



(TSX: BNP.UN)

FOR IMMEDIATE RELEASE

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NEWS RELEASE

Announces First Quarter Results

Calgary - Bonavista Energy Trust is pleased to report to unitholders its interim consolidated financial and operating results for the three months ended March 31, 2008.

Highlights

	Three Months ended March 31,	
	2008	2007
Financial		
(\$ thousands, except per unit)		
Production revenues	296,387	225,222
Funds from operations ⁽¹⁾	155,132	128,512
Per unit ^{(1) (2)}	1.44	1.23
Distributions declared	77,575	76,536
Per unit	0.90	0.90
Percentage of funds from operations ⁽¹⁾	50%	60%
Net income	72,298	61,630
Per unit ⁽²⁾	0.67	0.59
Total assets	2,462,977	2,097,962
Long-term debt, including working capital deficiency	919,925	562,725
Unitholders' equity	1,063,318	1,125,197
Capital expenditures:		
Exploitation and development	93,265	90,616
Acquisitions, net	169,374	965
Weighted average outstanding equivalent trust units: (thousands) ⁽²⁾		
Basic	107,876	104,307
Diluted	110,164	107,066
Operating		
(boe conversion – 6:1 basis)		
Production:		
Natural gas (mmcf/day)	178	172
Oil and liquids (bbls/day)	24,694	23,434
Total oil equivalent (boe/day)	54,397	52,054
Product prices: ⁽³⁾		
Natural gas (\$/mcf)	7.89	7.88
Oil and liquids (\$/bbl)	68.63	50.04
Operating expenses (\$/boe)	8.97	8.33
General and administrative expenses (\$/boe)	0.71	0.65
Cash costs (\$/boe) ⁽⁴⁾	12.01	10.60
Operating netback (\$/boe) ⁽⁵⁾	34.38	29.69

NOTES:

(1) Management uses funds from operations to analyze operating performance, distribution coverage and leverage. Funds from operations as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculations of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures. Funds from operations per unit is calculated based on the weighted average number of units outstanding consistent with the calculation of net income per unit.

(2) Basic per unit calculations include exchangeable shares which are convertible into trust units on certain terms and conditions.

(3) Product prices include realized gains or losses on financial instruments.

(4) Cash costs equal the total of operating, general and administrative, and financing expenses.

(5) Operating netback equals production revenues including realized gains or losses on financial instruments, less royalties, transportation and operating expenses, calculated on a boe basis.

Trust Unit Trading Statistics	Three Months ended			
	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
(\$ per unit, except volume)				
High	31.35	31.85	31.38	33.54
Low	24.24	24.14	27.25	29.12
Close	29.85	28.50	29.02	30.60
Average Daily Volume	231,949	275,892	177,752	216,676

MESSAGE TO UNITHOLDERS

Bonavista Energy Trust (“Bonavista” or the “Trust”) is pleased to report to its unitholders (the “Unitholders”) its consolidated financial and operating results for the three months ended March 31, 2008. The results for the first quarter of 2008 represents nineteen consecutive quarters of profitability for Bonavista since commencing operations as an energy trust in July 2003. The continued execution of Bonavista’s proven strategies in the first quarter of 2008 are a testament to the validity and effectiveness of an operationally and technically focused energy trust. The first quarter results for 2008 are also highlighted by an active and successful drilling and acquisitions program, which has led to increasing production and attractive reserve addition costs. The success of our capital programs, along with strengthening oil and natural gas prices, has encouraged Bonavista’s Board of Directors to approve an expansion of our 2008 capital program to \$475 million, which should see 220 to 230 wells drilled resulting in an increase to our forecasted 2008 production levels to between 54,400 and 55,000 boe per day. This current environment creates tremendous flexibility for Bonavista to continue to take advantage of the many opportunities available to us within the Western Canadian Sedimentary Basin.

Other significant accomplishments for Bonavista in the first quarter of 2008 include:

- Operationally, production volumes reached a record level of 54,397 boe per day during the first quarter of 2008 versus 52,054 boe per day in the first quarter of 2007 an increase of 5% and an increase of 57% since commencement as an energy trust on July 2, 2003;
- Maintained an active capital program during the first quarter of 2008, investing \$93.3 million in exploitation and development activities by drilling 69 wells with an overall 93% success rate. In addition Bonavista spent \$169.3 million on synergistic acquisitions within our core regions;
- Drilled six successful horizontal wells, year to date, on the highly prospective Bakken trend in our Southeast Saskatchewan area with very favourable results. This first quarter activity has encouraged Bonavista to expand its capital program in this area to \$53.0 million in 2008 and will result in drilling 24 wells on this play;
- On January 14, 2008 Bonavista completed a \$167 million acquisition of producing and undeveloped oil and natural gas properties (61% natural gas weighted) in the greater Willesden Green area, which further complements the property acquisition we completed in the third quarter of 2007 along with our pre-existing assets. We now have a consolidated position in this area with current production over 5,500 boe per day. There is also significant exploitation and optimization opportunities remaining to be developed on these lands;
- Continued to actively participate at crown land sales and freehold purchases, investing \$4.5 million in land activity during the first quarter, further enhancing our future drilling prospect inventory to more than three years;
- Generated funds from operations of \$155.1 million (\$1.44 per unit) in the first quarter of 2008 and distributed 50% of these funds to Unitholders with the remaining funds reinvested in the business to continue growing our production base;
- Continued to record strong profitability in the first quarter of 2008 with a strong average return on equity of 27% and a strong net income to funds from operations ratio of 47%;
- Within the energy trust industry, Bonavista delivered top decile total returns to our Unitholders in the first quarter of 2008 and currently have a cash on cash yield of 11%. In addition, Bonavista has delivered cumulative distributions of \$1.3 billion or \$16.41 per trust unit since the inception of our Trust. These cumulative distributions now are in excess of our initial closing trading price of \$15.85 on the day we became an energy trust on July 2, 2003; and
- On April 29, 2008 Bonavista completed a \$214.0 million equity financing which improves financial flexibility to pursue future growth opportunities through expansions in our drilling and acquisitions programs.

Strengths of Bonavista Energy Trust

Since restructuring into an energy trust in July 2003, Bonavista has maintained a high level of investment activity on its asset base, growing production by over 55% since that time. This activity stems from the operational and technical focus of our Trust and the ability to uncover value from our assets within the Western Canadian Sedimentary Basin. Our experienced and consistent technical teams have a solid understanding of our asset base and possess the necessary discipline and commitment to deliver profitable results to our Unitholders for the long term. We actively participate in undeveloped land acquisitions through Crown land sales, property purchases or farm-in opportunities, which have all continued to add to our already extensive low-risk drilling inventory. This has led to low cost reserve additions, lengthening of our reserve life index, and a growing production base. Our production base is balanced 55% in favour of natural gas and 45% towards oil and liquids and is geographically focused within select medium depth, multi-zone regions in Alberta, Saskatchewan and British Columbia. This base has one of the lowest operating cost structures in the oil and natural gas trust sector. In addition, these high working interest assets are predominantly operated by Bonavista, ensuring that operating and capital cost efficiencies are maintained and that Bonavista controls the pace of its operations. Combined, all of these attributes result in attractive operating netbacks for Bonavista.

