

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	March 31, 2025	December 31, 2024
Assets			
Current			
Accounts receivable		26,482	25,778
Crude oil inventory		1,067	885
Prepaid expenses		3,323	4,517
Risk management contracts	10	-	832
		30,872	32,012
Exploration and evaluation assets		7,075	6,787
Property, plant and equipment	3	940,851	936,244
		978,798	975,043
Liabilities			
Current			
Accounts payable and accrued liabilities		54,576	36,371
Risk management contracts	10	684	
Subordinated term debt		-	19,000
Decommissioning liabilities		5,161	5,161
Deferred consideration		951	857
		61,372	61,389
Bank debt	4	24,209	46,211
Subordinated debentures	5	-	55,872
Subordinated term debt	5	-	35,750
Subordinated notes	5	131,393	-
Deferred consideration		6,926	7,265
Decommissioning liabilities		94,228	98,677
Deferred tax liability		126,840	129,240
		444,968	434,404
Shareholders' equity			
Share capital	7	783,294	783,366
Contributed surplus		37,058	36,185
Warrants	7	6,053	6,053
Deficit		(292,575)	(284,965)
		533,830	540,639
		978,798	975,043
Commitments and contingencies	11		
Subsequent events	4, 12		

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31 (unaudited)

(\$ 000s, except \$ per share)	Note	2025	2024
Revenue			
Oil and gas sales, net of royalties	8	60,723	59,579
Other income		3,736	345
Deferred consideration		245	225
Loss on risk management contracts	10	(1,123)	(2,292)
		63,581	57,857
Expenses			
Production		25,709	23,215
Office and administration		1,496	1,971
Employee compensation		1,944	1,817
Finance costs	9	5,885	6,557
Share-based compensation		873	664
Depletion and depreciation	3	25,834	22,167
Extinguishment of debt	5	11,597	-
		73,338	56,391
Earnings (loss) before income taxes		(9,757)	1,466
Taxes			
Current income tax expense	6	253	3,108
Deferred income tax recovery	6	(2,400)	(2,490)
		(2,147)	618
Net earnings (loss) for the period		(7,610)	848
Other comprehensive loss			
Unrealized loss on investments		-	(186)
Deferred taxes on unrealized loss on investments		-	21
Realized gains on available for sale investments transferred to net earnings		-	(306)
Deferred taxes on realized gains on available for sale investments transferred to net earnings		-	35
Other comprehensive loss for the period		-	(436)
Total comprehensive income (loss) for the period		(7,610)	412
Net earnings (loss) per share - basic	7	(0.20)	0.02
Net earnings (loss) per share - diluted	7	(0.20)	0.02
Comprehensive income (loss) per share - basic	7	(0.20)	0.01
Comprehensive income (loss) per share - diluted	7	(0.20)	0.01

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOW

For the three months ended March 31 (unaudited)

(\$ 000s)	Note	2025	2024
Operating activities			
Net earnings (loss)		(7,610)	848
Items not affecting cash			
Deferred income tax recovery		(2,400)	(2,490)
Share-based compensation		873	664
Investment income		(132)	(132)
Finance costs	9	5,885	6,557
Extinguishment of debt		11,597	-
Unrealized loss on risk management contracts	10	1,516	2,662
Deferred consideration		(245)	(225)
Depletion and depreciation		25,834	22,167
Gain on sale of property		(3,557)	(153)
Decommissioning expenditures		(978)	(1,010)
Interest paid	9	(1,895)	(3,132)
Changes in non-cash working capital accounts	9	726	(4,102)
Cash provided by operating activities		29,614	21,654
Financing activities			
Increase (decrease) of bank debt	4	(22,002)	23,866
Subordinated debentures	5	(62,426)	-
Subordinated term debt	5	(60,452)	(4,750)
Subordinated notes, net of issue costs	5	128,999	-
Purchase of common shares in trust	7	(72)	-
Cash provided by (used in) financing activities		(15,953)	19,116
Investing activities			
Investment income received		132	132
Exploration and evaluation expenditures		(148)	(462)
Property, plant and equipment expenditures	3	(32,302)	(32,462)
Oil and gas property acquisition	3	-	(23,586)
Proceeds on sale of property	3	1,657	-
Proceeds on sale of investments		-	1,448
Changes in non-cash working capital accounts	9	17,000	14,160
Cash used in investing activities		(13,661)	(40,770)
Net change in cash in the period		-	-
Cash, beginning of period		-	-
Cash, end of period		-	-
The following are included in cash flow from operating activities:			
Income taxes paid		1,515	3,452

