MANAGEMENT’S DISCUSSION AND ANALYSIS

The following report dated November 12, 2024 is a review of the operations and current financial position for the three and nine months ended September 30, 2024 for Bonterra Energy Corp. (“Bonterra” or “the Company”) and should be read in conjunction with the unaudited condensed financial statements and the audited financial statements including the notes related thereto for the fiscal year ended December 31, 2023 presented under International Financial Reporting Standards (IFRS®), as well as Bonterra’s Annual Information Form (“AIF”), each of which is filed on SEDAR+ at www.sedarplus.ca.

Use of Non-IFRS Financial Measures

Throughout this Management’s Discussion and Analysis (MD&A) the Company uses the terms “field netback”, “cash netback” and “net debt” to analyze operating performance, which are not standardized measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures are commonly used in the oil and gas industry and are considered informative by management, shareholders and analysts. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other entities.

Bonterra calculates cash and field netback by dividing various financial statement items as determined by IFRS by total production for the period on a barrel of oil equivalent basis. The Company calculates net debt as long-term debt plus working capital deficiency (current liabilities less current assets).

Frequently Recurring Terms

Bonterra uses the following frequently recurring terms in this MD&A:

- “WTI” refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States;
- “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;
- “AECO” is the benchmark price for natural gas in Alberta, Canada;
- “bbl” refers to barrel; “NGL” refers to natural gas liquids;
- “MCF” refers to thousand cubic feet;
- “MMBTU” refers to million British Thermal Units;
- “GJ” refers to gigajoule;
- “LNG” refers to liquefied natural gas; and
- “BOE” refers to barrels of oil equivalent.

Disclosure provided herein in respect of a BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Numerical Amounts

The reporting and the functional currency of the Company is the Canadian dollar.

QUARTERLY COMPARISONS

As at and for the periods ended ($ 000s except $ per share)	**2024** Q3	Q2	Q1	2023 Q4	Q3	Q2	Q1
Financial							
Revenue - oil and gas sales	**69,204**	72,465	68,589	81,739	84,909	75,606	77,263
Cash flow from operations	**31,531**	33,180	21,654	44,596	37,715	33,854	24,018
Per share - basic	**0.84**	0.89	0.58	1.20	1.01	0.91	0.65
Per share - diluted	**0.84**	0.89	0.58	1.19	1.01	0.91	0.64
Net earnings	**4,258**	7,310	848	14,973	13,486	8,844	7,640
Per share - basic	**0.11**	0.20	0.02	0.40	0.36	0.24	0.21
Per share - diluted	**0.11**	0.20	0.02	0.40	0.36	0.24	0.20
Capital expenditures	**24,095**	21,619	32,924	14,009	36,130	16,116	60,223
Oil and gas property acquisition[(1)]	**-**	-	24,234	-	-	-	-
Total assets	**982,256**	984,065	984,464	967,870	955,484	962,021	963,890
Net debt	**168,278**	172,622	181,400	145,440	172,489	173,299	188,629
Shareholders' equity	**542,344**	537,498	529,605	528,258	512,479	498,449	488,762
Operations							
Light oil (barrels per day)	**6,775**	6,571	6,622	7,306	7,177	7,282	7,068
NGLs (barrels per day)	**1,538**	1,418	1,468	1,619	1,410	1,248	1,155
Conventional natural gas (MCF per day)	**42,039**	37,519	36,594	37,214	34,241	32,286	31,448
Total BOE per day	**15,320**	14,242	14,189	15,128	14,294	13,911	13,464

(1) On March 1, 2024, the Company acquired the Charlie Lake Assets for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, including closing adjustments. The Charlie Lake Assets have been accounted for as an asset acquisition, which resulted in an increase of $24.2 million in PP&E and the assumption of $0.3 million in decommissioning liabilities.

As at and for the periods ended ($ 000s except $ per share)	2022 Q4	Q3	Q2	Q1
Financial				
Revenue - oil and gas sales	87,154	88,827	116,674	91,542
Cash flow from operations	35,494	48,810	58,307	40,942
Per share - basic	0.97	1.35	1.62	1.16
Per share - diluted	0.95	1.30	1.53	1.11
Net earnings	17,264	17,696	33,544	10,519
Per share - basic	0.47	0.49	0.93	0.30
Per share - diluted	0.46	0.47	0.88	0.29
Capital expenditures	12,642	20,452	14,506	32,169
Acquisition	-	-	-	-
Total assets	919,682	948,259	934,303	965,969
Net debt	149,831	187,128	211,284	260,670
Shareholders' equity	479,839	461,199	442,653	405,148
Operations				
Light oil (barrels per day)	6,764	6,649	7,623	7,356
NGLs (barrels per day)	1,209	1,206	1,151	996
Conventional natural gas (MCF per day)	30,101	31,052	33,323	29,609
Total BOE per day	12,989	13,031	14,328	13,287

Business Environment and Sensitivities

Bonterra's financial results may be influenced by fluctuations in commodity prices, including price differentials, as well as production volumes and foreign exchange rates. The following table depicts selective market benchmark commodity prices, differentials, and foreign exchange rates in the last eight quarters to assist in understanding how past volatility has impacted the Company's financial and operating performance. The increases or decreases in Bonterra's realized average price for oil and natural gas for each of the eight quarters is also outlined in detail in the following table.

