

# BONAVISTA

## ENERGY CORPORATION

(TSX:BNP)  
**FOR IMMEDIATE RELEASE**  
**May 5, 2011**  
**NEWS RELEASE**  
**Announces 2011 First Quarter Results**

Calgary - Bonavista Energy Corporation is pleased to report to shareholders its interim consolidated financial and operating results for the three months ended March 31, 2011.

### Highlights

	Three months ended March 31,		%
	2011	2010	Change
<b>Financial</b>			
(\$ thousands, except per share)			
Production revenues	238,798	253,632	(6%)
Funds from operations <sup>(1)</sup>	129,067	146,099	(12%)
Per share <sup>(1) (2)</sup>	0.82	1.17	(30%)
Dividends declared	48,488	60,090	(19%)
Per share	0.36	0.48	(25%)
Percentage of funds from operations <sup>(1)</sup>	38%	41%	(3%)
Net income	32,021	59,757	(46%)
Per share <sup>(2)</sup>	0.20	0.48	(58%)
Adjusted net income <sup>(3)</sup>	57,691	44,797	29%
Per share <sup>(2)</sup>	0.37	0.36	3%
Total assets	3,542,239	3,161,222	12%
Long-term debt, net of working capital <sup>(4)</sup>	1,096,756	867,391	26%
Long-term debt, net of adjusted working capital <sup>(3)(4)</sup>	1,068,847	882,372	21%
Shareholders' equity	1,849,978	1,135,678	63%
Capital expenditures:			
Exploration and development	141,506	101,575	39%
Acquisitions, net	(14,932)	(3,213)	365%
Weighted average outstanding equivalent shares: (thousands) <sup>(2)</sup>			
Basic	156,856	125,055	25%
Diluted	157,943	148,531	6%

### Operating

(boe conversion – 6:1 basis)

<b>Production:</b>			
Natural gas (mmcf/day)	242	225	8%
Natural gas liquids (bbls/day)	11,741	10,685	10%
Oil (bbls/day) <sup>(8)</sup>	14,160	14,531	(3%)
Total oil equivalent (boe/day)	66,178	62,734	5%
<b>Product prices: <sup>(5)</sup></b>			
Natural gas (\$/mcf)	4.22	5.46	(23%)
Natural gas liquids (\$/bbl)	49.67	50.17	(1%)
Oil (\$/bbl) <sup>(8)</sup>	75.91	72.78	4%
Operating expenses (\$/boe)	8.46	8.71	(3%)
General and administrative expenses (\$/boe)	0.97	0.88	10%
Cash costs (\$/boe) <sup>(6)</sup>	11.24	10.43	8%
Operating netback (\$/boe) <sup>(7)</sup>	24.45	27.60	(11%)

**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 IFRS 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 IFRS. 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 decommissioning liabilities. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.
- (2) Basic per share calculations include exchangeable shares which are convertible to common shares on certain terms and conditions.
- (3) Amounts have been adjusted to exclude unrealized gains or losses on financial instrument contracts and its related tax impact.
- (4) Amounts exclude convertible debentures, exchangeable shares and share-based compensation.
- (5) Product prices include realized gains or losses on financial instrument contracts.
- (6) Cash costs equal the total of operating, general and administrative, and financing expenses.
- (7) Operating netback equals production revenues including realized gains or losses on financial instrument contracts, less royalties, transportation and operating expenses, calculated on a boe basis.
- (8) Oil includes both conventional and heavy oil.

Share Trading Statistics	Three months ended			
	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
(\$ per share, except volume)				
High	32.00	29.50	24.91	25.60
Low	25.12	23.88	22.34	22.03
Close	30.00	28.80	23.89	22.81
Average Daily Volume - Shares	561,706	304,761	309,312	423,688

## MESSAGE TO SHAREHOLDERS

Bonavista Energy Corporation (“Bonavista”) is pleased to report to shareholders its financial and operating results for the three months ended March 31, 2011. During the quarter, Bonavista continued its pattern of generating solid operational and financial results by remaining focused on the consistent execution of its proven and disciplined business strategies.