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 7)	Share capital (Note 7)	Contributed surplus ⁽¹⁾	Warrants	Accumulated other comprehensive income (loss) ⁽²⁾	Deficit	Total shareholders' equity
January 1, 2024	37,253,252	783,185	34,023	6,053	436	(295,439)	528,258
Share-based compensation			664				664
Exercise of options	11,723	-					-
Transfer to share capital on exercise of options		60	(60)				-
Comprehensive income (loss)					(165)	848	683
Transfer on realized gain on investments, net of tax					(271)	271	-
March 31, 2024	37,264,975	783,245	34,627	6,053	-	(294,320)	529,605
Share-based compensation			1,629				1,629
Exercise of options	59,905	50					50
Transfer to share capital on exercise of options		71	(71)				-
Comprehensive income						9,355	9,355
December 31, 2024	37,324,880	783,366	36,185	6,053	-	(284,965)	540,639
Share-based compensation			873				873
Purchase of shares in trust	(20,000)	(72)					(72)
Comprehensive loss					-	(7,610)	(7,610)
March 31, 2025	37,304,880	783,294	37,058	6,053	-	(292,575)	533,830

⁽¹⁾ All amounts reported in Contributed Surplus relate to share-base compensation.

⁽²⁾ Accumulated other comprehensive income is comprised of unrealized gains and losses on investments fair value through other comprehensive income.

See accompanying notes to these condensed financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at March 31, 2025 and December 31, 2024 for the three months ended March 31, 2025 and March 31, 2024 (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 Business Corporations Act (Alberta). The address of the Company’s registered office is Suite 901, 1015-4th Street SW, Calgary, Alberta, Canada, T2R 1J4. The common shares of the Company (the “Common Shares”) are listed for trading on the TSX under the symbol “BNE”.

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

2. BASIS OF PREPARATION AND FUTURE OPERATIONS

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 2024 audited annual financial statements, except 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 2024 audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS®).

b) Significant Accounting Policies

The accounting policies, critical accounting judgements and significant estimates used in the preparation of the December 31, 2024, annual financial statements have been applied to the preparation of these condensed financial statements, except for the changes noted below:

Share-based Compensation

Effective this period, the Company has expanded its equity compensation program beyond stock options to include restricted share units (RSUs) and deferred share units (DSUs) or share award plan. Accordingly, the accounting policy previously titled share-option compensation has been updated and renamed to share-based compensation to reflect this broader scope.

All share-based awards are recognized over their respective vesting periods as share-based compensation expense, with a corresponding increase to contributed surplus.

Stock options are measured at grant date using the Black-Scholes option pricing model and expensed over the vesting period. Upon exercise, the proceeds received and the fair value of the exercised options are credited to share capital. The Company also permits cashless equity settlement for vested options.

RSUs were issued to employees of the Company and may be awarded to employees annually. An independent trustee purchases Common shares in the open market and hold these shares until completion of the vesting periods. The unvested portion of the RSU awarded is initially recorded as a reduction in Bonterra’s share capital. The grant date fair value of such awards is then recognized over the vesting period

as share-based compensation expense, with a corresponding increase to contributed surplus. Upon vesting of awards, the related contributed surplus is reclassified to share capital.