	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022
Crude oil								
WTI (U.S.$/bbl)	**75.09**	80.57	76.96	78.32	82.26	73.78	76.13	82.64
WTI to MSW Stream Index								
Differential (U.S.$/bbl)[1]	**(3.31)**	(3.62)	(8.64)	(5.16)	(1.83)	(2.96)	(2.86)	(1.61)
Foreign exchange								
U.S.$ to Cdn$	**1.3636**	1.3694	1.3488	1.3619	1.3410	1.3431	1.3520	1.3578
Bonterra average realized								
oil price (Cdn$/bbl)	**94.30**	102.09	88.96	97.01	104.32	93.21	95.71	105.59
Natural gas								
AECO (Cdn$/mcf)	**0.68**	1.17	2.48	2.29	2.58	2.44	3.20	5.09
Bonterra average realized								
gas price (Cdn$/mcf)	**0.96**	1.64	2.65	2.73	3.06	3.01	3.78	5.36

(1) This differential accounts for the majority of the difference between WTI and Bonterra's average realized price (before quality adjustments and foreign exchange).

WTI prices averaged $75.09 USD per barrel in Q3 2024, which is a decrease of nine percent as compared to Q3 2023. The decrease in the WTI price has been driven by supply and demand volatility due to a variety of macroeconomic and geopolitical factors. These factors include but are not limited to global supply growth along with messaging from OPEC+ that it plans to return supply to the market coupled with a slower than expected ramp up in demand from emerging economies, in particular China.

In addition to the WTI benchmark price, the Company's realized crude oil price is impacted by the MSW Stream Index or Edmonton Par differential (the "Differential"). The Differential averaged ($3.31) USD per barrel in Q3 2024, a decrease of $1.48 USD per barrel from Q3 2023. While the Differential has widened as compared to year ago levels, at ($3.31) USD per barrel it is still tight as compared to historical levels.

Below average inventories at the Cushing storage hub in Oklahoma and low apportionment on downstream Canadian pipelines have been the largest contributing factors in keeping the Differential tight as compared to historical levels. The recent commissioning of the Trans Mountain Pipeline Expansion in May 2024 has contributed significantly to Canada's export capabilities and is expected to have a continuing positive effect on the movement and pricing of all Canadian barrels.

AECO daily spot prices averaged $0.68 per mcf in Q3 2024, a decrease of 74 percent over Q3 2023. The decrease is mainly due to a wide supply and demand imbalance, in combination with elevated storage levels that have persisted through summer after a second unseasonably mild winter across much of the Northern Hemisphere.

The following chart shows the Company's sensitivity to key commodity price variables. The sensitivity calculations are performed independently and show the effect of changing one variable while holding all other variables constant.

Annualized sensitivity analysis on before tax cash flow, as estimated for 2024[1]			
Impact on cash flow	Change ($)	$000s	$ per share[2]
Realized crude oil price ($/bbl)	1.00	2,097	0.06
Realized natural gas price ($/mcf)	0.10	1,487	0.04
U.S.$ to Canadian $ exchange rate	0.01	1,468	0.04

(1) This analysis uses current royalty rates, annualized estimated average production of 14,700 BOE per day and no changes in working capital.

(2) Based on annualized basic weighted average shares outstanding of 37,324,880.

Business Overview, Strategy and Key Performance Drivers

Bonterra continued pursuing the profitable development of its high-quality, light oil-weighted asset base in Q3 2024. The Company remains focused on enhancing its long-term financial position and will consider adding further to its asset base in support of the goal of progressing towards implementing a sustainable shareholder returns-based business model supported by modest production growth.

On March 1, 2024, Bonterra closed an acquisition to purchase primarily undeveloped petroleum and natural gas assets in northern Alberta, for cash consideration of $23.6 million and $0.3 million in non-core mineral rights, after closing adjustments (the "Charlie Lake Asset Acquisition"). The Charlie Lake Asset Acquisition was funded by the bank facility and resulted in a $24.2 million increase in property, plant and equipment, and the assumption of $0.3 million in decommissioning liabilities. The assets acquired produced approximately 250 BOE per day before being shut-in to drill, complete, equip and tie-in two (1.8 net) 2.0 mile Charlie Lake wells in June 2024 for an average gross cost of $4.5 million per well. Post clean up of the well bores, these wells delivered average 30-day rates per well of 640 BOEs per day of raw wellhead production, including 345 days barrels per day of light crude oil. In the third quarter, the Company drilled two (1.7 net) 2.5 mile Charlie Lake wells, which were completed, equipped and tied-in in late October of 2024. Initial production from these new wells has exceeded expectations and the capacity of current gathering infrastructure, resulting in production restrictions area-wide in Q4 2024. The Company anticipates resolving these capacity limitations early in Q1 2025. The Charlie Lake Asset Acquisition provides a portfolio of high-quality future drilling locations and reserves, establishing a new core operating area for the Company.

The Company averaged 14,586 BOE per day of production in the first nine months of 2024, as compared to 13,893 BOE per day in the same period of 2023, which is an increase of 693 BOE per day, or five percent. The increase was primarily driven by new wells coming on stream from the Company's successful capital program and a well reactivation program.

The production growth was partially offset by approximately 260 BOE per day of shut-in volumes in Q1 2024 primarily due to extremely cold weather in January and 650 BOE per day of shut-in volumes in Q2 2024 primarily due to planned major gas plant turnarounds.