Accomplishments for Bonavista in the first quarter of 2011 include:

- Achieved average production volumes of 66,178 boe per day, representing a 5% increase over the 62,734 boe per day of production in the first quarter of 2010;
- Invested \$141.5 million in exploration and development activities in the first quarter of 2011 consisting of:
  - \$74.2 million in drilling, completion and equipping expenditures;
  - \$32.0 million in strategic facility and pipeline infrastructure;
  - \$16.3 million in land and seismic acquisitions;
  - \$11.2 million in maintenance capital; and
  - \$7.8 million in leasehold improvements related to the relocation of Bonavista’s head office.
- Divested of non-core assets during the quarter resulting in net acquisition and divestiture expenditures of negative \$14.9 million;
- Drilled 32 wells with a 100% success rate including 28 horizontal wells in pursuit of unconventional resource development targeting the Glauconite, Cardium, Bluesky, Rock Creek and Montney horizons;
- Participated at Crown land sales purchasing approximately 21,000 net acres of undeveloped land, further enhancing our organic growth opportunities;
- Achieved modest year over year improvements in our operating cost structure, decreasing 3% on a per boe basis for the three months ended March 31, 2011 to \$8.46 per boe from the same period in 2010;
- Generated funds from operations of \$129.1 million (\$0.82 per share) for the three months ended March 31, 2011. Bonavista distributed 38% of these funds for the three months ended March 31, 2011 to shareholders with the remaining funds reinvested to continue growing our production base;
- Continued to record attractive levels of profitability in the first quarter of 2011 with a return on equity of 7% and an adjusted net income to funds from operations ratio of 45%. The above ratios reflect net income adjusted to negate the after tax impact of unrealized gains and losses on financial instrument contracts; and
- Since inception as a trust and continuing in our current legal structure as a dividend paying corporation, Bonavista has delivered cumulative dividends of over \$2.0 billion or \$23.67 per common share.

The highlights of our key unconventional resource development programs are as follows:

### Hoadley Glauconite Liquids Rich Natural Gas

Drilled 10 operated horizontal wells and participated in the drilling of three non-operated horizontal wells on our highly prospective Hoadley Glauconite trend.

Invested in the long-term growth potential of this development program by spending \$28.0 million on facility and related gathering infrastructure including the construction of a compression facility licensed to 80 mmcf per day, enabling access to an attractive processing arrangement at a large, under-utilized natural gas processing plant at Rimbey.

Increased our Glauconite drilling inventory to 350 future horizontal locations through successful farm-in activity and the acquisition of an additional 16 net sections of land in the south western area of the Hoadley geological trend.

To date, we have drilled 74 horizontal Glauconite wells since 2008 with consistent results and attractive economics that outperform many resource projects currently being developed by the industry. Single well economics remain strong at current commodity prices and provide abundant capital spending flexibility with half cycle breakeven economics of approximately \$1.00 per mcf.

### **Deep Basin Liquids Rich Natural Gas**

Drilled and completed two additional horizontal Bluesky wells at Pine Creek, following up on our initial Bluesky horizontal well drilled in the fourth quarter of 2010. Our three horizontal Bluesky wells drilled since acquiring this asset in May 2010 were brought on-stream at an average first month production rate of 575 boe per day per well, and are collectively producing 1,600 boe per day of liquids rich natural gas. These strong results have led to a short-term capacity constraint at our Pine Creek facility and will likely defer further Bluesky development until additional processing capacity is created near the end of 2011.

Drilled three horizontal Rock Creek wells at Rosevear bringing our total Rock Creek horizontal activity to six wells since acquiring this asset in May 2010.

Initiated modifications at our Rosevear processing facility to enhance liquids recoveries from the Rock Creek and other liquids rich prospects in the vicinity.

Acquired 7.5 sections of Crown land creating a new development area supported by the positive results of our Rock Creek development to date.

Continued to pursue multiple liquids rich natural gas plays on both heritage and recently acquired lands in the deep basin resulting in a 40% increase in our deep basin drilling inventory to 250 horizontal locations. This inventory offers attractive rates of return targeting the Bluesky, Rock Creek, Notikewin, Pekisko, Mannville, Montney and Wilrich horizons.

