36	1,390,500	\$ 20.50
Options granted	30,000	34.66	33,000	14.90
Options exercised	(113,300)	19.96	(92,600)	20.50
Outstanding at end of period	1,247,600	\$ 20.74	1,330,900	\$ 20.36
Options exercisable at end of period	268,600	\$ 20.50	370,900	\$ 20.50

The following table summarizes information about options outstanding at June 30, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 6/30/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 6/30/10	Weighted-Average Exercise Price
\$14.90	22,000	2.5 years	\$14.90	-	\$ -
20.50	1,195,600	2.4 years	20.50	268,600	20.50
34.66	30,000	2.5 years	34.66	-	-
\$14.90-\$34.66	1,247,600	2.4 years	\$20.74	268,600	\$20.50

The Company records compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. In 2010, the Company granted 30,000 stock options with an estimated fair value of \$164,000 (\$5.48 per option) using the Black-Scholes option pricing model with the following key assumptions:

Weighted-average risk free interest rate (%)	1.9
Expected life (years)	3.0
Weighted-average volatility (%)	33.0
Dividend yield 2010	based on the percentage of dividends paid during the period granted

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

(\$ 000s)	January 1, 2010	Other Comprehensive Income	June 30, 2010
Unrealized gains on available-for-sale financial assets (net of tax of \$914)	2,020	3,593	5,613

(\$ 000s)	January 1, 2009	Other Comprehensive Income	December 31, 2009
Unrealized gains on available-for-sale financial assets (net of tax of \$347)	1,420	600	2,020

11. RELATED PARTY TRANSACTIONS

The Company received a management fee from Comaplex of \$180,000 (2009 - \$165,000) for management services and office administration. This fee has been included as a recovery in general and administrative expenses. At June 30, 2010, the Company had an account receivable from Comaplex of \$82,000 (December 31, 2009 - \$105,000). Effective July 6, 2010, the Company cancelled its management agreement with Comaplex due to its takeover by Agnico.

A new management agreement was entered into with Geomark effective July 6, 2010, under the same terms and conditions as those of the Comaplex agreement except that the monthly fee is \$22,500 compared to Comaplex's monthly fee of \$30,000.

The Company received a management fee from Pine Cliff Energy Ltd. (Pine Cliff) of \$45,000 (2009 - \$60,000) for management services and office administration. This fee has been included as a recovery in general and administrative expenses. At June 30, 2010 the Company had an account receivable from Pine Cliff of \$1,000 (December 31, 2009 - \$1,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

The Company undertakes transactions in a range of financial instruments including:

- Receivables
- Restricted cash
- Payables
- Common share investments
- Due to related parties
- Bank loans

The Company's activities result in exposure to a number of financial risks including market risk (commodity price risk, interest rate risk, and foreign exchange risk), credit risk, and liquidity risk.

The Company's overall risk management program seeks to mitigate these risks and reduce the volatility on the Company's financial performance. Financial risk management is carried out by senior management under the direction of the Directors of the Company.

The Company may enter into various risk management contracts in accordance with Board approval to manage the Company's exposure to commodity price fluctuations. Currently no risk management agreements are in place. The Company does not speculatively trade in risk management contracts. The Company's risk management contracts are entered into to manage the risks relating to commodity prices from its business activities.

Capital Risk Management

The Company's objectives when managing capital, which the Company defines to include shareholders' equity, debt and working capital balances, are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends, debt facilities or issue new shares.

The Company monitors capital on the basis of the ratio of debt to cash flow. This ratio is calculated using each quarter end net debt (total debt adjusted for working capital) and divided by the preceding twelve months cash flow. The Company believes that a debt level of approximately one and a half year's cash flow is an appropriate level to allow it to take advantage in the future of either acquisition opportunities or to provide flexibility to develop its undeveloped resources by horizontal or vertical drill programs.

The following section (a) of this note provides a summary of the Company's underlying economic positions as represented by the carrying values, fair values and contractual face values of the Company's financial assets and financial liabilities. The Company's debt to cash flow from operations is also provided.