Also, in Q2 2024, the Company tied-in and brought on production its first exploratory Montney well. Since the beginning of August 2024, with recent optimization efforts, the well is producing approximately 700 BOE per day, including approximately 205 barrels per day of light crude oil, 2.6 mmcf per day of conventional natural gas and 65 barrels per day of natural gas liquids. The Company drilled, completed, equipped and tied-in its second Montney well in the fourth quarter of 2024.

The Company is pleased to upwardly revise its previously announced 2024 annual guidance with average production between 13,800 to 14,200 BOE per day to 14,600 to 14,800 BOE per day. Bonterra also expects to be on the upper end of its 2024 capital expenditure guidance between $90 million to $100 million.

The Company invested capital expenditures of $78.6 million in the first nine months of 2024. Of the capital invested, $55.5 million was directed to the drilling of 19 gross (17.9 net) operated wells and completing, equipping, tying-in and placing on production 21 gross (19.7 net) operated wells, of which four gross (3.6 net) were drilled in Q4 2023. The remaining two gross (1.7 net) operated wells were placed on production early in the fourth quarter of 2024. An additional $23.1 million was directed primarily to related infrastructure, recompletions and drilling, completing, equipping and tying-in a water disposal well to reduce water handling costs in the Montney area.

Bonterra will continue to prioritize responsible environmental initiatives, including a targeted abandonment and reclamation program. During 2024, the Company anticipates having abandoned 26.2 net wells, 2.0 net facilities, and 36.0 net pipelines (covering a total length of 43.9 kilometers of pipeline), will have decommissioned 231.8 net well sites in preparation for future reclamation, and 16.0 net well sites will have been reclaimed. The Company estimates it will have invested approximately $7.0 million in decommissioning liabilities for 2024, exceeding its mandatory spend requirements under the Alberta Energy Regulator's Liability Management Program.

As part of the Company's ongoing efforts to diversify commodity pricing and to protect future cash flows, it has executed physical delivery sales and risk management contracts to the end of 2024 on approximately 30 percent of its expected crude oil production and natural gas production. For the next 9 months, Bonterra has secured a WTI price between $60.00 USD to $92.80 USD per barrel on 2,468 barrels per day.

For the period of October 1, 2024, to December 31, 2024, the Company has also secured an average WTI to Edmonton par differential price of $2.60 USD per barrel on 1,000 barrels of oil per day. In addition, Bonterra has secured natural gas prices between $1.75 to $3.30 per GJ on 12,491 GJ per day to the end of June 30, 2025.

The Company's successful operations are dependent upon several factors including, but not limited to: commodity prices, efficient management of capital spending, the ability to maintain desired production levels, control over infrastructure, efficiency in developing and operating properties, and the ability to control costs. Its key performance measures include average daily production volumes, realized prices, and production costs per unit. Disclosure of these key performance measures can be found within this MD&A and/or previous interim or annual MD&A disclosures.

Bonterra is committed to employing local services in Drayton Valley and Grande Prairie communities, which surround its three core assets: the Cardium, Charlie Lake and Montney. The Company aims to remain a key economic contributor to rural and surrounding communities located within central and eventually northern Alberta.

Production

	Three months ended			Nine months ended	
	September 30, 2024	June 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Crude oil (barrels per day)	**6,775**	6,571	7,177	**6,656**	7,176
NGLs (barrels per day)	**1,538**	1,418	1,410	**1,475**	1,272
Conventional natural gas (MCF per day)	**42,039**	37,519	34,241	**38,730**	32,669
Average BOE per day	**15,320**	14,242	14,294	**14,586**	13,893

The Company averaged 14,586 BOE per day of production in the first nine months of 2024, as compared to 13,893 BOE per day in the same period of 2023, an increase of 693 BOE per day or five percent. The increase was primarily due to Bonterra's successful 2024 capital and well reactivation program, which was partially offset by approximately 325 BOE per day of shut-in volumes in 2024 primarily due to planned major gas plant turnarounds in Q2 2024 that are required every five years.

Cash Netback

$ per BOE	Three months ended September 30, 2024	June 30, 2024	September 30, 2023	Nine months ended September 30, 2024	September 30, 2023
Production volumes (BOE)	**1,409,407**	1,296,046	1,315,079	**3,996,653**	3,792,701
Gross production revenue	**49.10**	55.91	64.57	**52.61**	62.69
Realized gain on risk management contracts	**0.85**	0.29	0.52	**0.49**	0.47
Royalties	**(7.66)**	(7.97)	(8.10)	**(7.54)**	(8.74)
Production costs	**(16.04)**	(16.18)	(16.61)	**(16.71)**	(17.00)
Field netback	**26.25**	32.05	40.38	**28.85**	37.42
General and administrative	**(1.72)**	(2.28)	(2.30)	**(2.29)**	(2.45)
Disposal of investments	**-**	-	-	**0.36**	-
Interest and other	**(3.06)**	(3.45)	(3.64)	**(3.27)**	(3.85)
Current income tax	**(0.14)**	(2.03)	(1.96)	**(1.49)**	(2.94)
Cash netback	**21.33**	24.29	32.48	**22.16**	28.18

Cash netbacks decreased in the first nine months of 2024 on a BOE basis as compared to the same period in 2023 primarily due to lower realized natural gas prices. This was partially offset by lower royalties and current income tax costs.

Quarter-over-quarter cash netbacks decreased by 2.96 per BOE due to a 12 percent decrease in the Company’s realized commodity prices.