Our team brings a successful track record of executing low to medium risk development programs, including both asset and corporate acquisitions, along with a record of sound financial management. Unitholders benefit from a fully internalized, industry leading cost structure, which results in one of the lowest per unit overhead costs in the energy trust industry. The management team, together with a strong Board of Directors, possess extensive experience in oil and natural gas operations, corporate governance and financial management. Directors, management and employees also own approximately 18% of the Trust, resulting in an alignment of interests with all Unitholders.

Bonavista is also pleased to acknowledge the recent appointments of Mr. Dean Kobelka to Vice President, Finance, Mr. Glenn Hamilton to Senior Vice President and Chief Financial Officer and Mr. Ronald Poelzer to Executive Vice President and Vice Chairman, effective June 1, 2008. These individuals are all long standing employees of Bonavista and have made significant contributions to our ongoing success.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with Bonavista Energy Trust's ("Bonavista" or the "Trust") audited consolidated financial statements and MD&A for the year ended December 31, 2007. The following MD&A of the financial condition and results of operations was prepared at, and is dated May 15, 2008. Our audited consolidated financial statements, Annual Report, and other disclosure documents for 2007 are available through our filings on SEDAR at www.sedar.com or can be obtained from Bonavista's website at www.bonavistaenergy.com.

Basis of Presentation - *The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. A boe may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf to one barrel is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

Forward-Looking Statements - *Certain information set forth in this document, including management's assessment of Bonavista's future plans and operations, contains forward-looking statements which are provided to allow investors to better understand our business. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Bonavista's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental, tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Bonavista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, what benefits that Bonavista will derive therefrom. Bonavista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Investors are also cautioned that cash-on-cash yield represents a blend of return of an investor's initial investment and a return on investors initial investment and is not comparable to traditional yield on debt instruments where investors are entitled to full return of the principal amount of debt on maturity in addition to a return on investment through interest payments.*

Non-GAAP Measurements - *Within Management's discussion and analysis, references are made to terms commonly used in the oil and natural gas industry. Management uses "funds from operations" and the "ratio of debt to funds from operations" to analyze operating performance and leverage. Funds from operations as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. Funds from operations per unit is calculated based on the weighted average number of trust units outstanding consistent with the calculation of net income per unit. Operating netbacks equal production revenue and realized gains or losses on financial instruments, less royalties, transportation and operating expenses calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period. Management uses these terms to analyze operating performance and leverage.*

Operations - Bonavista's exploitation and development program for the three months ended March 31, 2008 led to the drilling of 69 wells in our four core regions with an overall success rate of 93%. This program resulted in 27 natural gas wells, 37 oil wells and 5 dry holes. Bonavista continues to emphasize higher impact drilling opportunities particularly in the Bakken play in our Southeast Saskatchewan area and our South Central core region in Alberta, where we have experienced excellent success and attractive finding and development costs. These activities have also continued to lengthen our reserve life index and the predictability in our overall production base. In addition to the exploitation and development program, Bonavista executed six complementary acquisitions in its core regions during the first quarter of 2008.

Production - For the three months ended March 31, 2008, production increased 5% to 54,397 boe per day when compared to 52,054 boe per day for the same period in 2007. Natural gas production increased 3% to 178 mmcf per day in the first quarter of 2008 from 172 mmcf per day for the same period a year ago, while total oil and liquids production increased 5% to 24,694 bbls per day in the first quarter of 2008 (comprised of 17,740 bbls per day of light and medium oil and 6,954 bbls per day of heavy oil) from 23,434 bbls per day (comprised of 16,273 bbls per day of light and medium oil and 7,161 bbls per day of heavy oil) for the same period a year ago. Our current production is approximately 54,500 boe per day consisting of 55% natural gas, 33% light and medium oil and 12% heavy oil. Bonavista's diversified commodity investment approach minimizes our dependence on any one product.

Management now anticipates production volumes in 2008 to average approximately 54,400 to 55,000 boe per day. Production volumes in the second quarter will be negatively impacted due to scheduled turnarounds at third party gas processing plants and an unusually long spring break-up in western Canada. Second quarter production is now expected to be 5% to 6% lower than first quarter production, but will trend higher in the last half of 2008.

Revenues - Revenues, excluding gains and losses on financial instruments, for the first quarter of 2008 increased by 32% to \$296.4 million when compared to \$225.2 million in the first quarter of 2007 due to higher average commodity prices and increased production volumes. In the first quarter of 2008, natural gas prices averaged \$7.89 per mcf, similar to the \$7.88 per mcf realized in the same period in 2007. The average oil and liquids price increased 37% to \$68.63 per bbl (comprised of \$69.91 per bbl for light and medium oil and \$65.36 per bbl for heavy oil) in the first quarter of 2008 from \$50.04 per bbl (comprised of \$54.11 per bbl for light and medium oil and \$40.79 per bbl for heavy oil) for the same period in 2007.

Commodity price risk management - As part of our financial management strategy, Bonavista has adopted a disciplined commodity price risk management program. The purpose of this program is to stabilize funds from operations against unpredictable commodity prices and protect acquisition economics. Bonavista's Board of Directors has approved a commodity price risk management limit of 60% of forecast production, net of royalties, primarily using costless collars. Our strategy of using costless collars limits Bonavista's exposure to downturns in commodity prices, while allowing for participation in commodity price increases.

For the three months ended March 31, 2008, our risk management program on financial instruments resulted in a net loss of \$33.7 million, consisting of a realized loss of \$14.3 million and an unrealized loss of \$19.4 million. The realized loss of \$14.3 million consisted of a \$338,000 gain on natural gas commodity derivative contracts and a \$14.6 million loss on crude oil commodity derivative contracts.

Royalties - For the three months ended March 31, 2008, royalties increased 47% to \$57.5 million from \$39.0 million for the same period a year ago, largely attributed to an increase in production volumes, oil and liquids prices and heavy oil royalties resulting from the payout of two oil sand royalty projects. In addition, royalties as a percentage of revenue (including realized gains and losses on financial instruments) for the first quarter of 2008 also increased from 17.2% in 2007 to 20.4% in 2008 for similar reasons discussed above. For the three months ended March 31, 2008, royalties by product as a percentage of revenues (including realized gains and losses on financial instruments) were 20.9% for natural gas, 20.1% for light and medium oil and 19.4% for heavy oil. For the three months ended March 31, 2007, royalties by product, as a percentage of revenue (including realized gains and losses on financial instruments) were 18.6% for natural gas, 16.3% for light and medium oil and 13.4% for heavy oil.

