

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. The timely preparation of the financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Management believes such estimates have been based on careful judgments 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 condensed 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.

## CONDENSED STATEMENT OF FINANCIAL POSITION

As at (unaudited) (\$ 000s)	Note	September 30, 2019	December 31, 2018
<b>Assets</b>			
<b>Current</b>			
Accounts receivable		19,126	7,797
Crude oil inventory		607	613
Prepaid expenses		5,158	3,183
Investments		131	116
		<b>25,022</b>	11,709
Investment in related party		134	258
Exploration and evaluation assets		4,422	4,422
Property, plant and equipment	3	1,001,888	985,773
Investment tax credit receivable	7	8,861	8,861
Goodwill		92,810	92,810
		<b>1,133,137</b>	1,103,833
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		28,905	18,743
Risk management contract	10	58	-
Due to related party	4	12,000	12,000
Subordinated promissory note	5	7,500	10,000
Deferred consideration		1,158	1,247
		<b>49,621</b>	41,990
Bank debt	6	283,470	298,660
Deferred consideration		12,616	13,455
Decommissioning liabilities		167,234	132,134
Deferred tax liability	7	114,185	133,624
		<b>627,126</b>	619,863
<b>Subsequent events</b>	6, 10, 11		
<b>Shareholders' equity</b>			
Share capital	8	765,276	765,276
Contributed surplus		29,915	28,087
Accumulated other comprehensive loss		(758)	(664)
Retained earnings (deficit)		(288,422)	(308,729)
		<b>506,011</b>	483,970
		<b>1,133,137</b>	1,103,833

See accompanying notes to these condensed financial statements.

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the periods ended September 30 (unaudited) (\$ 000s, except \$ per share)	Note	Three Months		Nine Months	
		2019	2018	2019	2018
<b>Revenue</b>					
Oil and gas sales, net of royalties	9	43,125	56,417	140,282	168,308
Other income		39	60	128	181
Deferred consideration		301	332	927	1,060
Unrealized loss on risk management contract	10	(58)	-	(58)	-
		<b>43,407</b>	56,809	<b>141,279</b>	169,549
<b>Expenses</b>					
Production		15,989	19,572	50,369	53,115
Office and administration		185	534	1,754	1,946
Employee compensation		987	1,202	3,202	3,937
Finance costs		4,511	4,371	14,003	14,089
Share-option compensation		649	753	1,828	2,261
Depletion and depreciation	3	22,973	22,288	66,143	68,264
Exploration and evaluation		-	-	-	291
		<b>45,294</b>	48,720	<b>137,299</b>	143,903
<b>Earnings (loss) before income taxes</b>		<b>(1,887)</b>	8,089	<b>3,980</b>	25,646
<b>Taxes</b>					
Current income tax expense (recovery)		(376)	555	92	1,076
Deferred income tax expense (recovery)	7	(235)	1,778	(19,424)	6,494
		<b>(611)</b>	2,333	<b>(19,332)</b>	7,570
<b>Net earnings (loss) for the period</b>		<b>(1,276)</b>	5,756	<b>23,312</b>	18,076
<b>Other comprehensive income (loss)</b>					
Unrealized (loss) on investments		(22)	(79)	(109)	(221)
Deferred taxes on unrealized loss on investments		3	11	15	30
<b>Other comprehensive (loss) for the period</b>		<b>(19)</b>	(68)	<b>(94)</b>	(191)
<b>Total comprehensive income (loss) for the period</b>		<b>(1,295)</b>	5,688	<b>23,218</b>	17,885
<b>Net earnings (loss) per share - basic and diluted</b>	8	<b>(0.04)</b>	0.17	<b>0.70</b>	0.54
<b>Comprehensive income (loss) per share - basic and diluted</b>	8	<b>(0.04)</b>	0.17	<b>0.70</b>	0.54

See accompanying notes to these condensed financial statements.