Oil and Gas Sales

	Three months ended September 30, 2024	June 30, 2024	September 30, 2023	Nine months ended September 30, 2024	September 30, 2023
Revenue - oil and gas sales ($ 000s)					
Light oil	**58,774**	61,042	68,883	**173,423**	191,536
NGL	**6,714**	5,817	6,383	**18,688**	17,044
Conventional natural gas	**3,716**	5,606	9,643	**18,147**	29,198
	69,204	72,465	84,909	**210,258**	237,778
Average realized prices:					
Light oil ($ per barrel)	**94.30**	102.09	104.32	**95.09**	97.77
NGL ($ per barrel)	**47.44**	45.08	49.19	**46.24**	49.08
Conventional natural gas ($ per MCF)	**0.96**	1.64	3.06	**1.71**	3.27
Average ($ per BOE)	**49.10**	55.91	64.57	**52.61**	62.69
Average BOE per day	**15,320**	14,242	14,294	**14,586**	13,893

Revenue from oil and gas sales in the first nine months of 2024 decreased by $27.5 million, or 12 percent, as compared to the same period in 2023. This decrease was primarily driven by a 16 percent reduction in Bonterra’s average realized commodity prices caused primarily by a 48 percent decrease in realized gas prices, which was partially offset by a five percent increase in production over the same period.

Quarter-over-quarter, revenue from oil and gas sales decreased primarily due to lower crude oil prices, despite an eight percent increase in production. Bonterra’s product split on a revenue basis was weighted approximately 90 percent to crude oil and NGLs during the first nine months of 2024.

Royalties

($ 000s)	Three months ended **September 30, 2024**	June 30, 2024	September 30, 2023	Nine months ended **September 30, 2024**	September 30, 2023
Crown royalties	**7,631**	7,195	7,382	**20,906**	23,505
Freehold, gross overriding and other royalties	**3,163**	3,132	3,267	**9,225**	9,639
Total royalties	**10,794**	10,327	10,649	**30,131**	33,144
Crown royalties - percentage of revenue	**11.0**	9.9	8.7	**9.9**	9.9
Freehold, gross overriding and other royalties - percentage of revenue	**4.6**	4.3	3.8	**4.4**	4.1
Royalties - percentage of revenue	**15.6**	14.2	12.5	**14.3**	14.0
Royalties $ per BOE	**7.66**	7.97	8.10	**7.54**	8.74

Royalties paid by the Company consist of both Crown royalties to the Provinces of Alberta, Saskatchewan and British Columbia and other royalties. Total royalties for the first nine month of 2024 decreased by $1.20 per BOE as compared to the prior period primarily due to a decrease in commodity prices.

Production Costs

($ 000s except $ per BOE)	Three months ended **September 30, 2024**	June 30, 2024	September 30, 2023	Nine months ended **September 30, 2024**	September 30, 2023
Production costs	**22,611**	20,966	21,844	**66,792**	64,461
$ per BOE	**16.04**	16.18	16.61	**16.71**	17.00

Production costs for the first nine months of 2024 decreased on a BOE basis as compared to the same period of 2023, primarily due to a 55 percent decrease in power rates, and were partially offset by an increase in well workovers and facility turnarounds in 2024.

Other Income

($ 000s)	Three months ended **September 30, 2024**	June 30, 2024	September 30, 2023	Nine months ended **September 30, 2024**	September 30, 2023
Investment income	**60**	88	104	**280**	320
Administrative income	**49**	68	74	**177**	201
Gain on sale of property	**-**	-	17	**153**	17
Government grant in-kind	**-**	-	-	**-**	782
Deferred consideration	**223**	234	232	**682**	735
Realized gain on risk management contracts	**1,203**	370	680	**1,943**	1,773
Unrealized gain (loss) on risk management contracts	**2,101**	1,743	(3,266)	**1,182**	(3,058)
	3,636	2,503	(2,159)	**4,417**	770

Deferred consideration relates to a deferred gain on the sale of a two percent overriding royalty interest, which is recognized into revenue using the same unit-of-production method as the encumbered property, plant, and equipment assets.

During the first quarter of 2024, Bonterra disposed of all of its investments in marketable securities. The dispositions resulted in a gain net of tax of $271,000 and was recorded as an equity transfer between accumulated other comprehensive income and retained earnings.

The Company receives administrative income for various oil and gas administrative services provided and production equipment rentals to other companies.

To minimize commodity price risk on crude oil and natural gas sales, Bonterra has entered into financial derivatives. The financial derivatives outstanding are primarily for the period from October 1, 2024 to June 30, 2025 and are for a total of 637,000 barrels of light crude oil (approximately 2,333 barrels of oil per day for the next nine months) at fixed WTI prices ranging from $60.00 USD to $92.80 USD per barrel.

The Company has also entered into financial derivative contracts for the period of October 1, 2024 to December 31, 2024 for a fixed differential from WTI to Edmonton Par price on 92,000 barrels of oil (approximately 1,000 barrels of oil per day) at an average price of $2.60 USD per barrel. In addition, Bonterra has entered into financial derivatives on natural gas prices between $1.75 and $3.30 on 9,991 GJ per day for the period from October 1, 2024 to June 30, 2025. These contracts are not considered normal sales contracts and are recorded at fair value.