The following section (b) addresses in more detail the key financial risk factors that arise from the Company's activities including its policies for managing these risks.

The following section (c) provides details of the Company's risk management contracts that are used for financial risk management.

a) Financial assets, financial liabilities and debt ratio

The carrying amounts, fair value and face values of the Company's financial assets and liabilities are shown in Table 1.

Table 1

(\$ 000s)	As at June 30, 2010			As at December 31, 2009		
	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value	Face Value
Financial assets						
Accounts receivable	15,633	15,633	15,749	14,713	14,713	14,873
Investment	5,689	5,689	N/A	4,462	4,462	N/A
Investment in related party	7,587	7,587	N/A	4,827	4,827	N/A
Restricted cash	-	-	-	812	812	812
Financial liabilities						
Accounts payable and accrued						
Liabilities	12,498	12,498	12,498	18,868	18,868	18,868
Due to related parties	23,500	23,500	23,500	23,500	23,500	23,500
Long-term debt	78,434	78,434	78,434	59,823	59,823	59,823

Financial instruments consisting of accounts receivable, restricted cash, accounts payable and accrued liabilities, due to related parties and long-term debt are carried on the consolidated balance sheet at amortized cost. Investment and investments in related party are carried at fair value. All of the fair value items are transacted in active markets. Bonterra classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Bonterra's investment and investments in related party have been assessed on the fair value hierarchy described above and are all considered Level 1.

The net debt and cash flow figures as of June 30, 2010 are presented in Table 2.

(\$ 000s)	June 30, 2010
Long-term debt	78,434
Accounts payable and accrued liabilities	12,498
Due to related parties	23,500
Current assets ⁽¹⁾	(31,978)
Net Debt	82,454
Cash flow from operations ⁽²⁾	54,735
Net debt to cash flow from operations	1.51

⁽¹⁾ Current assets include accounts receivable, crude oil inventory, prepaid expenses, investment and investment in related party.

⁽²⁾ Cash flow from operations includes the previous 12 months net earnings less adjustment for stock-based compensation, depletion, depreciation and accretion, gain on sale of property and investments, future income taxes, changes in non-cash working capital items, asset retirement obligations settled, restricted cash and investment tax credit receivable.

b) Risks and mitigations

Market risk is the risk that the fair value or future cash flow of the Company's financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are discussed below.

Commodity price risk

The Company's principal operation is the production and sale of crude oil, natural gas and natural gas liquids. Fluctuations in prices of these commodities directly impact the Company's performance and ability to continue with its dividends.

The Company has used various risk management contracts to set price parameters for a portion of its production. Management, in agreement with the Board of Directors, decided that it will discontinue the use of commodity price agreements. The Company will assume full risk in respect of commodity prices.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Company uses. The principal exposure of the Company is on its borrowings which have a variable interest rate which gives rise to a cash flow interest rate risk.

The Company's debt facilities consists of a \$100,000,000 revolving operating line, \$20,000,000 demand operating line and \$23,500,000 due to related parties. The borrowings under these facilities are at Canadian chartered bank prime plus or minus various percentages as well as by means of bankers' acceptances (BA's) within the Company's credit facility. The Company manages its exposure to interest rate risk through entering into various term lengths on its BA's but in no circumstances do the terms exceed six months.

Sensitivity Analysis

Based on historic movements and volatilities in the interest rate markets and management's current assessment of the financial markets, the Company believes that a one percent variation in the Canadian prime interest rate is reasonably possible over a 12-month period.

A one percent increase (decrease) in the Canadian prime rate would increase (decrease) net earnings and comprehensive income by \$734,000.

Foreign exchange risk

The Company has no foreign operations and currently sells all of its product sales in Canadian currency. The Company is, however, exposed to currency risk in that crude oil is priced in U.S. currency then converted to Canadian currency. The Company currently has no outstanding risk management agreements. Management, in agreement with the Board of Directors, decided that at least in the near term it will discontinue the use of commodity price agreements. The Company will assume full risk in respect of foreign exchange fluctuations.