## CONDENSED STATEMENT OF CASH FLOW

For the periods ended September 30 (unaudited) (\$ 000s)	Note	Three Months		Nine Months	
		2019	2018	2019	2018
<b>Operating activities</b>					
Net earnings (loss)		(1,276)	5,756	23,312	18,076
Items not affecting cash					
Deferred income taxes		(235)	1,778	(19,424)	6,494
Deferred consideration		(301)	(332)	(927)	(1,060)
Share-option compensation		649	753	1,828	2,261
Depletion and depreciation		22,973	22,288	66,143	68,264
Exploration and evaluation expenditures		-	-	-	291
Unrealized loss on risk management contract		58	-	58	-
Gain on sale of property and equipment		(3)	-	(5)	-
Unwinding of the discount on decommissioning liabilities		731	789	2,221	2,307
Investment income		(11)	(21)	(43)	(48)
Interest expense		3,780	3,583	11,782	11,783
Change in non-cash working capital accounts:					
Accounts receivable		(1,568)	(586)	(10,923)	(2,775)
Crude oil inventory		(9)	(16)	28	32
Prepaid expenses		802	1,143	(1,975)	(2,515)
Investment tax credit receivable		-	(27)	-	(27)
Accounts payable and accrued liabilities		(978)	2,435	1,529	5,114
Decommissioning expenditures		(1,058)	(291)	(1,457)	(960)
Interest paid		(3,780)	(3,583)	(11,782)	(11,783)
<b>Cash provided by operating activities</b>		<b>19,774</b>	<b>33,669</b>	<b>60,365</b>	<b>95,454</b>
<b>Financing activities</b>					
Increase (decrease) of bank debt		(5,075)	(10,216)	(15,190)	985
Subordinated promissory note		-	-	(2,500)	(2,500)
Stock option proceeds		-	81	-	81
Dividends		(1,002)	(9,994)	(3,005)	(29,980)
<b>Cash used in financing activities</b>		<b>(6,077)</b>	<b>(20,129)</b>	<b>(20,695)</b>	<b>(31,414)</b>
<b>Investing activities</b>					
Investment income received		11	21	43	48
Exploration and evaluation expenditures		-	(535)	-	(535)
Property, plant and equipment expenditures	3	(17,845)	(18,279)	(47,949)	(73,417)
Proceeds on sale of property		4	-	9	-
Change in non-cash working capital accounts:					
Accounts payable and accrued liabilities		4,398	5,293	8,633	8,921
Accounts receivable		(265)	(40)	(406)	943
<b>Cash used in investing activities</b>		<b>(13,697)</b>	<b>(13,540)</b>	<b>(39,670)</b>	<b>(64,040)</b>
<b>Net change in cash in the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash, beginning of period		-	-	-	-
<b>Cash, end of period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying notes to these condensed financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

For the periods ended (unaudited)

(\$ 000's, except number of shares outstanding)

	Numbers of common shares outstanding (Note 8)	Share Capital (Note 8)	Contributed surplus <sup>(1)</sup>	Accumulated other Comprehensive income (loss) <sup>(2)</sup>	Retained earnings (deficit)	Total shareholders' equity
<b>January 1, 2018</b>	33,310,796	763,977	25,533	(339)	(278,911)	510,260
Share-option compensation			2,261			2,261
Exercise of options	5,000	81				81
Transfer to share capital on exercise of options		12	(12)			-
Comprehensive income (loss)				(191)	18,076	17,885
Dividends					(29,980)	(29,980)
<b>September 30, 2018</b>	33,315,796	764,070	27,782	(530)	(290,815)	500,507
Share-option compensation			449			449
Exercise of options	73,000	1,062				1,062
Transfer to share capital on exercise of options		144	(144)			-
Comprehensive income (loss)				(134)	(10,909)	(11,043)
Dividends					(7,005)	(7,005)
<b>December 31, 2018</b>	33,388,796	765,276	28,087	(664)	(308,729)	483,970
Share-option compensation			1,828			1,828
Comprehensive income (loss)				(94)	23,312	23,218
Dividends					(3,005)	(3,005)
<b>September 30, 2019</b>	33,388,796	765,276	29,915	(758)	(288,422)	506,011

<sup>(1)</sup> All amounts reported in Contributed Surplus relate to share-based payments.