On October 25, 2007, the Alberta Government announced the New Royalty Framework ("NRF") which is proposed to take effect on January 1, 2009. The proposed NRF includes new royalty formulas for conventional oil and natural gas that will operate on sliding scales that are determined by commodity prices and well productivity. The government of Alberta, on April 10, 2008, provided some further clarification on the NRF and introduced two new royalty programs related to the development of deep oil and natural gas reserves. The Trust has reviewed the information that is currently available and has determined that the impact of these changes may increase our existing average corporate royalty rate by approximately 3% to 4%. Bonavista will continue to assess the impact that the NRF will have on existing operations when legislation is finalized or as more information becomes available.

Operating expenses - Operating expenses for the first quarter of 2008 increased 14% to \$44.4 million compared to \$39.0 million for the same period a year ago. Due to the unusually cold weather in the first quarter, the industry has experienced some upward pressure on operating costs, primarily driven by higher fuel, power, chemical and labour costs. These factors resulted in average per unit operating costs increasing by 8% for the three months ended March 31, 2008, to \$8.97 per boe from \$8.33 per boe in the comparable period of 2007. Operating costs by product for the first quarter of 2008 were \$1.24 per mcf for natural gas, \$9.76 per bbl for light and medium oil and \$13.39 per bbl for heavy oil compared to \$1.15 per mcf for natural gas, \$8.98 per bbl for light and medium oil and \$11.99 per bbl for heavy oil for the same period in 2007. As a result of plant turnarounds and the spring break-up impact on production volumes in the second quarter, we anticipate our operating costs per boe in the second quarter will increase by 2% to 3% compared to the first quarter of 2008, but should decrease below \$9.00 per boe in the last half of 2008. Notwithstanding these cost increases, Bonavista is one of the lowest cost producers in the energy trust sector and continues to pursue cost reduction initiatives.

Transportation expenses - For the three months ended March 31, 2008, transportation expenses remain consistent at \$10.1 million (\$2.03 per boe) when compared to \$10.1 million (\$2.16 per boe) for the same period last year. The 6% decrease in transportation expenses on a per boe basis was primarily due to a decrease in natural gas transportation costs because of the expiry of certain firm export service obligations. For the first quarter of 2008, transportation expenses by product were \$0.41 per mcf for natural gas, \$0.84 per bbl for light and medium oil and \$3.32 per bbl for heavy oil compared to \$0.43 per mcf for natural gas, \$0.95 per bbl for light and medium oil and \$3.21 per bbl for heavy oil for the same period a year ago.

General and administrative expenses - General and administrative expenses, after overhead recoveries, increased 15% to \$3.5 million for the three months ended March 31, 2008 from \$3.1 million in the same period in 2007. On a per boe basis, general and administrative expenses increased 9% for the three months ended March 31, 2008 to \$0.71 per boe from \$0.65 per boe in the same period in 2007. These increases are largely due to the higher staffing levels required to manage our operations and increasing general cost pressures currently experienced in the industry. In addition, through the services agreement with NuVista Energy Ltd., Bonavista provides certain administrative activities. The fee charged under this agreement was \$414,000 for the three months ended March 31, 2008 as compared to \$342,000 in first quarter of 2007. In connection with its Trust Unit Incentive Rights Plan, Bonavista also recorded a unit-based compensation charge of \$2.3 million for three months ended March 31, 2008, compared to \$1.4 million for the same period in 2007.

Financing expenses - Financing expenses, which include interest expense on long-term debt and convertible debentures, increased to \$11.5 million for the three months ended March 31, 2008, from \$7.5 million for the same period in 2007 and, on a boe basis, increased to \$2.33 per boe for the three months ended March 31, 2008 from \$1.61 per boe for the same period in 2007. These increases are due to increased debt levels used to fund Bonavista's capital program. During the first quarter of 2008, Bonavista paid cash interest of \$10.9 million compared to \$7.3 million in 2007.

Depreciation, depletion and accretion expenses - Depreciation, depletion and accretion expenses increased 18% to \$65.4 million for the three months ended March 31, 2008 from \$55.4 million in the same period of 2007 due to higher costs of finding and developing reserves and a larger asset base in 2008. For the three months ended March 31, 2008, the average cost increased to \$13.20 per boe from \$11.83 per boe for the same period a year ago. The increase in depreciation, depletion and accretion expenses are due to increased costs associated with adding new reserves. Over the past few years our industry has seen cost escalation in all areas of activities.

Income taxes - For the three months ended March 31, 2008, the provision for income tax was a recovery of \$4.3 million compared to a recovery of \$3.0 million for the same period in 2007. Bonavista made no cash payments relating to installments for either of the three months ended March 31, 2008, or for the comparative period in 2007.

Funds from operations, net income and comprehensive income - For the three months ended March 31, 2008, Bonavista experienced a 21% increase in funds from operations to \$155.1 million (\$1.44 per unit, basic) from \$128.5 million (\$1.23 per unit, basic) for the same period in 2007. Funds from operations increased for the three months ended March 31, 2008 primarily due to higher realized oil and liquids product prices and higher production volumes. For similar reasons, net income for the three months ended March 31, 2008, increased 17% to \$72.3 million (\$0.67 per unit, basic) from \$61.6 million (\$0.59 per unit, basic) for the same period in 2007. Other comprehensive income for the three months ended March 31, 2008 included a charge of nil, (2007 – \$1.5 million) relating to the amortization of the amount recognized in accumulated other comprehensive income on January 1, 2007 for the fair value of financial instruments on adoption of the new accounting standards for financial instruments. This resulted in total comprehensive income for the three months ended March 31, 2008 of \$72.3 million (2007 – \$60.2 million).

The following table is a reconciliation of a non-GAAP measure, funds from operations, to its nearest measure prescribed by GAAP:

Calculation of Funds From Operations: (thousands)	Three Months ended March 31,	
	2008	2007
Cash flow from operating activities	\$ 164,649	\$ 131,867
Asset retirement expenditures	2,918	380
Increase in non-cash working capital	(12,435)	(3,735)
Funds from operations	\$ 155,132	\$ 128,512

Capital expenditures - Capital expenditures for the three month period ended March 31, 2008 were \$262.6 million, consisting of \$93.3 million on exploitation and development spending and \$169.3 million on property acquisitions. For the same period in 2007 capital expenditures were \$91.6 million, consisting of \$90.6 million on exploitation and development spending and \$1.0 million on property acquisitions. With the industry experiencing cost reductions in many of its services due to lower industry activity levels in the first quarter, Bonavista too benefited with its active drilling program which is generating production addition costs at attractive levels. In 2008 we continue to generate favourable economic returns from our capital expenditure program as a direct result of relatively stable service costs coupled with strengthening commodity prices.