Credit risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and cause the Company to incur a financial loss. The Company is exposed to credit risk on all financial assets included on the balance sheet. To help mitigate this risk:

- The Company only enters into material agreements with credit worthy counterparties. These include major oil and gas companies or major Canadian chartered banks;
- Agreements for product sales are primarily on 30 day renewal terms; and
- Investments are generally only with companies that have common management with the Company. Investments not in related companies are reviewed continuously for value and are considered held only for short term periods.

Of the accounts receivable balance at June 30, 2010 (\$15,633,000) and December 31, 2009 (\$14,713,000) over 92 percent (2009 – 87) relates to product sales with international oil and gas companies and drilling credits receivable from the province of Alberta.

The Company assesses quarterly, if there has been any impairment of the financial assets of the Company. The Company does have a credit risk exposure as the majority of the Company's accounts receivable are with counterparties having similar characteristics. However, payments from the Company's largest accounts receivable counterparties have consistently been received within 30 days and the sales agreements with these parties are cancellable with 30 days notice if payments are not received.

At June 30, 2010 approximately \$284,000 or approximately 1.8 percent (December 31, 2009, approximately \$244,000 or 1.6 percent) of the Company's total accounts receivable are aged over 120 days and considered past due. The majority of these accounts are due from various joint venture partners. The Company actively monitors past due accounts and takes the necessary actions to expedite collection, which can include withholding production or netting payables when the accounts are with joint venture partners. Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectable, the account is written off with a corresponding charge to the allowance account. The Company's allowance for doubtful accounts balance at June 30, 2010

is \$116,000 (December 31, 2009 - \$160,000) with the difference being included in general and administrative expenses. There were no accounts written off during the period.

The carrying value of accounts receivable approximates their fair value due to the relatively short periods to maturity on this instrument. The maximum exposure to credit risk is represented by the carrying amount on the balance sheet. There are no material financial assets that the Company considers past due.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will not have sufficient funds to continue with its dividends;
- The Company will be forced to sell assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

To help reduce these risks the Company:

- Maintains a portfolio of high-quality, long reserve life oil and gas assets.

The Company has the following maturity schedule for its financial liabilities:

(\$ 000s)	Recognized on Financial Statements	Payments Due by Period		
		Less than 1 year	2-3 years	4-5 years
Accounts payable and accrued liabilities	Yes - Liability	12,498	-	-
Due to related parties	Yes - Liability	23,500	-	-
Long-term bank debt	Yes - Liability	-	78,434	-
Office leases	No	946	1,695	173
Total		36,944	80,129	173

c) Risk management contracts

The Company has no outstanding risk management contracts.

13. SUBSEQUENT EVENT – DIVIDENDS

Subsequent to June 30, 2010, the Company declared a dividend of \$0.22 per common share payable on July 30, 2010 to shareholders of record on July 15, 2010 and a dividend of \$0.22 per common share payable on August 31, 2010 to shareholders of record on August 16, 2010.

Board of Directors

G.J. Drummond, Nassau, Bahamas
G.F. Fink, Calgary, Alberta
C.R. Jonsson, Vancouver, British Columbia
F.W. Woodward, Calgary, Alberta

Officers

G.F. Fink – Chief Executive Officer and Chairman of the Board
R.M. Jarock – President and Chief Operating Officer
G.E. Schultz – Vice President, Finance, Chief Financial Officer and Secretary

Registrar & Transfer Agent

Olympia Trust Company, Calgary, Alberta

Auditors

Deloitte & Touche LLP, Calgary, Alberta

Solicitors

Borden Ladner Gervais LLP, Calgary, Alberta

Bankers

CIBC, Calgary, Alberta
The Royal Bank of Canada, Calgary, Alberta
Alberta Treasury Branches, Calgary, Alberta

Stock Listing

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