General and Administrative ("G&A") Expense

	Three months ended			Nine months ended	
($ 000s except $ per BOE)	**September 30, 2024**	June 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Employee compensation	**1,795**	1,626	1,829	**5,238**	5,275
Office and administrative	**623**	1,334	1,201	**3,928**	4,011
Total G&A	**2,418**	2,960	3,030	**9,166**	9,286
$ per BOE	**1.72**	2.28	2.30	**2.29**	2.45

Employee compensation expense in the first nine months of 2024 is comparable to the same period in 2023.

Office and administrative expense in Q3 2024 decreased as compared to Q2 2024 primarily due a decrease in the allowance for doubtful accounts in Q3 2024 and an increase in health and safety initiatives in the Company's new plays.

Finance Costs

	Three months ended			Nine months ended	
($ 000s except $ per BOE)	**September 30, 2024**	June 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Interest on bank debt	**1,026**	1,045	867	**2,817**	2,718
Subordinated debentures	**1,328**	1,327	1,328	**3,983**	3,983
Subordinated term debt	**2,069**	2,252	2,748	**6,707**	8,450
Interest expense	**4,423**	4,624	4,943	**13,507**	15,151
$ per BOE	**3.14**	3.57	3.76	**3.38**	3.99
Accretion of decommissioning liabilities	**940**	909	956	**2,739**	2,827
Accretion on subordinated debentures	**821**	820	706	**2,378**	2,026
Accretion on subordinated term debt	**424**	446	522	**1,340**	1,640
Total finance costs	**6,608**	6,799	7,127	**19,964**	21,644

Interest on bank debt was higher in the first nine months of 2024 as compared to the same period in 2023 due to an increase in bank debt from the Charlie Lake Asset Acquisition that occurred towards the end of the first quarter, which was partially offset by decreases in interest rates.

Subordinated unsecured term debt on September 30, 2024 was $61.2 million (December 31, 2023 - $76 million) (the "Subordinated Term Debt"). The Subordinated Term Debt has a fixed interest rate of 11.70 percent on 25 percent of the principal balance and a floating interest rate of Canadian Prime plus 6.25 percent on the remaining amount. Based on the calculated fair value of the Subordinated Term Debt as at September 30, 2024, the effective interest rate was determined to be 15.8 percent using the effective interest rate method. The value of the debt will accrete up to the principal balance at maturity. For more information on Subordinated Term Debt, refer to Note 6 of the September 30, 2024 condensed financial statements.

Subordinated Debentures are unsecured and were determined to be a compound instrument with a debt and equity component. The fair value of the $59 million debt component was reduced by the residual value of the issuance 3,304,000 warrants and issue costs. The debentures have a fixed interest rate of nine percent, payable semi-annually. Based on the calculated fair value of the subordinated debentures as at September 30, 2024, the effective interest rate was determined to be 15.6 percent using the effective interest rate method. The value of the subordinated debentures will accrete up to the principal balance at maturity. For more information on subordinated debentures, refer to Note 5 of the September 30, 2024, condensed financial statements.

A one percent increase (decrease) in the Canadian prime rate would decrease (increase) both annual net earnings and comprehensive income by approximately $679,000. For more information on bank debt and Subordinated Term Debt, see the Liquidity and Capital Resources section herein.

Share-Option Compensation

	Three months ended			Nine months ended	
	September 30,	June 30,	September 30,	**September 30,**	September 30,
($ 000s)	**2024**	2024	2023	**2024**	2023
Share-option compensation	**588**	533	471	**1,785**	2,282

Share-option 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 directors, officers, and employees.

Based on the outstanding options as of September 30, 2024, the Company has an unamortized expense of $1.7 million, of which $0.5 million will be recognized in the remainder of 2024; $1.0 million in 2025 and $0.2 million thereafter. For more information about options issued and outstanding, refer to Note 8 of the September 30, 2024, condensed financial statements.

Depletion and Depreciation, Exploration and Evaluation (“E&E”) and Impairment

	Three months ended			Nine months ended	
	September 30,	June 30,	September 30,	**September 30,**	September 30,
($ 000s)	**2024**	2024	2023	**2024**	2023
Depletion and depreciation	**24,124**	24,020	21,984	**70,311**	66,408

The provision for depletion and depreciation (“D&D”) increased due to an increase in production from the same period in 2023. There were no indicators of impairment identified for each of the periods ended.

Taxes

The Company recorded a total income tax expense of $4.1 million in Q3 2024 (Q3 2023 – $11.4 million). The decrease in income tax expense as compared to the same period in 2023 is due to reduced earnings before income taxes. Included in the 2024 current income tax provision of $5.9 million, is $2.0 million payable to the province of Alberta and $3.9 million to the Federal government. For additional information regarding income taxes, see Note 7 of the September 30, 2024, condensed financial statements.

Net Earnings

($ 000s except $ per share)	Three months ended **September 30, 2024**	June 30, 2024	September 30, 2023	Nine months ended **September 30, 2024**	September 30, 2023
Net earnings	**4,258**	7,310	13,486	**12,416**	29,970
$ net earnings per share - basic	**0.11**	0.20	0.36	**0.33**	0.81
$ net earnings per share - diluted	**0.11**	0.20	0.36	**0.33**	0.80

Net earnings for the first nine months of 2024 decreased by $17.6 million as compared to the same period in 2023. The decrease in net earnings was primarily attributed to lower realized natural gas prices and an increase in depletion. This was partially offset by a decrease in royalties and the tax provision. Net earnings decreased in Q3 2024 as compared to Q2 2024 primarily due to lower oil and gas sales.