Liquidity and capital resources - As at March 31, 2008, long-term debt including working capital deficiency (excluding unrealized losses on financial instruments), was \$874.8 million with a debt to 2008 funds from operations ratio of 1.4:1. With our bank credit facility of \$1.0 billion and the subsequent \$214.0 million equity financing that closed on April 29, 2008, Bonavista has substantial unused bank borrowing capability, leaving significant flexibility to finance future expansions in our capital programs or acquisition opportunities as they arise.

In 2008, Bonavista plans to invest approximately \$475 million to expand its core regions, which will be financed through a combination of funds from operations, recent equity issuance and bank debt. The Trust is committed to the fundamental principle of maintaining financial flexibility and the prudent use of debt. As such, the 2008 capital expenditure program is based on using a conservative amount of debt in our financing structure.

Under the terms of the credit facility, the Trust has provided the covenant that its consolidated senior debt borrowing will not exceed three times net income before interest, taxes and depreciation, depletion and accretion; consolidated total debt will not exceed three and one half times consolidated net income before interest, taxes and depreciation, depletion and accretion; and consolidated senior debt borrowing will not exceed one-half of consolidated total debt plus consolidated unitholders' equity of the Trust.

Unitholders' equity - As at March 31, 2008, Bonavista had 108.0 million equivalent trust units outstanding. This includes 12.2 million exchangeable shares, which are exchangeable into 21.7 million trust units. The exchange ratio in effect at March 31, 2008 for exchangeable shares was 1.77794:1. As at May 15, 2008, Bonavista had 93.4 million equivalent trust units outstanding which includes 7.0 million trust units resulting from our recent equity issuance which closed on April 29, 2008. This also includes 12.2 million exchangeable shares, which are exchangeable into 22.2 million trust units. The exchange ratio in effect at May 15, 2008 for exchangeable shares was 1.81320:1. In addition, Bonavista has 3.2 million trust unit incentive rights outstanding at May 15, 2008, with an average exercise price of \$25.09 per trust unit.

Distributions - Bonavista's distribution policy is constantly monitored and is dependent upon its forecasted operations, funds from operations, debt levels and capital expenditures. One of the paramount objectives of the Trust is to be a sustainable entity, which is defined as maintaining both production and reserves over an extended period of time. This is accomplished by retaining sufficient funds from operations to replace the reserves that have been produced. With these considerations, for the three months ended March 31, 2008 the Trust declared distributions of \$77.6 million compared to \$76.5 million in the same period in 2007.

The following table illustrates the relationship between cash flow provided from operating activities and distributions declared, as well as net income and distributions declared. Net income includes significant non-cash charges that do not impact cash flow. For the three months ended March 31, 2008, the non-cash charges amounted to \$82.8 million compared to \$66.9 million for the same period in 2007. Net income also includes fluctuations in future income taxes due to changes in tax rates and tax rules. In addition, other non-cash charges, such as depreciation, depletion and accretion and unrealized gains and losses on financial instruments, do not represent the actual cost of maintaining our productive capacity given the natural declines associated with oil and natural gas assets. In these instances, where distributions exceed net income, a portion of the cash distribution paid to Unitholders may be considered an economic return of Unitholders' capital.

Distribution Analysis	Three Months ended March 31,	
	2008	2007
(thousands)		
Cash flow provided from operating activities	\$ 164,649	\$ 131,867
Net income	72,298	61,630
Distributions declared	77,575	76,536
Excess of cash flow provided from operating activities over distributions declared	87,074	55,331
Excess (shortfall) of net income over distributions declared	(5,277)	(14,906)

Bonavista announces its distribution policy on a quarterly basis. Distributions are determined by the Board of Directors and are dependent upon the commodity price environment, production levels, and the amount of capital expenditures to be financed from funds from operations. Bonavista's current monthly distribution rate is \$0.30 per unit. This monthly distribution is comprised of the base distribution of \$0.28 per unit plus a supplementary distribution of \$0.02 per unit, due to the average realized commodity prices in excess of budget prices. The combined base and supplementary distribution incorporates the withholding of sufficient funds from operations to fund capital expenditures required to maintain or modestly grow the current production base and provide sustainable distributions in the long-term. Our long-term objective is to distribute between 50% and 60% of our funds from operations. Our current distribution rate of \$0.30 per unit per month places us in this range for 2008, based on the current market of commodity price futures.

Quarterly financial information - The following table highlights Bonavista's performance for the eight quarterly periods ending on June 30, 2006 to March 31, 2008:

	2008		2007			2006		
	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
(\$ thousands, except per unit amounts)								
Production revenues	296,387	242,361	219,885	223,878	225,222	220,484	227,270	229,492
Net income	72,298	63,631	58,990	33,936	61,630	67,635	70,800	87,425
Net income per unit:								
Basic	0.67	0.60	0.56	0.32	0.59	0.65	0.69	0.86
Diluted	0.67	0.59	0.55	0.32	0.59	0.65	0.68	0.84

Production revenue, excluding gains and losses on financial instruments were 32% higher in the first quarter of 2008 versus the first quarter of 2007, primarily due to both higher production volumes and average product prices. Net income increased 17% in the first quarter of 2008 as compared to the first quarter of 2007. The increase in net income in the first quarter of 2008 is attributed to an increase in both production volumes and commodity prices as compared to the first quarter of 2007. The large decrease in net income in the second quarter of 2007 is primarily attributable to the non-cash future income tax charge to net income of \$41.0 million to reflect recent changes to income tax legislation, substantially enacted in the second quarter of 2007.

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

Update on regulatory and financial reporting matters - On April 18, 2008, the Canadian Securities Administrators published the notice and request for comments for the proposed repeal and replacement of Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim filings. The proposed changes would include the requirement to provide certification of internal controls over financial reporting for years ending after December 15, 2008.

Effective January 1, 2008, Bonavista adopted Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation" and Section 1535, "Capital Disclosure". The first two sections establish standards for the presentation and disclosure of information that enables users to evaluate the significance of financial instruments to the entity's financial position, and the nature and extent of risks arising from financial instruments and how the entity manages the risks. The last section establishes standards for disclosing information about an entity's capital and how it is managed. The Trust will also be required to adopt Section 3064 "Goodwill and Intangible Assets" on January 1, 2009, which defines the criteria for the recognition of intangible assets.