<sup>(2)</sup> Accumulated other comprehensive income is comprised of unrealized gains and losses on available-for-sale investments.

See accompanying notes to these condensed financial statements.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019 and December 31, 2018 and for the three and nine months ended September 30, 2019 and September 30, 2018. (unaudited)

### 1. NATURE OF BUSINESS AND SEGMENT INFORMATION

Bonterra Energy Corp. (“Bonterra” or the “Company”) is a public company listed on the Toronto Stock Exchange (the “TSX”) and incorporated under the Canada Business Corporations Act. The address of the Company’s registered office is Suite 901, 1015-4<sup>th</sup> Street SW, Calgary, Alberta, Canada, T2R 1J4.

Bonterra operates in one industry and has only one reportable segment being the development and production of oil and natural gas in the western Canadian Sedimentary Basin.

The financial statements were authorized for issue by the Company’s Board of Directors on November 6, 2019.

### 2. BASIS OF PREPARATION

#### a) Statement of Compliance

The Company prepares its unaudited condensed financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34).

The accounting policies and method of computation followed in the preparation of the condensed financial statements are the same as those followed in the preparation of Bonterra’s 2018 audited annual financial statements, except for as denoted below. These condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the 2018 audited annual financial statements, which has been prepared in accordance with International Financial Reporting Standards (IFRS).

#### b) Adopted Accounting Pronouncements

##### IFRS 16 “Leases”

As of January 1, 2019, the Company adopted IFRS 16 which replaces sections IAS 17 “Leases”, IFRIC 4 “Determining whether an arrangement contains a lease”, SIC-15 “Operating leases – incentives” and SIC-27 “Evaluating the substance of transactions involving the legal form of a lease”. IFRS 16 introduces a single lease accounting model for lessees which requires the recognition of a right of use asset (“ROU”) and a lease liability on the statement of financial position for contracts that are, or contain, a lease.

The Company adopted IFRS 16 using the modified retrospective approach. Under this method of adoption, the ROUs recognized were measured at amounts equal to the present value of the lease obligations. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. The Company elected not to apply lease accounting to certain leases for which the lease term ends within 12 months of the date of initial adoption. The Company undertook a complete evaluation of the contracts it has entered into, and it was determined that there is no material impact as a result of adopting IFRS 16. In addition, as a result of this adoption, the Company has included an accounting policy for leases as follows:

##### Leases

Leases or contractual obligations are capitalized as ROUs with a corresponding right of use lease obligation using the present value of future lease payments on the statement of financial position. The discount rate used to determine the ROU is disclosed in the lease contract or the Company’s incremental borrowing rate, if none is provided. Certain lease payments will continue to be expensed in the statement of comprehensive income. These leases are contractual

obligations that contain any of the following: are equal to or less than twelve months; are for oil and gas extraction; are variable payments; the Company does not control the asset; or no asset is identified in the lease.

### IFRS 3 "Business Combinations"

The Company elected to early adopt the amendments to IFRS 3 "Business Combinations" effective January 1, 2019, which will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments do not result in changes to the Company's accounting policies for applying the acquisition method.