Other Comprehensive Income

Other comprehensive income for 2024 consists of an unrealized loss before tax on investments of $186,000 relating to a decrease in the investments' fair value (December 31, 2023 – $394,000 gain). Other comprehensive income also consisted of a realized gain of $271,000 net of tax from the divestment of all the investments held by the Company. The realized gain resulted in transferring the remaining accumulated other comprehensive income to retained earnings.

Cash Flow From Operations

($ 000s except $ per share)	Three months ended **September 30, 2024**	June 30, 2024	September 30, 2023	Nine months ended **September 30, 2024**	September 30, 2023
Cash flow from operations	**31,531**	33,180	37,715	**86,365**	95,587
$ per share - basic	**0.84**	0.89	1.01	**2.32**	2.57
$ per share - diluted	**0.84**	0.89	1.01	**2.31**	2.56

In the first nine months of 2024, cash flow from operations decreased by $9.2 million as compared to 2023. This was primarily due to a decrease in realized natural gas prices and an increase in production costs, which was partially offset by a decrease in royalties, current income taxes and an increase in non-cash working capital.

Liquidity and Capital Resources

Net Debt to EBITDA

Bonterra continues to focus on reducing overall debt while managing its cash flow and capital expenditures. The Company's net debt to twelve-month trailing EBITDA ratio as of September 30, 2024 was 1.1 (versus 0.8 at December 31, 2023). 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 increase in Bonterra's net debt to EBITDA ratio is primarily due to an increase in net debt from the Charlie Lake Asset Acquisition and a decrease in EBITDA from lower commodity prices. The net debt to EBITDA ratio is anticipated to improve in subsequent quarters due to the Company's focus on debt reduction paired with increased production and future cash flow protection from having at least 30 percent of Bonterra's forecasted oil and natural gas production hedged over the next nine months.

For more information about net debt to EBITDA, please see Note 11 of the September 30, 2024 condensed financial statements.

Working Capital Deficiency and Net Debt

($ 000s)	**September 30, 2024**	June 30, 2024	December 31, 2023	September 30, 2023
Working capital deficiency	**30,008**	32,156	25,015	35,480
Bank debt	**41,871**	41,889	14,822	26,613
Subordinated debentures	**56,291**	54,141	52,585	53,124
Subordinated term debt (long-term portion)	**40,108**	44,436	53,018	57,272
Net debt	**168,278**	172,622	145,440	172,489

Net debt is a combination of bank debt, subordinated debentures, subordinated term debt and working capital. The Company's Bank Facility has a maturity date of April 30, 2026, and is recorded as a long-term liability at September 30, 2024 and December 31, 2023. Included in working capital deficiency is $19.0 million of principal payments due in the next 12 months on the Subordinated Term Debt loan. Bonterra actively monitors its credit availability and working capital to ensure that it has sufficient available funds to meet its financial requirements as they come due. Any of these events present risks that could affect Bonterra's ability to fund ongoing operations. If required, Bonterra will also consider short-term or long-term financing alternatives to meet its future liabilities.

Net debt at September 30, 2024 decreased by $4.2 million as compared to September 30, 2023, primarily due to a 30 percent reduction in capital expenditures in the first nine months of 2024 as compared to 2023, which was partially offset by the $23.9 million cash consideration for the Charlie Lake Asset Acquisition and a decrease in commodity prices The Company intends to continue its focus on net debt reduction and has hedged over 30 percent of its forecasted oil and natural gas production over the next nine months to protect cash flow over this period.

Working capital is calculated as current assets less current liabilities.

Financial Risk Management

Bonterra faces market risk related to the oil and gas it produces. This risk is influenced by external factors such as global supply and demand. External factors beyond the Company's control may affect the marketability of oil and gas produced. Oil prices are affected by worldwide supply and demand fundamentals and access to market, while natural gas prices are largely affected by North American supply and demand fundamentals.

To manage commodity risk, the Company executed physical delivery sales contracts which are considered normal sales contracts and are not recorded at fair value in the financial statements, and also executed risk management contracts which are not considered normal sales contracts and are recorded at fair value. The Company has contracts in place on approximately 30 percent of its estimated oil and natural gas production to the end of Q2 2025.

The Company relies on its cash flow, access to equity markets and bank financing to support its operations and capital program. Bonterra uses these futures contracts to hedge its exposure to the potential adverse impact of commodity price volatility and provide a measure of stability to the Company's capital development program. For more information on physical delivery and risk management contracts in place, see Note 11 of the September 30, 2024 condensed financial statements.

Capital Expenditures and Acquisition

($ 000s)	**September 30, 2024**	September 30, 2023
Exploration and Evaluation		
Land and lease	**944**	1,221
Property, Plant and Equipment		
Operated drilling, completing and equipping costs	**55,492**	86,897
Infrastructure, recompletions and other	**20,496**	19,665
Non-operated capital	**1,706**	4,686
	77,694	111,248
Total capital expenditures	**78,638**	**112,469**

During the nine months ended September 30, 2024, the Company incurred capital expenditures of $78.6 million (September 30, 2023 - $112.5 million). Of the total capital invested, $55.5 million was directed to the drilling of 19 gross (17.9 net) operated wells and the completion, equip and tie-in of 21 gross (19.7 net) operated wells, of which four gross (3.6 net) of those wells were drilled in Q4 2023. The remaining two gross (1.7 net) operated wells were placed on production in the fourth quarter of 2024. An additional $23.1 million was spent primarily on related land and lease, infrastructure, recompletions and drilling a water disposal well.