On February 13, 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards ("IFRS"). The Trust will continue to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

OUTLOOK

As we progress into our eleventh year since restructuring the Company in 1997, and our fifth year since converting to an energy trust, we continue to benefit from all of the same qualities that drove the success of Bonavista as a public company and an energy trust. We apply a similar proven strategy and execute this strategy in a disciplined and cost-effective manner much the same as in 1997 when we started on our mission of creating value for our stakeholders. The foundation of this strategy is to actively pursue low to medium risk drilling opportunities on our extensive undeveloped land base within geographically concentrated areas of operations. Despite a very active exploitation and development program over the past few years, the quality and quantity of our drilling opportunities continues to increase as we progress through 2008. This increase in inventory can be directly attributed to the detailed and tireless work of our talented technical team, who possess a strong commitment and a solid understanding of the Western Canadian Sedimentary Basin. We also continue to search and have been successful in strategic acquisition opportunities where we can add value utilizing our own technical expertise. Over the last winter, we witnessed acquisition prices decreasing to a level that compared favourably with our cost of adding reserves organically and we acted on this by completing a significant, natural gas-weighted, property acquisition in January 2008. Since that time, natural gas prices have improved substantially. Our timely and prudent approach to capital investments has been very effective in the past and together with our steadfast commitment to adding Unitholder value and attention to detail will continue to provide the foundation for the future success of the Trust. Today our activity, efficiency, productivity and profitability remain among the strongest levels in our ten and a half year history.

As a result of a successful drilling program and the completion of a strategic property acquisition in the first quarter of 2008, Bonavista is pleased to announce that its Board of Directors has approved an expanded operating and capital program for 2008 to \$475 million. The focus of this expanded capital program will be directed to Bonavista's exploration, exploitation and development programs which include drilling approximately 220 to 230 wells, taking advantage of our first quarter success and strong commodity prices. Bonavista has currently identified over 700 drilling prospects on its current land base and believes that it is prudent to accelerate the drilling of some of these prospects in 2008. It is anticipated that this expanded capital program should result in Bonavista's 2008 production volumes averaging approximately 54,400 to 55,000 boe per day. This level of production factors in significant downtime anticipated in the second and third quarters, primarily due to two major third party plant turnarounds and an unusually long spring break-up. Assuming commodity prices of \$9.00 per GJ of natural gas (AECO) and \$110 per bbl of crude oil (WTI), Bonavista now anticipates 2008 cashflow to increase to approximately \$740 to \$760 million. Bonavista will continue to be prudent and remain opportunistic to further expand its capital programs on additional acquisitions and/or drilling opportunities.

We are extremely proud of our achievements over our past ten and a half years and remain very enthused about the growing opportunities that exist for Bonavista in the future. We would like to thank our employees for their significant effort and their continued enthusiasm and excitement as we pursue these opportunities. Despite the passage of legislation in the Canadian House of Commons on the taxation of distributions from certain publicly traded Canadian trusts and the introduction of the NRF by the Government of Alberta, Bonavista's value creation process has not changed. Throughout many business cycles and changes in the business environment, Bonavista has thrived. Our success is based on the consistent application of our core philosophy and operating strategies. Our corporate structure may ultimately change by 2011 when the new tax laws become effective, but our proven strategy will not change under this new tax regime nor the provincial government's new royalty regime, as our team remains dedicated to add Unitholder value in the oil and natural gas business, regardless of the changing landscape.

Consolidated Balance Sheets	March 31,	December 31,
(thousands)	2008	2007
(unaudited)		
Assets:		
Current assets:		
Accounts receivable	\$ 122,401	\$ 112,226
Future income tax asset	19,357	13,517
	141,758	125,743
Oil and natural gas properties and equipment	2,279,898	2,074,993
Goodwill	41,321	41,321
	\$ 2,462,977	\$ 2,242,057
Liabilities and Unitholders' Equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 115,382	\$ 65,305
Distributions payable	25,875	25,729
Unrealized losses on financial instruments	64,522	45,058
	205,779	136,092
Long-term debt	855,904	712,654
Convertible debentures	48,714	48,830
Asset retirement obligations	121,110	116,893
Future income taxes	168,152	166,621
Unitholders' equity:		
Unitholders' capital and debenture conversion component	859,852	851,685
Exchangeable shares	74,674	74,710
Contributed surplus	8,866	9,369
Accumulated earnings	119,926	125,203
	1,063,318	1,060,967
	\$ 2,462,977	\$ 2,242,057

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations, Comprehensive Income and Accumulated Earnings

(thousands, except per unit amounts)

**Three Months
ended March 31,****2008 2007**

(unaudited)

Revenues:

Production	\$ 296,387	\$ 225,222
Royalties	(57,451)	(39,015)
	238,936	186,207
Realized gains (losses) on financial instruments	(14,283)	2,071
Unrealized losses on financial instruments	(19,464)	(13,005)
	(33,747)	(10,934)
	205,189	175,273

Expenses:

Operating	44,395	39,043
Transportation	10,066	10,120
General and administrative	3,519	3,055
Financing	11,541	7,548
Unit-based compensation	2,313	1,412
Depreciation, depletion and accretion	65,366	55,425
	137,200	116,603

Income before taxes	67,989	58,670
Income tax reductions	(4,309)	(2,960)

Net income	72,298	61,630
Changes in comprehensive income, net of taxes	-	(1,450)

Comprehensive income	72,298	60,180
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Accumulated earnings, beginning of period	125,203	214,417
Distributions declared	(77,575)	(76,536)

Accumulated earnings, end of period	\$ 119,926	\$ 199,511
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Net income per unit – basic	\$ 0.67	\$ 0.59
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Net income per unit – diluted	\$ 0.67	\$ 0.59
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See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands)

**Three Months
ended March 31,
2008 2007**

(unaudited)

Cash provided by (used in):**Operating Activities:**

Net income	\$	72,298	\$	61,630
Items not requiring cash from operations:				
Depreciation, depletion and accretion		65,366		55,425
Unit-based compensation		2,313		1,412
Unrealized losses on financial instruments		19,464		13,005
Future income tax reductions		(4,309)		(2,960)
Asset retirement expenditures		(2,918)		(380)
Changes in non-cash working capital items		12,435		3,735
		<hr/>		<hr/>
		164,649		131,867

Financing Activities:

Issuance of equity, net of issue costs		4,702		3,010
Distributions		(77,428)		(76,444)
Changes in long-term debt		143,250		30,442
Changes in non-cash working capital items		663		263
		<hr/>		<hr/>
		71,187		(42,729)

Investing Activities:

Exploitation and development		(93,265)		(90,616)
Property acquisitions		(169,374)		(965)
Changes in non-cash working capital items		26,803		2,443
		<hr/>		<hr/>
		(235,836)		(89,138)

Change in cash		-		-
Cash, beginning of period		-		-
		<hr/>		<hr/>
Cash, end of period	\$	-	\$	-

See accompanying notes to the consolidated financial statements.