### 3. PROPERTY, PLANT AND EQUIPMENT

Cost (\$ 000s)	Oil and gas properties	Production facilities	Furniture fixtures & other equipment	Total property plant & equipment
<b>Balance at December 31, 2018</b>	1,382,661	342,048	2,285	1,726,994
Additions	34,982	12,935	32	47,949
Adjustment to decommissioning liabilities <sup>(1)</sup>	34,336	-	-	34,336
Disposal	-	-	(84)	(84)
<b>Balance at September 30, 2019</b>	<b>1,451,979</b>	<b>354,983</b>	<b>2,233</b>	<b>1,809,195</b>
<b>Accumulated depletion and depreciation</b> (\$ 000s)	<b>Oil and gas properties</b>	<b>Production facilities</b>	<b>Furniture fixtures &amp; other equipment</b>	<b>Total property plant &amp; equipment</b>
<b>Balance at December 31, 2018</b>	(604,502)	(134,927)	(1,792)	(741,221)
Depletion and depreciation	(54,213)	(11,876)	(54)	(66,143)
Disposal and other	(22)	-	79	57
<b>Balance at September 30, 2019</b>	<b>(658,737)</b>	<b>(146,803)</b>	<b>(1,767)</b>	<b>(807,307)</b>
<b>Carrying amounts as at:</b> (\$ 000s)				
December 31, 2018	778,159	207,121	493	985,773
<b>September 30, 2019</b>	<b>793,242</b>	<b>208,180</b>	<b>466</b>	<b>1,001,888</b>

<sup>(1)</sup> Adjustment to decommissioning liabilities is due to a 0.57 percent decrease in the risk-free rate and a change in estimate on decommissioning costs.

There were no impairment losses or reversals recorded in the statement of comprehensive income for the nine months ended September 30, 2019 and 2018.

### 4. TRANSACTIONS WITH RELATED PARTIES

As at September 30, 2019, the Company's CEO, Chairman of the Board and major shareholder has loaned Bonterra \$12,000,000 (December 31, 2018 - \$12,000,000). The loan bears interest at Canadian chartered bank prime less 5/8<sup>th</sup> of one percent and has no set repayment terms but is payable on demand. Security under the debenture is over all of the Company's assets and is subordinated to any and all claims in favour of the syndicate of senior lenders providing credit facilities to the Company. The Company's bank agreement requires that the above loan can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility. Interest paid on this loan during the first September months of 2019 was \$298,000 (September 30, 2018 - \$261,000).

The Company provides executive and marketing services for Pine Cliff Energy Ltd. (Pine Cliff). All services performed were charged at estimated fair value. As at September 30, 2019, the Company had an account receivable from Pine Cliff of \$21,000 (December 31, 2018 - \$71,000).

## 5. SUBORDINATED PROMISSORY NOTE

As at September 30, 2019, Bonterra had \$7,500,000 (December 31, 2018 - \$10,000,000) outstanding on a subordinated note to a private investor. The terms of the subordinated promissory note are that it bears interest at five percent and is repayable after thirty days' written notice by either party. Security consists of a floating demand debenture over all of the Company's assets and is subordinated to any and all claims in favor of the syndicate of senior lenders providing credit facilities to the Company. Interest paid on the subordinated promissory note during the first nine months of 2019 was \$280,000 (September 30, 2018 - \$388,000). On January 2, 2019 the Company repaid \$2,500,000.

The Company's bank agreement requires that the above loan can only be repaid should the Company have sufficient available borrowing limits under the Company's credit facility.

## 6. BANK DEBT

As at September 30, 2019, the Company has a total bank facility of \$340,000,000 (December 31, 2018 - \$380,000,000), comprised of a \$300,000,000 syndicated revolving credit facility and a \$40,000,000 non-syndicated revolving credit facility. The amount drawn under the total bank facility at September 30, 2019 was \$283,000,000 (December 31, 2018 - \$298,660,000). The amounts borrowed under the bank facility bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 0.50 percent and 3.50 percent, depending on the type of borrowing and the Company's consolidated debt to EBITDA ratio. EBITDA is defined as net income for the period excluding finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets and impairment of assets. The terms of the bank facility provide that the loan is revolving to April 28, 2020, with a maturity date of April 29, 2021, subject to annual review. The credit facilities have no fixed terms of repayment. The Company has an accordion feature which allows it to obtain future funding of up to \$40,000,000 for opportunities outside of normal operations, such as acquisitions, subject to unanimous lender approval.