### **Cardium Light Oil**

Drilled two horizontal wells and participated in the drilling of one non-operated horizontal well on our emerging Cardium light oil play.

Successfully stimulated our first horizontal well with a water-based completion technique resulting in encouraging initial production results. Utilizing water-based fracture stimulations across our Cardium land base could potentially reduce completion costs by approximately \$300,000 per well.

Increased our budgeted 2011 drilling program by 25% to 15 wells based on improving initial production rates, our optimized cost structure and the strengthening in oil prices.

With the majority of prospective Cardium acreage held by production, our long-term development program will remain focused on optimizing our cost structure and the prioritization of our overall drilling inventory.

### **Blueberry Montney Liquids Rich Natural Gas**

Continued progress on this emerging natural gas resource play with the completion of a significant 3D seismic program and initiating the construction of a 20 mmcf per day compression facility.

Brought our second horizontal well on-stream through a non-operated facility. This well is currently producing 275 boe per day, of which 65% is natural gas liquids.

Bonavista's contiguous 55 net sections are prospective for unconventional resource development in both the upper and lower Montney horizons. With natural gas in place estimates of 50 to 60 Bcf per section in the Upper Montney alone, the resource potential of this play is significant and we anticipate further progress towards a scalable development program in the months to come.

### **Strengths of Bonavista Energy Corporation**

Beginning in 1997 with an initial restructuring to create a high growth junior exploration company, throughout the income trust phase between 2003 and 2010, and now operating as a dividend paying corporation, Bonavista remains committed to the same strategies that have resulted in our tremendous success over the last thirteen years. We have maintained a high level of investment activity on our asset base, increasing current production by approximately 95% since converting to an energy trust in 2003. This activity stems from the operational and technical focus of our people, their attention to detail, and their entrepreneurial approach to generating low risk, highly profitable projects within the Western Canadian Sedimentary Basin. Our experienced technical teams have a solid understanding of our assets and they continue to

exercise the discipline and commitment required to deliver long-term value to our shareholders. We actively participate in undeveloped land acquisitions through Crown land sales, property purchases and farm-in opportunities, which have all enhanced the quality and quantity of our extensive drilling inventory. These activities have led to low cost reserve additions, lengthening of our reserve life index, and a production base that continues to grow at a healthy pace. Our production base is currently weighted 62% towards natural gas and is geographically focused within select, multi-zone regions primarily in Alberta and British Columbia. The low cost structure of our asset base maintains attractive operating netbacks in most operating environments. In addition, our asset base is predominantly operated by Bonavista, providing control over the pace of operations and ensuring that operating and capital cost efficiencies are consistently optimized.

Our team brings a successful track record of executing low to medium risk development programs, including both asset and corporate acquisitions, along with sound financial management. Our Board of Directors and management team possess extensive experience in the oil and natural gas business. They have successfully guided our organization through many different economic cycles utilizing a proven strategy consisting of disciplined cost controls and prudent financial management. Directors, management and employees also own approximately 15% of the equity of Bonavista, resulting in the alignment of interests with all shareholders.

## **OUTLOOK**

Looking beyond the first quarter of 2011, our efforts for the remainder of the year will focus on the development of our key resource plays. We believe that this will lead to production growth and, when coupled with our consistent dividend, should result in an attractive total return to our shareholders. Although we have not budgeted further acquisitions for this year, we remain attentive to opportunities that will enhance both the efficiencies and future growth prospects within each of our core regions.

Our current inventory of approximately 1,290 drilling locations represents a record level and offers robust economics with approximately 80% targeting high impact, unconventional resource prospects. Our timely and prudent approach to capital investment has been very effective in the past and steadfast commitment to adding shareholder value will continue to be the foundation for our future success. Today, our efficiency, productivity, and confidence are among the highest level in our thirteen year history.