DSUs were issued to non-employee directors of the corporation. Each DSU provides the holder with the right to receive common shares after they retire from their position in the Company. The unvested portion of the DSU awarded is initially recorded as a reduction in Bonterra's share capital. The grant date fair value of such awards is then recognized over the vesting period as share-based compensation expense, with a corresponding increase to contributed surplus.

c) Future Accounting Pronouncements

IFRS 18 – Presentation and Disclosure in Financial Statements

On April 9, 2024 the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on its financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Cost (\$ 000s)	Oil and gas properties	Production facilities	Furniture fixtures & other equipment	Total property plant & equipment
Balance at December 31, 2024	1,721,698	488,097	2,912	2,212,707
Additions	20,639	11,561	102	32,302
Adjustment to decommissioning liabilities	(784)	-	-	(784)
Disposal	(11,277)	(3,719)	-	(14,996)
Balance at March 31, 2025	1,730,276	495,939	3,014	2,229,229

Accumulated depletion and depreciation (\$ 000s)	Oil and gas properties	Production facilities	Furniture fixtures & other equipment	Total property plant & equipment
Balance at December 31, 2024	(1,039,870)	(234,378)	(2,215)	(1,276,463)
Depletion and depreciation	(21,090)	(4,712)	(32)	(25,834)
Disposal and other	10,606	3,313	-	13,919
Balance at March 31, 2025	(1,050,354)	(235,777)	(2,247)	(1,288,378)

Carrying amounts as at: (\$ 000s)

December 31, 2024	681,828	253,719	697	936,244
March 31, 2025	679,922	260,162	767	940,851

During the quarter, the Company disposed of certain non-core oil and gas assets located in Saskatchewan for total consideration of \$1.8 million, including closing adjustments. The consideration consisted of \$1.7 million in cash and \$0.1 million in non-core mineral rights.

The transaction resulted in a gain on sale of property of \$3.6 million, which has been recognized in the statement of comprehensive loss for the period. As part of the disposition, decommissioning liabilities of approximately \$2.8 million associated with the assets were also derecognized.

Impairment

There were no indicators of impairment losses or reversals identified for each of the three months ended March 31, 2025 and 2024.

4. BANK DEBT

As at March 31, 2025 the Company had a total Bank Facility of \$110,000,000 (December 31, 2024 - \$110,000,000), comprised of a \$85,000,000 syndicated revolving credit facility, and a \$25,000,000 non-syndicated revolving credit facility. The amount drawn under the total Bank Facility at March 31, 2025 was \$24,209,000 (December 31, 2024 - \$46,211,000). The amounts borrowed under the total Bank Facility bear interest at a floating rate based on the applicable Canadian prime rate or CORRA 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. EBITDA is defined as net income for the twelve-month trailing period excluding finance costs, provision for current and deferred taxes, depletion and depreciation, share-option compensation, gain or loss on sale of assets, extinguishment of debt, unrealized gain or loss on risk management contracts and impairment of assets. As at March 31, 2025, 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. Subsequent to March 31, 2025, the Company renewed and increased its Bank Facility of \$110,000,000 to \$125,000,000, comprising of a \$100,000,000 syndicated revolving credit facility and a \$25,000,000 non-syndicated revolving credit facility. The new terms of the Bank provide that the loan facility will revolve to April 30, 2026, with a maturity date of April 30, 2027. The applicable interest rates remain based on the Canadian prime rate or CORRA rate, with a revised margin ranging from 2.00% to 6.25%, depending on the type of borrowing. In addition, the financial covenant described below has been removed.

The amount available for borrowing under the Bank Facility is reduced by outstanding letters of credit. Letters of credit totaling \$1,690,000 were issued as at March 31, 2025 (December 31, 2024 - \$1,990,000). Security for the Bank Facility consists of various floating demand debentures totaling \$750,000,000 (December 31, 2024 - \$750,000,000) over all of the Company's assets and a general security agreement with first ranking over all personal and real property.

Financial Covenants

The Company is subject to the following financial covenant under its Bank Facility:

- I. Consolidated debt to trailing twelve months EBITDA ratio shall not exceed 2.50:1.00

As at March 31, 2025, Bonterra was in compliance with all financial covenants on its Bank Facility.