The available lending limit of the bank facility is reviewed semi-annually on or before April 30 and October 31 and is based on the lender's assessment of the Company's reserves, future commodity prices and costs. Effective October 31, 2019, the total credit facility was revised to \$325,000,000, comprised of a \$286,765,000 syndicated revolving credit facility and a \$38,235,000 non-syndicated revolving credit facility. All other terms and conditions remain the same.

The amount available for borrowing under the bank facility is reduced by outstanding letters of credit. Letters of credit totaling \$900,000 were issued as at September 30, 2019 (December 31, 2018 - \$900,000). Security for the bank facility consists of various floating demand debentures totaling \$750,000,000 (December 31, 2018 - \$750,000,000) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

The following is a list of the material financial covenants on the bank facility:

- The Company cannot exceed \$340,000,000 in consolidated debt (excluding accounts payable and accrued liabilities). As at September 30, 2019 consolidated debt is \$302,970,000.
- Dividends paid in the current quarter shall not exceed 80 percent of the available cash flow for the preceding four fiscal quarters divided by four, which is calculated as five percent for the current quarter.

Available cash flow is defined to be cash provided by operating activities excluding the change in non-cash working capital and decommissioning liabilities settled and including investment income received and all net proceeds of dispositions included in cash used in investing activities. As at September 30, 2019, the Company is in compliance with all covenants.

## 7. INCOME TAXES

Income tax expense varies from the amounts that would be computed by applying Canadian federal and provincial income tax rates as follows:

(\$ 000s)	Three Months		Nine Months	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Earnings (loss) before taxes	<b>(1,887)</b>	8,089	<b>3,980</b>	25,646
Combined federal and provincial income tax rates	<b>26.00%</b>	27.00%	<b>26.67%</b>	27.00%
Income tax provision calculated using statutory tax rates	<b>(491)</b>	2,184	<b>1,061</b>	6,924
Increase (decrease) in taxes resulting from:				
Change in statutory tax rates <sup>(1)</sup>	-	-	<b>(18,946)</b>	-
Share-option compensation	<b>169</b>	203	<b>488</b>	610
Change in unrecorded benefits of tax pools	-	-	<b>(1,569)</b>	-
Change in estimates and other	<b>(289)</b>	(54)	<b>(366)</b>	36
	<b>(611)</b>	2,333	<b>(19,332)</b>	7,570

<sup>(1)</sup> Effective July 1, 2019 the combined federal and provincial income tax rate for Bonterra is approximately 26.00% due to the provincial tax rate for Alberta, Canada decreasing from 12% to 11%. The provincial tax rate for Alberta will further decrease to 10% on January 1, 2020, 9% on January 1, 2021 and 8% on January 1, 2022.

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	7-100	81,044
Share issue costs	20	5
Canadian oil and gas property expenditures	10	86,883
Canadian development expenditures	30	139,614
Canadian exploration expenditures	100	8,587
Federal income tax losses carried forward <sup>(1)</sup>	100	40,715
Provincial income tax losses carried forward <sup>(2)</sup>	100	2,299
		<b>359,147</b>

<sup>(1)</sup> Federal income tax losses carried forward expire in the following years; 2035 - \$4,653,000; 2036 - \$35,853,000; 2037 - \$209,000.

<sup>(2)</sup> Provincial income tax losses carried forward expire in 2036 - \$ 2,090,000; 2037 - \$209,000.

The Company has \$8,861,000 (December 31, 2018 - \$8,861,000) of investment tax credits that expire in the following years: 2024 - \$1,319,000; 2025 - \$2,258,000; 2026 - \$2,405,000; 2027- \$2,009,000; 2028 - \$745,000; 2034 - \$99,000; and 2037 - \$26,000

The Company has \$65,015,000 (December 31, 2018 - \$65,015,000) of capital losses carried forward which can only be claimed against taxable capital gains.