BONAVISTA ENERGY TRUST

Notes to Consolidated Financial Statements

For the three months ended March 31, 2008 (unaudited)

Structure of the Trust and Basis of Presentation:

Bonavista Energy Trust ("Bonavista" or the "Trust") is an open-ended unincorporated investment trust governed by the laws of the Province of Alberta. The Trust was established on July 2, 2003 under a Plan of Arrangement entered into by the Trust, Bonavista Petroleum Ltd. ("BPL") and its subsidiaries and partnerships and NuVista Energy Ltd. ("NuVista"). Under the Plan of Arrangement, a wholly-owned subsidiary of the Trust amalgamated with BPL and became the successor company. The Trust has two significant subsidiaries in which it owns 100% of the common shares of BPL (excluding the exchangeable shares – see note 6) and 100% of the units of Bonavista Trust (2003) ("BT"). The activities of these entities are financed through interest bearing notes from the Trust and third party debt as described in the notes to the consolidated financial statements. The business of the Trust is carried on through the entities owned by the subsidiaries of the Trust, Bonavista Petroleum, a general partnership ("BP") and Bonavista Energy Limited Partnership ("BELP"). The net income of the Trust is generated from interest on notes advanced to its subsidiaries, royalty payments on oil and natural gas assets owned by BP, as well as any dividends or distributions paid by its subsidiaries. The Trustee must declare payable to the Trust Unitholders all of the taxable income of the Trust.

The unaudited consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries and partnerships, and have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. The interim consolidated financial statements and notes should be read in conjunction with the consolidated financial statements for the year ended December 31, 2007. Certain amounts have been reclassified to conform to the current period's presentation.

1. Changes in accounting policy:

a) Financial instruments

On January 1, 2008, the Trust adopted CICA Handbook Section 3862, "Financial Instruments - Disclosures", and Section 3863, "Financial Instruments - Presentation". Section 3862 and 3863 establish standards for the presentation and disclosure of information that enable users to evaluate the significance of financial instruments to the entity's financial position, and the nature and extent of risks arising from financial instruments and how the entity manages these risks. The implementation of these standards did not impact the Trust's financial results, however it did result in additional disclosure presented in note 7 of the Trust's notes to the consolidated financial statements.

b) Capital disclosures

On January 1, 2008, the Trust adopted CICA Handbook Section 1535 "Capital Disclosures". Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. This section specifies disclosure about objectives, policies and processes for managing capital, quantitative data about what an entity regards as capital, whether an entity has complied with all capital requirements, and if it has not complied, the consequences of such non-compliances. The implementation of this standard did not impact the Trust's financial results, however it did result in additional disclosure presented in note 8 of the Trust's notes to the consolidated financial statements.

c) Goodwill

As of January 1, 2009, the Trust will be required to adopt CICA Handbook Section 3064 "Goodwill and Intangible Assets", which defines the criteria for the recognition of intangible assets. This new standard is not expected to have a material impact on the Trust's consolidated financial statements.

d) International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the effective date for the convergence of Canadian GAAP to International Financial Reporting Standards ("IFRS"). The Canadian Securities Administrators are in the process of examining the changes to securities rules as a result of this initiative. The Trust continues to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

2. Business relationships:

Bonavista and NuVista are considered related as two directors of NuVista, one of whom is NuVista's chairman, are directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista.

Pursuant to the Plan of Arrangement, Bonavista entered into a Technical Services Agreement ("TSA") with NuVista, whereby, Bonavista received payment for certain technical and administrative services provided by it to NuVista on a cost recovery basis. Effective January 1, 2007 the terms of the TSA were amended to reflect the reduced level of services provided by Bonavista and subsequently on August 31, 2007 the TSA was terminated and replaced with a new services agreement that reflects the remaining ongoing services that will be provided by Bonavista.

For the three months ended March 31, 2008 Bonavista charged NuVista \$414,000 (2007 - \$342,000) in fees relating to general and administrative services provided to NuVista, in addition NuVista charged Bonavista management fees for a jointly owned partnership totaling \$337,500 (2007 – nil). Bonavista also charged NuVista \$8,500 (2007 – 60,000) for costs that are outside the TSA relating to NuVista's share of direct charges from third parties. As at March 31, 2008, the amount payable to NuVista was \$4.1 million.

3. Asset retirement obligations:

The Trust's asset retirement obligations result from net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. The Trust estimates the total undiscounted amount of expenditures required to settle its asset retirement obligations is approximately \$556.6 million (2007 - \$482.7 million) which will be incurred over the next 51 years. The majority of the costs will be incurred between 2010 and 2037. A credit-adjusted risk-free rate of 7.5% (2007 – 7.5%) and an inflation rate of 2% (2007 – 2%) were used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	Three Months ended March 31,	
	2008	2007
(thousands)		
Balance, beginning of period	\$ 116,893	\$ 96,324
Accretion expense	2,083	1,706
Liabilities incurred	2,565	179
Liabilities acquired	2,487	-
Liabilities settled	(2,918)	(380)
Balance, end of period	\$ 121,110	\$ 97,829

4. Long-term debt:

The Trust has a \$1.0 billion credit facility with a syndicate of chartered banks. This facility is an unsecured, covenant-based, extendible revolving facility and includes a \$50 million working capital facility. The facility provides that advances may be made by way of prime rate loans, bankers' acceptances and/or US dollar LIBOR advances. These advances bear interest at the banks' prime rate and/or at money market rates plus a stamping fee. The facility is a three year revolving credit and may, at the request of the Trust with the consent of the lenders, be extended on an annual basis. At present, no principal payments are required under the credit facility until August 10, 2010.

Under the terms of the credit facility, the Trust has provided the covenant that its consolidated senior debt borrowing will not exceed three times net income before interest, taxes and depreciation, depletion and accretion; consolidated total debt will not exceed three and one half times consolidated net income before interest, taxes and depreciation, depletion and accretion; and consolidated senior debt borrowing will not exceed one-half of consolidated total debt plus consolidated unitholders' equity of the Trust.

Financing expenses for the three months ended March 31, 2008 include interest on bank loans of \$10.7 million (2007 – \$6.6 million) and convertible debentures of \$867,000 (2007 – \$916,000). For the three months ended March 31, 2008, Bonavista paid cash interest of \$10.9 million (2007 – \$7.3 million). For the period ending March 31, 2008 our effective interest rate was 4.17% (2007 – 4.96%).