5. SUBORDINATED NOTES

As at March 31, 2025, the Company has 135,000 Senior Secured Second Lien Notes (the "Notes") outstanding. Each unit consists of one Note with a par value of \$1,000, bearing interest at a fixed annual rate of 10.5%, payable semi-annually on January 28 and July 28, commencing July 28, 2025. The Notes mature on January 28, 2030.

The Notes are non-callable by the Corporation prior to January 28, 2028. On or after January 28, 2028, the Corporation may redeem all or part of the Notes at the redemption prices set forth below, plus any accrued and unpaid interest, for the twelve month period beginning on:

- I. January 28, 2028: 102.625%
- II. January 28, 2029 and thereafter: 100.000%

The Notes were issued at a discount, with an issue price of \$981.16 per \$1,000 of principal, resulting in gross proceeds of \$131.5 million and initial issue costs of \$3.5 million. The effective interest rate, determined using the effective interest rate method and reflecting both the discount and transaction costs, was 11.4%. The carrying amount of the Notes will accrete to the principal amount over the life of the Notes. For the three months ended March 31, 2025, interest expense recognized was \$2.4 million (March 31, 2024 – \$Nil).

The Notes are secured by a second lien charge over all personal and real property of the Company, ranking behind the Company's first lien credit facilities.

Extinguishment of Subordinated Debt

As part of a capital restructuring completed during Q1 2025, the Company fully repaid two classes of subordinated debt:

(a) Subordinated Term Debt

On January 28, 2025, the Company extinguished its subordinated term debt with the following payments:

- Principal repayment of \$57.0 million
- Accrued and unpaid interest of \$0.5 million
- Early redemption fee of \$3.4 million (recognized in loss on extinguishment of debt)
- Acceleration of unamortized issue costs of \$2.1 million (recognized in loss on extinguishment of debt)

(b) Subordinated Debentures

On February 26, 2025, the Company repaid in full its outstanding subordinated debentures:

- Principal repayment of \$59.0 million
- Accrued and unpaid interest of \$0.8 million
- Early redemption fee of \$3.5 million (recognized in loss on extinguishment of debt)
- Acceleration of unamortized issue costs of \$2.6 million (recognized in loss on extinguishment of debt)

The following table presents the total extinguishment of debt costs

(\$000s)	2025
Cash Extinguishment of debt	6,877
Accretion extinguishment of debt	4,720
Total extinguishment of debt	11,597

6. INCOME TAXES

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	84,458
Share issue and financing costs	20	8,359
Canadian oil and gas property expenditures	10	69,894
Canadian development expenditures	30	135,250
Canadian exploration expenditures	100	8,587
		306,548

The Company has \$64,111,000 (December 31, 2024 - \$64,111,000) of capital losses carried forward which can only be claimed against taxable capital gains.

7. 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, December 31, 2024	37,324,880	783,366
Purchase of shares in trust	(20,000)	(72)
Balance, March 31, 2025	37,304,880	783,294

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 three months ended March 31, are as follows:

	2025	2024
Basic shares outstanding	37,323,991	37,255,828
Dilutive effect of share options, share awards and warrants ⁽¹⁾	604,368	66,270
Diluted shares outstanding	37,928,359	37,322,098

⁽¹⁾ The Company did not include 6,481,000 share-options, RSUs and DSUs (or share awards) and warrants (March 31, 2024 – 5,810,500) in the dilutive effect of share-options, share awards and warrants calculations as these were anti-dilutive.

Warrants

A summary of the status of warrants issued by the Company as of March 31, 2025 and changes during the period are presented below:

	Number of warrants	Weighted exercise price
As at March 31, 2025 and December 31, 2024	2,753,000	\$7.75

The Warrants issued entitle the holder to purchase one Common Share of Bonterra for each Warrant at a price of \$7.75, until October 20, 2025.