## 8. SHAREHOLDERS' EQUITY

Authorized

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

	Number	Amount (\$ 000s)
Issued and fully paid - common shares		
Balance, September 30, 2019 and December 31, 2018	<b>33,388,796</b>	<b>765,276</b>

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 weighted average common shares used to calculate basic and diluted net earnings per share for the nine months ended September 30 is as follows:

	Three Months		Nine Months	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Basic shares outstanding	<b>33,388,796</b>	33,312,155	<b>33,388,796</b>	33,311,254
Dilutive effect of share options <sup>(1)</sup>	-	273,234	-	40,282
Diluted shares outstanding	<b>33,388,796</b>	33,585,389	<b>33,388,796</b>	33,351,536

<sup>(1)</sup> The Company did not include 2,760,000 share-options for the three months ended September 30, 2019 (September 30, 2018 – 1,593,000) and 2,760,000 share options for the nine months ended September 30, 2019 (September 30, 2018 – 1,826,000) in the dilutive effect of share-options calculations as these share-options were anti-dilutive.

For the three months ended September 30, 2019, the Company declared and paid dividends of \$1,002,000 (\$0.03 per share) (September 30, 2018 - \$9,994,000 (\$0.30 per share)). For the nine months ended September 30, 2019, the Company declared and paid dividends of \$3,005,000 (\$0.09 per share) (September 30, 2018 - \$29,980,000 (\$0.90 per share)).

The Company provides an equity settled option plan for its directors, officers and employees. Under the plan, the Company may grant options for up to 3,338,880 (December 31, 2018 – 3,338,880 common shares). The exercise price of each option granted cannot be lower than 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 options as of September 30, 2019 and changes during the year ended are presented below:

	Number of options	Weighted average exercise price
At December 31, 2018	2,794,000	\$11.62
Options granted	60,000	5.79
Options forfeited	(78,000)	11.24
Options expired	(16,000)	27.95
At September 30, 2019	2,760,000	\$11.40

The following table summarizes information about options outstanding and exercisable as at September 30, 2019:

Range of exercise prices	Options outstanding			Options exercisable		
	Number outstanding	Weighted-average remaining contractual life	Weighted- average exercise price	Number exercisable	Weighted- average exercise price	
\$ 5.00 - \$ 10.00	1,061,000	1.4 years	\$ 5.92	-	\$ -	-
10.01 - 15.00	1,583,000	0.6 years	14.56	753,000	14.56	
15.01 - 25.00	116,000	1.0 years	18.56	53,000	18.49	
\$ 5.00 - \$ 25.00	2,760,000	0.9 years	\$ 11.40	806,000	\$ 14.82	

The Company records compensation expense over the vesting period, which ranges between one to three years, based on the fair value of options granted to directors, officers and employees. During the nine months ended September 30, 2019, the Company granted 60,000 options with an estimated fair value of \$86,000 or \$1.43 per option using the Black-Scholes option pricing model with the following key assumptions:

**September 30, 2019**

Weighted-average risk free interest rate (%) <sup>(1)</sup>	<b>1.62</b>
Weighted-average expected life (years)	<b>2.0</b>
Weighted-average volatility (%) <sup>(2)</sup>	<b>49.06</b>
Forfeiture rate (%)	<b>7.37</b>
Weighted average dividend yield (%)	<b>2.05</b>

<sup>(1)</sup> Risk-free interest rate is based on the weighted average Government of Canada benchmark bond yields for one, two, and three year terms to match corresponding vesting periods.

<sup>(2)</sup> The expected volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical weekly share prices for a representative period.