5. Convertible debentures:

The debt component of the debentures has been recorded net of the fair value of the conversion feature and issue costs. The fair value of the conversion feature of the debentures included in Unitholders' equity at the date of issue was \$4.7 million. The issue costs are amortized to net income over the term of the obligation and the debt component of the obligation is adjusted for the amortization as well as for the portion of issue costs relating to conversions. The debt portion is accreted over the term of the obligation to the principal value on maturity with a corresponding charge to net income. The following table sets out the convertible debenture activities to March 31, 2008:

	Debt Component	Equity Component
(thousands)		
Balance, December 31, 2007	\$ 48,830	\$ 1,054
Accretion	18	-
Issue expenses related to conversions to trust units	1	-
Amortization of issue expenses	174	-
Conversion to trust units	(309)	(6)
Balance, March 31, 2008	\$ 48,714	\$ 1,048

6. Unitholders' equity:

- a) Authorized:
Unlimited number of voting trust units.
- b) Issued and outstanding:
(i) Trust units:

	Number	Amount
(thousands)		
Balance, December 31, 2007	85,757	\$ 850,631
Issued on conversion of convertible debentures	14	309
Issued on conversion of exchangeable shares	10	36
Issued upon exercise of trust unit incentive rights	414	4,702
Conversion of restricted trust units	53	-
Issue costs, related to debenture conversions	-	(1)
Adjustment to equity component of debenture on conversion	-	6
Unit-based compensation	-	3,121
Balance, March 31, 2008	86,248	\$ 858,804

- (ii) Contributed surplus:

	Amount
(thousands)	
Balance, December 31, 2007	\$ 9,369
Unit-based compensation expense	2,313
Unit-based compensation capitalized	305
Exercise of trust unit incentive rights and conversion of restricted trust units	(3,121)
Balance, March 31, 2008	\$ 8,866

- (iii) Exchangeable shares:

	Number	Amount
(thousands)		
Balance, December 31, 2007	12,230	\$ 74,710
Exchanged for trust units	(6)	(36)
Balance, March 31, 2008	12,224	\$ 74,674
Exchange ratio, March 31, 2008	1.77794	-
Trust units issuable on exchange	21,734	\$ 74,674

- c) Long term incentive plans:

For the three months ended March 31, 2008 there were 6,025 restricted trust units granted and 51,800 trust unit incentive rights issued with an average exercise price of \$27.75 per trust unit and an estimated fair value of \$8.15 per trust unit. As at March 31, 2008 there were 107,850 restricted trust units outstanding and 3,237,150 trust unit rights outstanding with an average exercise price of \$25.49 per trust unit. The Trust uses the fair value based method for the determination of the unit-based compensation costs. The fair value of each incentive right granted was estimated on the date of grant using the modified Black-Scholes option-pricing model. In the pricing model, the risk free interest was 3.5%; volatility of 33%; a forfeiture rate of 10% and an expected life of 4.5 years.

- d) Per unit amounts:

The following table summarizes the weighted average trust units, exchangeable shares and convertible debentures used in calculating net income per trust unit:

	Three months ended March 31, 2008
(thousands)	
Trust units	86,136
Exchangeable shares converted at the exchange ratio	21,740
Basic equivalent trust units	107,876
Convertible debentures	1,826
Trust unit incentive rights	354
Restricted trust units	108
Diluted equivalent trust units	110,164

For the purposes of calculating net income per trust unit on a diluted basis, the net income has been increased by \$1.1 million (2007 – \$1.1 million) with respect to the accretion, amortization and interest expense on the convertible debentures.

7. Financial instruments:

The Trust has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Trust's exposure to each of these risks, the Trust's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Trust's risk management policies are established to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Trust's activities.

(a) Credit risk:

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from crude oil and natural gas marketers and joint venture partners.

Substantially all of the Trust's crude oil and natural gas production is marketed under standard industry terms. Receivables from crude oil and natural gas marketers are normally collected on the 25th day of the month following production. The Trust's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large credit worthy purchasers and to sell through multiple purchasers. The Trust historically has not experienced any collection issues with its crude oil and natural gas marketers. Joint venture receivables are typically collected within three months of the joint venture bill being issued to the partner. The Trust attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the crude oil and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Trust does not typically obtain collateral from crude oil and natural gas marketers or joint venture partners; however the Trust does have the ability in most cases to withhold production from joint venture partners in the event of non-payment.

The carrying amount of accounts receivable represents the maximum credit exposure. As at March 31, 2008 the Trust's receivables consisted of \$87.6 million of receivables from crude oil and natural gas marketers which has subsequently been collected, \$23.2 million from joint venture partners of which \$3.5 million has been subsequently collected, and \$11.6 million of Crown deposits and prepaids. As at March 31, 2008 the Trust has \$9.0 million in accounts receivable that is considered to be past due. Although these amounts have been outstanding for greater than 90 days, they are still deemed to be collectible. The Trust does not have an allowance for doubtful accounts as at March 31, 2008 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the period ended March 31, 2008.

(b) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the financial liabilities. The Trust's financial liabilities consist of accounts payable and accrued liabilities, financial instruments, bank debt and convertible debentures. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities, capital expenditures, and distributions payable. The Trust processes invoices within a normal payment period. Accounts payable and financial instruments have contractual maturities of less than one year. The Trust maintains a three year revolving credit facility, as outlined in note 4, which may, at the request of the Trust with the consent of the lenders, be extended on an annual basis. The Trust also has two series of convertible debentures outstanding with conversion prices of \$23.00 and \$29.00, we expect that both of these convertible debenture series will convert to trust units prior to maturity as the current trust unit trading price exceeds the conversion price. The Trust also maintains and monitors a certain level of cash flow which is used to partially finance all operating, investing and capital expenditures.

(c) Market risk:

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Trust's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Trust's returns.

The Trust utilizes both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the Trust's risk management policy that has been approved by the Board of Directors.

i) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted not only by global economic events that dictate the levels of supply and demand but also by the relationship between the Canadian and United States dollar. The Trust has attempted to mitigate a portion of the commodity price risk through the use of various financial derivative and physical delivery sales contracts. The Trust's policy is to enter into commodity price contracts when considered appropriate to a maximum of 60% of forecasted production volumes.