Restricted and Deferred share units

The Company provides an equity settled stock incentive plan which authorized the Board to grant restricted share units (RSU) and Deferred share units (DSU) to directors, officers and employees of Bonterra. Each RSU entitles the holder to common shares of the Company to be paid on each of the first, second and third anniversaries from the date of Grant.

The Company has a DSU plan pursuant to which it may make an annual grant of DSUs to non-employee directors. Pursuant to the DSU plan, DSUs awarded as part of annual grant vest quarterly from the date of grant. However, the DSU will not be released until the non-employee director has ceased to be a member of the board of directors of the Company. The award value is calculated at the payment date by multiplying the number of DSUs by the fair market value of the common shares of the Company.

RSUs and DSUs are settled at the Company's option in cash and/or common shares acquired by the Company on the stock exchange. The Company's intention is to settle the RSU/DSU plans in common shares and it has therefore accounted for the RSU/DSU awards as equity-settled.

	Number of restricted share units	Number of deferred share units
Balance at December 31, 2024	-	-
Granted	955,000	102,500
Balance at March 31, 2025	955,000	102,500

Options

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 3,732,488 (December 31, 2024 – 3,732,488 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 March 31, 2025 and changes during the year are presented below:

	Number of options	Weighted average exercise price
At December 31, 2024	3,105,500	\$6.90
Options granted	425,000	3.86
Options forfeited	(221,000)	7.15
Options expired	(30,000)	3.89
At March 31, 2025	3,279,500	\$6.52

The following table summarizes information about options outstanding and exercisable as at March 31, 2025:

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
\$ 1.00 - \$ 5.00	560,000	4.4 years	\$ 4.01	35,000	\$ 4.75
5.01 - 10.00	2,910,500	2.8 years	6.98	1,716,133	7.59
10.01 - 15.00	30,000	0.7 years	12.32	15,000	12.32
\$ 1.00 - \$ 15.00	3,500,500	3.1 years	\$ 6.52	1,766,133	\$ 7.57

The Company records compensation expense equally over the annual three-year vesting period, based on the fair value of options granted to directors, officers and employees. In 2025, the Company granted 425,000 options with an estimated fair value of \$387,000 or \$0.91 per option using the Black-Scholes option pricing model with the following key assumptions:

	March 31, 2025
Weighted-average risk free interest rate (%) ⁽¹⁾	2.80
Weighted-average expected life (years)	1.9
Weighted-average volatility (%) ⁽²⁾	40.60
Forfeiture rate (%)	6.43

⁽¹⁾ 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.

⁽²⁾ 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.

8. OIL AND GAS SALES, NET OF ROYALTIES

(\$ 000s)	March 31, 2025	March 31, 2024
Oil and gas sales		
Crude oil	53,742	53,607
Natural gas liquids	6,860	6,157
Natural gas	10,088	8,825
	70,690	68,589
Less royalties:		
Crown	(7,288)	(6,080)
Freehold, gross overriding royalties and other	(2,679)	(2,930)
	(9,967)	(9,010)
Oil and gas sales, net of royalties	60,723	59,579

9. SUPPLEMENTAL CASH FLOW INFORMATION

(\$ 000s)	March 31, 2025	March 31, 2024
Change in non-cash working capital:		
Accounts receivable	(704)	(2,113)
Crude oil inventory	(122)	(42)
Prepaid expenses	1,194	599
Abandonment deposit	(847)	-
Accounts payable and accrued liabilities	18,205	11,614
	17,726	10,058
Changes related to:		
Operating activities	726	(4,102)
Investing activities	17,000	14,160
	17,726	10,058

Finance expense

(\$ 000s)	March 31, 2025	March 31, 2024
Interest expense:		
Bank debt	557	746
Subordinated debenture	826	1,328
Subordinated term debt	512	2,386
Subordinated notes	2,363	-
	4,258	4,460
Accretion:		
Decommissioning liabilities	938	890
Subordinated debentures	537	737
Subordinated term debt	121	470
Subordinated notes	31	-
	1,627	2,097
Total finance costs	5,885	6,557
Expense	4,258	4,460
Change in interest accrued	(2,363)	(1,328)
Interest paid	1,895	3,132

10. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

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

- Accounts receivable
- Accounts payable and accrued liabilities
- Bank debt
- Subordinated notes

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 Bonterra's financial performance. Financial risk is managed by senior management under the direction of the Board of Directors.