While oil prices have experienced significant appreciation in recent months, natural gas prices remain subdued. North American natural gas supply continues to grow as the industry aggressively pursues unconventional natural gas and shale resources. However, we believe that the current pace of natural gas development will moderate as full cycle economics are challenged at current pricing levels. In the interim, because the timing of this supply response is difficult to determine, we have elected to maintain our existing capital spending program for 2011 between \$345 and \$375 million. With current natural gas prices remaining weak relative to oil and liquids prices, we have budgeted for a modest redirection of drilling capital towards crude oil development in our Cardium light oil and Lloydminster heavy oil programs. With 75% of the wells budgeted in 2011 targeting high impact resources using horizontal drilling and multi-stage completion techniques, we remain confident that we will achieve our existing 2011 annual production target of between 69,000 and 71,000 boe per day.

As we proceed through our first year as a dividend paying corporation, we continue to apply the same proven strategies that we have employed since inception in 1997. The foundation of these strategies is to consistently exercise cost discipline and a high level of capital spending efficiency as we pursue high quality drilling opportunities on our extensive land base. We are proud of our accomplishments over the past 13 years and despite the currently depressed natural gas market, we remain confident about our future. We would like to thank our employees for their significant effort and their continued diligence in the pursuit of capital efficient growth opportunities. We are confident that our core philosophy and key operating strategies work well throughout all phases of the business cycle and we look forward to continually creating long-term value for our shareholders. Our team is very committed to this vision.

## 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 Corporation's ("Bonavista" or the "Corporation") audited consolidated financial statements and MD&A for the year ended December 31, 2010. The following MD&A of the financial condition and results of operations was prepared at, and is dated May 5, 2011. Our audited consolidated financial statements, Annual Report, and other disclosure documents for 2010 are available through our filings on SEDAR at [www.sedar.com](http://www.sedar.com) or can be obtained from Bonavista's website at [www.bonavistaenergy.com](http://www.bonavistaenergy.com).

**Basis of Presentation** - The financial data presented below has been prepared in accordance with the International Accounting Standards Board ("IASB") most current International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS").

The interim consolidated financial statement note disclosures do not include all of those required by IFRS applicable for annual financial statements, however do meet the requirements of IAS34 regarding Interim Reporting.

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 including: (i) forecasted capital expenditures; (ii) exploration, drilling and development plans; (iii) prospects and drilling inventory; (iv) anticipated production rates; (v) expected royalty rate; (vi) anticipated operating and service costs; (vii) our financial strength; (viii) incremental development opportunities; (ix) anticipated natural gas supply and demand; (x) improved natural gas pricing; (xi) reserve life index; (xii) long-term total shareholder return, 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 there from. 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-IFRS 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 IFRS 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 IFRS. 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 share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Operating netbacks equal production revenue and realized gains or losses on financial instrument contracts, 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 exploration and development program for the three months ended March 31, 2011 led to the drilling of 32 wells within our core regions with a success rate of 100%. This program resulted in 20 natural gas wells and 12 oil wells. Profitability continues to guide our exploration and development program which remains flexible to changes in commodity price, development risk and deliverability upside. Once again, our operations in the first quarter have resulted in superior capital efficiencies driven off of strong production performance, healthy reserve additions and a disciplined approach to spending with every well drilled. These activities continue to enhance the predictability in our overall production base while maintaining our reserve life index ("RLI") at approximately 12 years.

**Production** - For the three months ended March 31, 2011, production increased 5% to 66,178 boe per day when compared to 62,734 boe per day for the same period a year ago. Natural gas production increased 8% to 242 mmcf per day in the first quarter of 2011 from 225 mmcf per day for the same period a year ago, while natural gas liquids production increased 10% to 11,741 bbls per day in the first quarter of 2011 from 10,685 bbls per day for the same period in 2010. Oil production decreased 3% to 14,160 bbls per day in the first quarter of 2011 from 14,531 bbls per day for the same period in 2010.

The following table highlights Bonavista's production by product for the three months ended March 31:

	Three months ended March 31,	
	2011	2010
Natural gas (mmcf/day)	242	225
Natural gas liquids (bbls/day)	11,741	10,685
Oil (bbls/day)	14,160	14,531
Total oil equivalent (boe/day)	66,178	62,734

Bonavista's balanced commodity investment approach minimizes our dependence on any one product and has generated consistent results in the quarter. Our current production is approximately 68,000 boe per day, consisting of 62% natural gas, 17% natural gas liquids and 21% oil.