As at March 31, 2008, the Trust has hedged by way of costless collars to sell natural gas (gjs/d) and crude oil (bbls/d) as follows:

Volume	Average Price	Term
35,000 gjs/d	CDN\$ 7.43 - CDN\$ 8.77 – AECO	April 1, 2008 – October 31, 2008
25,000 gjs/d	CDN\$ 7.65 - CDN\$ 9.65 – AECO	November 1, 2008 – March 31, 2009
7,000 bbls/d	US\$ 65.43 - US\$ 78.58 – WTI	April 1, 2008 – December 31, 2008
3,000 bbls/d	CDN\$ 57.00 - CDN\$ 66.83 – Bow River	April 1, 2008 – December 31, 2008
1,000 bbls/d	CDN\$ 85.00 - CDN\$ 125.25 – WTI	January 1, 2009 – December 31, 2009
3,000 bbls/d	US\$ 71.67 - US\$ 88.87 – WTI	January 1, 2009 – March 31, 2009
1,000 bbls/d	US\$ 85.00 - US\$ 105.60 – WTI	April 1, 2009 – December 31, 2009

Derivatives are recorded on the balance sheet at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statement of operations, comprehensive income and retained earnings. These contracts had the following reflected in the consolidated statement of operations, comprehensive income and retained earnings:

	Three Months ended March 31,	
	2008	2007
Realized gains (losses) on financial instruments	\$ (14,283)	\$ 2,071
Unrealized losses on financial instruments	(19,464)	(13,005)
	\$ (33,747)	\$ (10,934)

As at March 31, 2008, a \$0.10 change to the price per thousand cubic feet of natural gas and a \$1.00 change to the price per barrel of crude oil on the costless collars would have an approximate impact of \$800,000 and \$2.6 million, respectively, on net income.

ii) Physical purchase contracts:

As at March 31, 2008, the Trust has entered into direct sale costless collars to sell natural gas as follows:

Volume	Average Price (CDN\$ - AECO)	Term
45,000 gjs/d	\$ 7.19 - \$ 8.36	April 1, 2008 – October 31, 2008

iii) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Trust sells crude oil and natural gas that is denominated in both US and Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canadian to U.S. dollar exchange rate. The Trust had no forward exchange rate contracts in place as at or during the period ended March 31, 2008.

iv) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest. As at March 31, 2008, a 100 basis points change to the effective interest rate would have a \$1.5 million impact on net income (2007 - \$0.9 million). The sensitivity is higher in 2008 as compared to 2007 because of an increase in outstanding bank debt. The Trust had no interest rate swap or financial contracts in place as at or during the period ended March 31, 2008.

Fair value of financial instruments

The Trust's financial instruments as at March 31, 2008 and December 31, 2007 include accounts receivable, derivative contracts, accounts payable and accrued liabilities, convertible debentures and bank debt. The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

The fair value of derivative contracts is determined by the financial intermediary to extinguish all rights or obligations of the financial instruments. As at March 31, 2008, the market deficit of these derivative financial instruments was approximately \$64.5 million.

The fair market value of the convertible debentures as at March 31, 2008 is \$54.2 million, which has been determined by its March 31, 2008 closing trading price.

Bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

8. Capital management:

The Trust's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through strategic acquisitions and expenditures on exploration and development activities while maintaining a strong financial position that provides our unitholders with stable distributions and rates of return.

The Trust considers its capital structure to include working capital (excluding unrealized gains and losses on financial instruments), convertible debentures, bank debt, and unitholders' equity. The Trust monitors capital based on the ratio of net debt to annualized funds from operations. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds from operations remained constant. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus net working capital, divided by funds from operations for the most recent calendar quarter, annualized (multiplied by four). The Trust's strategy is to maintain a ratio of no more than 2.0 to 1. This strategy is more restrictive than the existing financial covenants on the Trust's credit facility. This ratio may increase at certain times as a result of acquisitions or low commodity prices. As at March 31, 2008, the Trust's ratio of net debt to annualized funds from operations was 1.4 to 1 (2007 – 1.4 to 1), which is within the acceptable range established by the Trust.

In order to facilitate the management of this ratio, the Trust prepares annual funds from operations and capital expenditure budgets, which are updated as necessary, and are reviewed and periodically approved by the Trust's Board of Directors. The Trust manages its capital structure and makes adjustments by continually monitoring its business conditions, including; the current economic conditions; the risk characteristics of the Trust's crude oil and natural gas assets; the depth of its investment opportunities; current and forecasted net debt levels; current and forecasted commodity prices; and other facts that influence commodity prices and funds from operations, such as quality and basis differential, royalties, operating costs and transportation costs.

In order to maintain or adjust the capital structure, the Trust will consider; its forecasted ratio of net debt to forecasted funds from operations while attempting to finance an acceptable capital expenditure program including acquisition opportunities; the current level of bank credit available from the Trust's lenders; the level of bank credit that may be attainable from its lenders as a result of crude oil and natural gas reserves; the availability of other sources of debt with different characteristics than the existing bank debt; the sale of assets; limiting the size of the capital expenditure program; issuance of new equity if available on favourable terms; and its level of distributions payable to its unitholders. The Trust's unitholder's capital is not subject to external restrictions, however the Trust's credit facility does contain financial covenants that are outlined in note 4 of the consolidated financial statements.

There has been no change in the Trust's approach to capital management during the period ended March 31, 2008.

9. Subsequent events:

a) Equity financing:

On April 29, 2008 the Trust completed an equity financing with a syndicate of underwriters resulting in the issuance of 7,000,000 trust units at a price of \$30.60 per trust unit for gross proceeds of \$214.0 million.

b) Commodity derivative activities:

Subsequent to March 31, 2008, the Trust has entered into the following commodity contracts:

i) Financial instruments:

The Trust has hedged by way of costless collars to sell natural gas (gjs/d) and crude oil (bbls/d) as follows:

Volume	Average Price	Term
5,000 gjs/d	CDN\$ 9.75 - CDN\$ 11.75 – AECO	November 1, 2008 – March 31, 2009
1,000 bbls/d	CDN\$ 76.00 - CDN\$ 83.00 – Bow River	May 1, 2008 – December 31, 2008
1,000 bbls/d	CDN\$ 70.00 - CDN\$ 78.00 – Bow River	January 1, 2009 – December 31, 2009

ii) Physical purchase contracts:

The Trust has entered into direct sale costless collars to sell natural gas as follows:

Volume	Average Price (CDN\$ - AECO)	Term
10,000 gjs/d	\$ 8.88 - \$ 11.07	November 1, 2008 – March 31, 2009

INVESTOR INFORMATION

Bonavista Energy Trust is a natural gas weighted energy trust which is committed to maintaining its emphasis on operating high quality oil and natural gas properties, delivering consistent distributions to unitholders and ensuring financial strength and sustainability.

Corporate information provided herein contains forward-looking information. The reader is cautioned that assumptions used in the preparation of such information, particularly those pertaining to cash distributions, production volumes, commodity prices, operating costs and drilling results, which are considered reasonable by Bonavista at the time of preparation, may be proven to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein and the variations may be material. There is no representation by Bonavista that actual results achieved during the forecast period will be the same in whole or in part as those forecast.

FOR FURTHER INFORMATION CONTACT:

Keith A. MacPhail or Ronald J. Poelzer or Glenn A. Hamilton
President & CEO Executive Vice President & CFO Senior Vice President

Bonavista Energy Trust
700, 311 - 6th Avenue SW
Calgary, AB T2P 3H2
Phone: (403) 213-4300

Website: www.bonavistaenergy.com