Bonterra 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 of Bonterra's financial performance. The Company does not speculatively trade in risk management contracts. Bonterra's risk management contracts are entered into in order to manage the risks relating to commodity prices from its business activities.

Liquidity Risk Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial performance and position are largely dependent on the commodity prices received for its oil and natural gas production. Commodity prices have fluctuated widely in recent years due to crude oil inventory levels, domestic infrastructure constraints, global economic and geopolitical factors. Bonterra continues to retain available committed borrowing capacity that provides it with financial flexibility and the ability to meet ongoing obligations as they become due.

After examining the economic factors that are causing the liquidity risk facing the Company, the judgment applied to these factors, and the various initiatives that Bonterra has and will undertake to strengthen its financial position, the Company believes it will have sufficient liquidity to support its ongoing operations and meet its financial obligations as they come due for at least the next twelve months. There can be no assurance that the next borrowing base redetermination will not result in a borrowing base shortfall, and that the necessary funds or additional security will be available to eliminate the shortfall. Upon receipt of notice from the lenders, the shortfall would have to be remedied within 30 days or by such other means as acceptable to the lenders.

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. Bonterra is exposed to credit risk on all financial assets included on the statement of financial position. 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; and
- Agreements for product sales are primarily on 30-day renewal terms. Of the \$26,482,000 accounts receivable balance at March 31, 2025 (December 31, 2024 - \$25,778,000) over 81 percent (December 31, 2024 – 84 percent) relate to product sales or risk management contracts with national and international banks and oil and gas companies.

On a quarterly basis, Bonterra assesses if there has been any impairment of the financial assets of the Company. During the three months ended March 31, 2025, there was no material impairment provision required on any of the financial assets of the Company. Bonterra does have credit risk exposure, as the majority of the Company's accounts receivable are with counterparties having similar characteristics. However, payments from Bonterra'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.

As at March 31, 2025, approximately \$124,000 or 0.5 percent of the Company's total accounts receivable are aged over 90 days and considered past due (December 31, 2024 - \$196,000 or 0.8 percent). The majority of these accounts are due from various joint venture partners. Bonterra 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 Bonterra 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 March 31, 2025 is \$1,847,000 (December 31, 2024 - \$1,733,000) with the expense being included in general and administrative expenses. There were no material accounts written off during the period.

The maximum exposure to credit risk is represented by the carrying amounts of accounts receivable. There are no material financial assets that Bonterra considers past due.

Capital Risk Management

The Company's objectives when managing capital, which it defines to include shareholders' equity, debt and working capital balances, are to safeguard Bonterra'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 a capital structure that provides a low cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the current debt structure and/or issue common shares.

The Company monitors its capital structure based on the ratio of net debt (total debt adjusted for working capital) to EBITDA. This ratio is calculated using each quarter end net debt divided by the preceding twelve months' EBITDA. At March 31, 2025, the Company had a net debt to EBITDA level of 1.3:1 as compared to 1.2:1 as at December 31, 2024. The increase in Bonterra's net debt to EBITDA ratio is primarily due to primarily due to a front-loaded capital program and the one-time debt restructuring costs. To provide cashflow protection the Company has hedged at least 30 percent of its forecasted oil and natural gas production (net of royalties payable) over the next nine months.

Section (a) of this note provides Bonterra's net debt to EBITDA ratio.