## 9. OIL AND GAS SALES, NET OF ROYALTIES

(\$ 000s)	Three months		Nine months	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Oil and gas sales				
Crude oil	<b>43,121</b>	56,457	<b>134,699</b>	166,336
Natural gas liquids	<b>2,085</b>	4,325	<b>7,020</b>	11,372
Natural gas	<b>2,114</b>	3,035	<b>10,287</b>	10,692
	<b>47,320</b>	63,817	<b>152,006</b>	188,400
Less royalties:				
Crown	<b>(2,563)</b>	(4,784)	<b>(6,450)</b>	(12,681)
Freehold, gross overriding royalties and other	<b>(1,632)</b>	(2,616)	<b>(5,274)</b>	(7,411)
	<b>(4,195)</b>	(7,400)	<b>(11,724)</b>	(20,092)
Oil and gas sales, net of royalties	<b>43,125</b>	56,417	<b>140,282</b>	168,308

## 10. FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Company's overall risk management program seeks to mitigate these risks and reduce the volatility on the Company's financial performance. Financial risk is managed by senior management under the direction of the Board of Directors. Bonterra's exposure to credit risk, liquidity risk and market risk are consistent with those discussed in Note 20 of the Company's audited annual financial statements for the year ended December 31, 2018.

### Physical Delivery Sales Contracts

Bonterra enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value in the financial statements. As of September 30, 2019, the Company has the following physical delivery sales contracts in place.

Product	Type of contract	Volume	Term	Contract price
Oil	Fixed price - MSW Stream index <sup>(1)</sup>	1,000 BBL/day	Sept 1 to Dec 31, 2019	\$67.75 CAD/BBL
Oil	Fixed price - MSW Stream index <sup>(1)</sup>	500 BBL/day	Oct 1 to Oct 31, 2019	\$68.69 CAD/BBL
Oil	Fixed price - MSW Stream index <sup>(1)</sup>	500 BBL/day	Nov 1 to Nov 30, 2019	\$65.62 CAD/BBL
Oil	Fixed price - MSW Stream index <sup>(1)</sup>	500 BBL/day	Dec 1 to Dec 31, 2019	\$64.96 CAD/BBL

<sup>(1)</sup> "MSW Stream index" or "Edmonton Par" refers to the mixed sweet blend that is the benchmark price for conventionally produced light sweet crude oil in Western Canada.

Subsequent to September 30, 2019, the Company entered into the following physical delivery sales contracts.

Product	Type of contract	Volume	Term	Contract price
Gas	Fixed Price - AECO <sup>(1)</sup>	2,500 GJ/day	Apr 1 to Oct 31, 2020	\$1.55 CAD/GJ
Gas	Fixed Price - AECO <sup>(1)</sup>	2,500 GJ/day	Apr 1 to Oct 31, 2020	\$1.64 CAD/GJ

<sup>(1)</sup> "AECO" refers to Alberta Energy Company; a grade or heating content of natural gas used as benchmark pricing in Alberta, Canada.

### Risk Management Contracts

As of September 30, 2019, the Company has the following financial risk management contracts in place.

Product	Type of contract	Volume	Term	Contract price
Oil	Financial Hedge - MSW Stream index	500 BBL/day	Oct 1 to Dec 31, 2019	\$63.00 CAD/BBL
Oil	Financial Hedge - MSW Stream index	500 BBL/day	Oct 1 to Dec 31, 2019	\$65.00 CAD/BBL

On October 31, 2019, the Company also entered into a financial derivative for the period of November 1, 2019 to December 31, 2019 for a total of 61,000 barrels of oil (approximately 1,000 barrels of oil per day) at a fixed MSW stream index price of \$62.90 CAD per barrel.

## 11. SUBSEQUENT EVENTS

### Dividends

Subsequent to September 30, 2019, the Company declared the following dividends:

Date declared	Record date	\$ per share	Date payable
October 1, 2019	October 15, 2019	0.01	October 31, 2019
November 1, 2019	November 15, 2019	0.01	November 29, 2019