On March 1, 2024, Bonterra closed an acquisition to purchase largely undeveloped petroleum and natural gas assets in northern Alberta, for cash consideration of $23.6 million and $0.3 million in non-core land and leases, after closing adjustments. The Charlie Lake Asset Acquisition has been accounted for as an asset acquisition, which resulted in a $24.2 million increase in PP&E and the assumption of $0.3 million in decommissioning liabilities. Of the 19 operated wells drilled, four (3.6 net) were in the Charlie Lake area for an average gross cost of $2.4 million per well.

Drilling Statistics

	Three months ended						Nine months ended			
	September 30, 2024		June 30, 2024		September 30, 2023		**September 30, 2024**		September 30, 2023	
	Gross[(1)]	**Net[(2)]**	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	**Gross[(1)]**	**Net[(2)]**	Gross[(1)]	Net[(2)]
Cardium oil horizontal-operated	**2**	**1.9**	2	1.9	12	11.8	**15**	**14.3**	38	36.4
Cardium oil horizontal-non-operated	**4**	**0.6**	-	-	-	-	**4**	**0.6**	6	1.1
Charlie Lake oil horizontal-operated	**2**	**1.8**	2	1.8	-	-	**4**	**3.6**	-	-
Montney gas horizontal-operated	**-**	**-**	-	-	1	1.0	**-**	**-**	1	1.0
Total	**8**	**4.3**	4	3.7	13	12.8	**23**	**18.5**	45	38.5
Success rate		**100%**		100%		100%		**100%**		100%

(1) "Gross" wells are the number of wells in which Bonterra has a working interest.
(2) "Net" wells are the aggregate number of wells obtained by multiplying each gross well by Bonterra's percentage of working interest.

Decommissioning Liabilities

The Company spent $5.0 million on decommissioning activities during the nine months ended September 30, 2024 (September 30, 2023 - $6.5 million). The Company estimates approximately $7.0 million will be spent on decommissioning activities in 2024.

Bank Debt and Subordinated Term Debt

Bank debt represents the outstanding amounts drawn on the Company's Bank Facility. As at September 30, 2024, the Company has a total Bank Facility of $110.0 million, comprised of a $85.0 million syndicated revolving credit facility and a $25.0 million non-syndicated revolving facility. The amount drawn under the total Bank Facility at September 30, 2024 was $41.9 million (December 31, 2023 - $14.8 million).

The amounts borrowed under the total Bank Facility bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 2.00 percent and 7.00 percent, depending on the type of borrowing and the Company's consolidated debt to EBITDA ratio. As at September 30, 2024, the terms of the total revolving Bank Facility provided that the loan facility was revolving to April 30, 2025, with a maturity date of April 30, 2026, with no set terms of repayment on the credit facility.

The amount available for borrowing under the Bank Facility is reduced by outstanding letters of credit. Letters of credit totaling $2.1 million were issued as at September 30, 2024 (December 31, 2023 - $2.1 million). Security for the Bank Facility consists of various floating demand debentures totaling $750 million (December 31, 2023 - $750 million) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

Subordinated Term Debt represents a four-year second lien, non-revolving subordinated term debt facility. The amounts borrowed under the Subordinated Term Debt bear interest at a fixed rate of 11.70 percent to be applied to 25 percent of the term facility principle and a floating interest rate of Canadian Prime Rate plus 6.25 percent on the remaining 75 percent of the principal amount. The Company is required to make mandatory principal repayments equal to $4.75 million, payable on the last banking day of February, May, August and November of each calendar year, commencing on February 28, 2023. The term debt has a maturity date of November 30, 2026 on which the remaining outstanding principal balance is to be paid.

The amount drawn under the Subordinated Term Debt at September 30, 2024 was $61.8 million (December 31, 2023 - $76.0 million). Based on the calculated fair value of the debt as at September 30, 2024, the effective interest rate was determined to be 15.8 percent, by discounting future payments of interest and principal with the residual value allocated to issue costs. The value of the debt will accrete up to the principal balance at maturity.

Security for the Subordinated Term Debt consists of various floating demand debentures totaling $150 million (December 31, 2023 - $150 million) over all of the Company's assets and a general security agreement with second ranking over all personal and real property.

Financial Covenants

The Company is subject to certain financial covenants under its Bank Facility and Subordinated Term Debt facility as follows:

- Consolidated debt to trailing twelve months EBITDA ratio shall not exceed 2.50:1.00; and
- Asset coverage ratio of not less that 1.50:1.

Asset coverage ratio is defined as the proved developed producing reserves of the Company (before income tax; discounted at 10 percent), as evaluated by an independent third-party engineering report as at December 31, 2023 and evaluated on strip commodity pricing, divided by the consolidated debt of the Company. The ratio is calculated and revaluated for strip pricing on June 30 and December 31 period ends.

As at September 30, 2024, Bonterra was in compliance with all financial covenants on its first and second lien facilities. For more information about bank debt and Subordinated Term Debt, please see Note 4 and 6, respectively, of the September 30, 2024 condensed financial statements.

Shareholders' Equity

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

Issued and fully paid - common shares	Number	Amount ($ 000s)
Balance, December 31, 2023	**37,253,252**	**783,185**
Issued pursuant to the Company's share option plan	**71,628**	**50**
Transfer from contributed surplus to share capital		**131**
Balance, September 30, 2024	**37,324,880**	**783,366**

The Company is also 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.