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.

a) Net debt to EBITDA ratio

The net debt and EBITDA amounts are as follows:

(\$ 000s)	March 31, 2025	December 31, 2024
Bank debt	24,209	46,211
Subordinated term debt ⁽¹⁾	-	35,750
Subordinated debentures	-	55,872
Subordinated notes	131,393	-
Current liabilities	61,372	61,389
Current assets	(30,872)	(32,012)
Net debt	186,102	167,210
Net earnings	\$1,745	10,203
Adjustments to net earnings:		
Unrealized gain on risk management contracts	379	1,525
Unrealized gain on sale of property	(3,557)	-
Deferred consideration	(978)	(958)
Finance costs	25,860	26,532
Share-option compensation	2,502	2,293
Depletion and depreciation	100,804	97,137
Extinguishment of debt	11,597	-
Current income tax expense	2,312	5,167
Deferred income tax expense	(1,423)	(1,513)
EBITDA (trailing twelve months)	\$139,241	140,386
Net debt to EBITDA ratio	1.3	1.2

⁽¹⁾ Included in current liabilities is the current portion of the Subordinated Term Debt of \$Nil (December 31, 2024 - \$19,000,000).

b) Risks and mitigation

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 Bonterra 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 Bonterra'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. Bonterra has assumed the risk in respect of commodity prices, except for a small portion of physical delivery sales and risk management contracts to manage commodity risk on the Company's higher operating cost areas.

Bonterra 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 of Bonterra's financial performance. Financial risk is managed by senior management under a risk management program approved by the Company's Board of Directors.

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 March 31, 2025, the Company has the following physical delivery sales contracts in place.

Product	Type of contract	Volume	Term	Contract price (\$)
Gas	Fixed Price - AECO Daily ⁽⁴⁾	2,500 GJ/day	Apr 1, 2025 to Oct 31, 2025	- 2.39 CAD/GJ
Gas	Physical collar - AECO Monthly ⁽⁵⁾	2,500 GJ/day	Apr 1, 2025 to Mar 31, 2026	1.75 to 2.70 CAD/GJ
Gas	Physical collar - AECO Monthly ⁽⁵⁾	2,500 GJ/day	Apr 1, 2025 to Dec 31, 2025	1.75 to 2.38 CAD/GJ
Gas	Physical collar - AECO Monthly ⁽⁵⁾	4,000 GJ/day	Jul 1, 2025 to Mar 31, 2026	2.00 to 3.20 CAD/GJ

⁽¹⁾ "WTI" refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States.

⁽²⁾ "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.

⁽³⁾ "MSW differential" is the primary difference between WTI and MSW steam index benchmark pricing.

⁽⁴⁾ "AECO Daily" refers to a grade or heating content of natural gas used as daily index benchmark pricing in Alberta, Canada.

⁽⁵⁾ "AECO Monthly" refers to a grade or heating content of natural gas used as monthly index benchmark pricing in Alberta, Canada.

Risk Management Contracts

(\$ 000s)	March 31, 2025	March 31, 2024
Risk management contracts		
Realized gain	393	370
Unrealized loss	(1,516)	(2,662)
	(1,123)	(2,292)

The Company also enters into financial derivative instruments or risk management contracts to manage commodity price risk. These contracts are not considered normal executory sales contracts and are recorded at fair value in the financial statements.

As of March 31, 2025, the Company has the following risk management contracts in place.

Product	Type of contract	Volume	Term	Contract price (\$)
Oil	Financial collar - WTI	500 BBL/day	Apr 1, 2025 to Jun 30, 2025	65.00 to 80.00 USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Apr 1, 2025 to Jun 30, 2025	65.00 to 77.50 USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Apr 1, 2025 to Jun 30, 2025	60.00 to 74.00 USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Apr 1, 2025 to Dec 31, 2025	65.00 to 75.00 USD/BBL
Oil	Financial collar - WTI	500 BBL/day	Jul 1, 2025 to Dec 31, 2025	65.00 to 75.50 USD/BBL
Oil	Fixed price - WTI	250 BBL/day	Apr 1, 2025 to Dec 31, 2025	- 71.75 USD/BBL
Oil	Financial collar - WTI	250 BBL/day	Apr 1, 2025 to Dec 31, 2025	60.00 to 70.50 USD/BBL
Oil	Fixed price - MSW differential	500 BBL/day	Apr 1, 2025 to Sep 30, 2025	(5.25) USD/BBL
Gas	Financial collar - AECO Monthly	7,500 GJ/day	Jan 1, 2025 to Jun 30, 2025	1.75 to 2.43 CAD/GJ
Gas	Financial collar - AECO Monthly	5,000 GJ/day	Apr 1, 2025 to Mar 31, 2026	1.75 to 2.70 CAD/GJ

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. Bonterra's principal exposure its borrowings which have a variable interest rate which gives rise to a cash flow interest rate risk.

As of March 31, 2025, the Company's debt facilities consist of a \$85,000,000 syndicated revolving credit facility, and a \$25,000,000 non-syndicated revolving credit facility, and \$135,000,000 senior second lien subordinated notes. The borrowings under the total bank facilities are at bank prime plus or minus various percentages as well as by means of the Canadian Overnight Repo Rate Average ("CORRA") within Bonterra's credit facility.

The subordinated notes are at a fixed interest rate of 10.5 percent. Bonterra manages its exposure to interest rate risk on its floating interest rate debt through entering into various term lengths on its term CORRAs 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 decrease (increase) both annual net earnings and comprehensive income by \$186,000.

Foreign Exchange Risk

The Company has no foreign operations and currently sells all of its product sales in Canadian currency. However, Bonterra is exposed to currency risk in that crude oil is priced in US currency, then converted to Canadian currency. The Company currently has no outstanding risk management agreements. It will assume full risk in respect of foreign exchange fluctuations.

11. COMMITMENTS AND FINANCIAL LIABILITIES

Bonterra has the following maturity schedule for its financial liabilities and commitments:

(\$ 000s)	Recognized on	Less than 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Total
	Financial Statements					
Accounts payable and accrued liabilities	Yes - Liability	54,576	-	-	-	54,576
Bank debt	Yes - Liability	-	24,209	-	-	24,209
Subordinated notes ⁽¹⁾	Yes - Liability	-	-	135,000	-	135,000
Future interest	No	14,175	28,350	25,873	-	68,398
Firm service commitments	No	1,323	2,402	1,452	220	5,397
Office lease commitments	No	742	1,831	1,753	553	4,879
Total		70,816	56,792	164,078	773	292,459

⁽¹⁾Principal amount.

The Company has entered into firm service gas transportation agreements in which it guarantees certain minimum volumes of natural gas will be shipped on various gas transportation systems. The terms of the various agreements expire in one to seven years. The future minimum payment amounts for the firm service gas transportation agreements are calculated using current tariff rates.

Bonterra also has non-cancellable office lease commitments for building and office equipment. The building and office equipment leases have an average remaining life of 5.0 years.

12. SUBSEQUENT EVENT

Normal Course Issuer Bid ("NCIB")

On April 11, 2025, the Company announced that the Toronto Stock Exchange approved a NCIB, under which Bonterra may repurchase for cancellation up to 3,199,449 common shares, representing approximately 10% of its public float, during the 12-month period from April 15, 2025, to April 14, 2026.

Repurchases will be made through the TSX and/or alternative Canadian trading systems at prevailing market prices, funded by the Company's cash resources or credit facilities. To facilitate purchases during blackout periods, Bonterra has entered into an automatic share purchase plan with a broker, which operates independently in accordance with predetermined parameters, TSX rules, and applicable securities laws.

CORPORATE INFORMATION

Board of Directors

D. Michael G. Stewart - Chair

John J. Campbell

David M. Humphreys

Stacey E. McDonald

Patrick G. Oliver

Jacqueline R. Ricci

Officers

Patrick G. Oliver, President and CEO

Scott A. Johnston, CFO and Corporate Secretary

Brad A. Curtis, Senior VP, Business Development

Registrar and Transfer Agent

Odyssey Trust Company

Auditors

Deloitte LLP

Solicitors

Borden Ladner Gervais LLP

Bankers

CIBC

ATB Financial

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