A total of 2,753,000 Warrants are outstanding as at September 30, 2024, entitling the holder to purchase one Common Share of Bonterra for each Warrant at a price of $7.75, until October 20, 2025.

The Company provides a stock option plan for its directors, officers and employees. Under the plan, the Company may grant options for up to 3,732,488 (December 31, 2023 – 3,725,325) common shares. The exercise price of each option granted will not be lower than the market price of the common shares on the date of grant and the option's maximum term is five years.

For additional information regarding warrants and options outstanding, see Note 8 of the September 30, 2024, condensed financial statements.

Quarterly Financial Information

	2024			2023			
For the periods ended ($ 000s except $ per share)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	**69,204**	72,465	68,589	81,739	84,909	75,606	77,263
Cash flow from operations	**31,531**	33,180	21,654	44,596	37,715	33,854	24,018
Net earnings	**4,258**	7,310	848	14,973	13,486	8,844	7,640
Per share - basic	**0.11**	0.20	0.02	0.40	0.36	0.24	0.21
Per share - diluted	**0.11**	0.20	0.02	0.40	0.36	0.24	0.20

	2022			
For the periods ended ($ 000s except $ per share)	Q4	Q3	Q2	Q1
Revenue - oil and gas sales	87,154	88,827	116,674	91,542
Cash flow from operations	35,494	48,810	58,307	40,942
Net earnings	17,264	17,696	33,544	10,519
Per share - basic	0.47	0.49	0.93	0.30
Per share - diluted	0.46	0.47	0.88	0.29

The fluctuations in the Company's revenue and net earnings from quarter-to-quarter are caused by variations in production volumes, realized commodity pricing and the related impact on royalties, production, G&A and finance costs.

Contractual Obligations and Commitments

At September 30, 2024, Bonterra's total contractual obligations and commitments were $226.2 million. These include obligations and commitments in place as of December 31, 2023, changes in accrued interest in the period, as well as additional firm service commitments entered into during the nine months ended September 30, 2024. For more information, refer to Note 12 "Commitments and Financial Liabilities" of the September 30, 2024, condensed financial statements.

Off-Balance Sheet Financing

Bonterra does not have any guarantees or off-balance sheet arrangements that have been excluded from the annual statement of financial position or balance sheet other than commitments disclosed in Note 12 of the September 30, 2024 condensed financial statements.

Critical Accounting Estimates

There have been no changes to the Company's critical accounting policies and estimates as of the period ended in the financial statements.

Assessment of Business Risk

Bonterra's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different sized companies. Bonterra is subject to a number of risks that are also common to other organizations involved in the oil and gas industry.

Such risks include finding and developing oil and gas reserves at economic costs; estimating amounts of recoverable reserves; production of oil and gas in commercial quantities; marketability of oil and gas produced; fluctuations in commodity prices; stock market volatility; debt servicing which may limit the market price of shares; financial and liquidity risks; environmental and safety risks; failure to realize benefits of acquisitions and dispositions; reliance on third party gathering, processing and pipeline systems; changes to applicable royalty regimes and environmental legislation and regulations; cyber security risks; and reliance on key personnel.

The Company mitigates its risk related to producing hydrocarbons through the utilization of hedging a portion of product sales, current technology and information systems. In addition, Bonterra strives to operate the majority of its properties, thereby maintaining operational control where possible.

Additional information regarding risk factors including, but not limited to, business risks is available in the Company's Annual Information Form for the year ended December 31, 2023, which can be accessed on its website www.bonterraenergy.com or on SEDAR+ at www.sedarplus.ca.

Environmental Risk

General Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitats, as well as safety risks such as personal injury or damage to production facilities and equipment. The Company conducts its operations while ensuring it protects the environment, various stakeholders, and the general public.

Bonterra maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, availability, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

Climate Change Risks

Bonterra's exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which require the Company to comply with Federal and/or Provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate Bonterra's effects.

The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Some of its significant facilities may ultimately be subject to future regional, Provincial and/or Federal climate change regulations to manage GHG emissions. In addition, climate change has been linked to long-term shifts in climate patterns and extreme weather conditions, both of which pose the risk of causing operational difficulties.

Additional information regarding risk factors including, but not limited to, environmental risks is available in the Company's Annual Information Form for the year ended December 31, 2023, which can be accessed on its website at www.bonterraenergy.com or on SEDAR+ at www.sedarplus.ca.

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: estimated production; cash flow sensitivity to commodity price variables; earnings sensitivity to interest rates; abandonment and reclamation activities and targets; expected cash provided by continuing operations; return of capital strategy; 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; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; 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 may limit growth or operations within the oil and gas industry; the impact of climate-related financial disclosures on financial results; the ability of the Company to raise capital, maintain its syndicated bank facility and refinance indebtedness upon maturity; 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; credit risks; climate change risks; cyber security; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

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 therefrom. 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.

Internal Controls Over Financial Reporting

The Company is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings." The certification of interim filings for the interim period ended September 30, 2024 requires that Bonterra disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Bonterra confirms that no such changes were made to its internal controls over financial reporting during the nine months ended September 30, 2024.

Additional information relating to the Company may be found on SEDAR+ at www.sedarplus.ca or by visiting our website at www.bonterraenergy.com.