**Production revenues** - Production revenues for the three months ended March 31, 2011 decreased 6% to \$238.8 million when compared to \$253.6 million for the same period a year ago, largely due to a lower realized natural gas price. For the three months ended March 31, 2011, our natural gas price decreased 23% to \$4.22 per mcf, when compared to \$5.46 per mcf realized in the same period in 2010. Natural gas liquids price decreased 1% to \$49.67 per bbl for the three months ended March 31, 2011 from \$50.17 per bbl for the same period in 2010. For the three months ended March 31, 2011, oil price increased 4% to \$75.91 per bbl, compared to \$72.78 per bbl for the same period a year ago.

The following table highlights Bonavista's realized commodity pricing for the three months ended March 31:

	<b>Three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Natural gas (\$/mcf):		
Production revenues	\$ 4.07	\$ 5.45
Realized gain on financial instrument contracts	0.15	0.01
	4.22	5.46
Natural gas liquids (\$/bbl):		
Production revenues	49.67	50.17
Realized gain on financial instrument contracts	-	-
	49.67	50.17
Oil (\$/bbl):		
Production revenues	76.77	72.58
Realized gain/(loss) on financial instrument contracts	(0.86)	0.20
	75.91	72.78
Total (\$/boe):		
Production revenues	40.09	44.92
Realized gain on financial instrument contracts	0.37	0.07
	\$ 40.46	\$ 44.99

**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 volatile 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, 2011, our risk management program on financial instrument contracts resulted in a net loss of \$32.0 million, consisting of a realized gain of \$2.2 million and an unrealized loss of \$34.2 million. The realized gain of \$2.2 million consisted of a \$3.3 million gain on natural gas commodity derivative contracts and a \$1.1 million loss on crude oil commodity derivative contracts. For the same period in 2010, our risk management program on financial instrument contracts resulted in a net gain of \$24.9 million, consisting of a realized gain of \$388,000 and an unrealized gain of \$24.5 million. The realized gain of \$388,000 consisted of a \$129,000 gain on natural gas commodity derivative contracts and a \$259,000 gain on crude oil commodity derivative contracts.

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 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. Bonavista has attempted to mitigate a portion of the commodity price risk through the use of various financial instrument contracts and physical delivery sales contracts. The Corporation's policy is to enter into commodity price contracts when considered appropriate to a maximum of 60% of net after royalty, forecasted production volumes.

i) Financial instrument contracts:

As at March 31, 2011, Bonavista entered into the following costless collars to sell natural gas and crude oil as follows:

Volume	Average Price	Term
15,000 gjs/d	CDN\$4.03 - CDN\$5.13 - AECO	April 1, 2011 - October 31, 2011
5,000 gjs/d	CDN\$4.50 - CDN\$7.24 - AECO	April 1, 2011 - October 31, 2011
10,000 gjs/d	CDN\$5.25 - CDN\$7.20 - AECO	April 1, 2011 - December 31, 2011
10,000 gjs/d	CDN\$3.68 - CDN\$4.45 - AECO	April 1, 2012 - October 31, 2012
9,500 bbls/d	CDN\$79.58 - CDN\$97.09 - WTI	April 1, 2011 - December 31, 2011
3,500 bbls/d	CDN\$84.29 - CDN\$105.17 - WTI	January 1, 2012 - December 31, 2012

Subsequent to March 31, 2011, Bonavista entered into the following costless collar to sell crude oil as follows:

Volume	Average Price	Term
500 bbls/d	CDN\$85.00 - CDN\$130.00 - WTI	January 1, 2012 - December 31, 2012

As at March 31, 2011, Bonavista entered into the following option contracts to manage its overall commodity exposure:

Volume	Price	Contract	Term
33,000 gjs/d	CDN\$4.01	Swap - AECO	April 1, 2011 - October 31, 2011
10,000 gjs/d	CDN\$6.45	Sold Call - AECO	April 1, 2011 - October 31, 2011
1,000 bbls/d	CDN\$100.00	Sold Call - WTI	April 1, 2011 - December 31, 2011
500 bbls/d	USD\$102.50	Sold Call - WTI	April 1, 2011 - December 31, 2011
500 bbls/d	USD\$105.00	Sold Call - WTI	April 1, 2011 - December 31, 2011
1,000 bbls/d	CDN\$105.00	Sold Call - WTI	January 1, 2012 - December 31, 2012

Financial instrument contracts are recorded on the consolidated statements of financial position at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statements of income and comprehensive income. As at March 31, 2011, the fair market value recorded on the consolidated statement of financial position for these financial instrument contracts was a net liability of \$40.0 million, compared to a net asset of \$15.0 million as at March 31, 2010. These financial instrument contracts had the following gains and losses reflected in the consolidated statements of income and comprehensive income:

	Three months ended March 31,	
	2011	2010
Realized gains on financial instrument contracts	\$ 2,219	\$ 388
Unrealized gains (losses) on financial instrument contracts	(34,254)	24,524
	<b>\$(32,035)</b>	<b>\$ 24,912</b>

Bonavista mitigates its risk associated with fluctuations in commodity prices by utilizing financial instrument contracts. A \$0.10 change in the price per thousand cubic feet of natural gas - AECO would have an impact of approximately \$900,000 on net income for those financial instrument contracts that were in place as at March 31, 2011. A \$1.00 increase in the price per barrel of oil - WTI would have a negative impact of approximately \$2.3 million on net income for those financial instrument contracts that were in place as at March 31, 2011. A \$1.00 decrease in the price per barrel of oil - WTI would have a positive impact of \$3.0 million on net income for those financial instrument contracts that were in place as at March 31, 2011.

ii) Physical purchase and sale contracts:

As at March 31, 2011, Bonavista entered into the following physical contracts to sell natural gas as follows:

Volume	Average Price	Term
10,000 gjs/d	CDN\$5.13 - CDN\$6.99 - AECO	April 1, 2011 - December 31, 2011
19,500 gjs/d	CDN\$3.95 - AECO	April 1, 2011 - October 31, 2011

As at March 31, 2011, Bonavista entered into the following contracts to purchase electricity as follows:

Volume	Average Price	Term
6 mw/h	CDN\$50.37 - AESO	April 1, 2011 - December 31, 2011
1 mw/h	CDN\$51.00 - AESO	April 1, 2011 - December 31, 2012

Physical purchase and sale contracts are being accounted for as they are settled.

**Royalties** - For the three months ended March 31, 2011, royalties decreased by 12% to \$35.4 million from \$40.2 million for the same period a year ago, largely attributable to lower natural gas royalties as a result of a 23% decrease in natural gas pricing. In addition, royalties as percentage of revenues (including realized gains and losses on financial instrument contracts) for the first quarter of 2011 decreased to 14.7% compared to 15.8% in same period in 2010. The decrease in royalty rates is largely due the reasons as indicated above.

The following table highlights Bonavista's royalties by product for the three months ended March 31:

	Three months ended March 31,	
	2011	2010
Natural gas (\$/mcf):		
Royalties	0.30	0.60
% of revenues <sup>(1)</sup>	7.0%	11.0%
Natural gas liquids (\$/bbl):		
Royalties	12.11	12.17
% of revenues <sup>(1)</sup>	24.4%	24.3%
Oil (\$/bbl):		
Royalties	12.65	12.55
% of revenues <sup>(1)</sup>	16.7%	17.2%

<sup>(1)</sup> % of revenues include realized gains and losses on financial instrument contracts

**Operating expenses** - Operating expenses for the three months ended March 31, 2011 increased 3% to \$50.4 million compared to \$49.2 million for the same period a year ago. Despite the absolute increase, operating costs on a per boe basis decreased 3% for the three months ended March 31, 2011 to \$8.46 per boe, from \$8.71 per boe in the comparable period of 2010. Specific to the quarter, electrical power costs increased 80% in comparison to the fourth quarter of 2010. Similarly, colder than normal weather and larger than anticipated accumulations of snow resulted in an increase in methanol consumption and snowplowing respectively. Due to increasing industry activity levels placing upward pressure on all costs, Bonavista anticipates that operating costs on a per boe basis will increase in 2011 to between \$8.25 and \$8.50 per boe as compared to the average \$8.05 per boe in 2010. The following table highlights Bonavista's operating expenses by product for the three months ended March 31:

	Three months ended March 31,	
	2011	2010
Natural gas (\$/mcf)	\$ 1.20	\$ 1.24
Natural gas liquids (\$/bbl)	9.58	9.65
Oil (\$/bbl)	11.05	11.23
Total (\$/boe)	\$ 8.46	\$ 8.71

**Transportation expenses** - For the three months ended March 31, 2011, transportation expenses increased 9% to \$9.6 million compared to \$8.8 million for the same period in 2010. For the three months ended March 31, 2011 transportation costs on a per boe basis have increased 4% to \$1.62 per boe from \$1.56 per boe in the same period in 2010. For the three months ended March 31, 2011 transportation expenses by product were \$0.31 per mcf for natural gas, \$0.56 per bbl for natural gas liquids and \$1.80 per bbl for oil compared to \$0.29 per mcf for natural gas, \$0.74 per bbl for natural gas liquids and \$1.71 per bbl for oil for the same period in 2010.

**General and administrative expenses** - General and administrative expenses, after overhead recoveries, increased 17% to \$5.8 million for the three months ended March 31, 2011 from \$4.9 million in the same period in 2010. On a per boe basis, general and administrative expenses increased 10% for the three months ended March 31, 2011 to \$0.97 per boe from \$0.88 per boe in the same period in 2010. These increases are largely due to higher costs of personnel and head office premises required to manage our growing operations and our restructuring from a trust to a corporate entity. Our current rate of general and administrative expenses on a boe basis remains among the lowest in our sector.

In connection with its common share rights incentive plan and restricted common share incentive plan, Bonavista recorded a share-based compensation charge of \$3.4 million for the three months ended March 31, 2011, compared to \$3.7 million for the same period in 2010.

**Depletion, depreciation and amortization expenses** - Under IFRS, Bonavista uses total proved plus probable reserves as its depletion base to calculate depletion expense. Depletion, depreciation and amortization expenses increased 3% to \$60.4 million for the three months ended March 31, 2011 from \$58.9 million for the same period of 2010. For the three months ended March 31, 2011, the average cost decreased to \$10.15 per boe from \$10.43 per boe for the same period in 2010.

**Net financing costs** - Net financing costs decreased 85% to \$5.8 million for the three months ended March 31, 2011 from \$37.9 million for the same period in 2010. The decrease for the first three months of 2011 compared to the same period in 2010 results from the \$32.2 million increase in fair market value of exchangeable shares in the first quarter of 2010. This decrease does not occur in 2011 as a result of the reclassification of the exchangeable shares to shareholders' equity on conversion of the Trust to a corporation on December 31, 2010.

**Income taxes** - The provision for income taxes decreased 31% to \$10.6 million for the three months ended March 31, 2011 from \$15.2 million during the same period in 2010. Under the previous Trust structure, the distributions made by the Trust were deductible in determining the Trust's taxable income and accordingly reduced the overall provision for income taxes for the three months ended March 31, 2010. The provision for the first quarter 2011 is mainly attributable to the resource tax pools claimed in excess of depletion and depreciation for accounting purposes. Bonavista made no cash payments on tax installments for the three months ended March 31, 2011 or for the comparative period in 2010.

**Funds from operations, net income and comprehensive income** - For the three months ended March 31, 2011, Bonavista experienced a 12% decrease in funds from operations to \$129.1 million (\$0.82 per share, basic) from \$146.1 million (\$1.17 per share, basic) for the same period in 2010. Funds from operations decreased for the three months ended March 31, 2011 due to weaker natural gas prices offset by both increased production volumes and slightly higher oil prices. Net income and comprehensive income for the three months ended March 31, 2011, decreased 46% to \$32.0 million (\$0.20 per share, basic) from \$59.8 million (\$0.48 per share, basic) for the same period in 2010, largely due to the changes in the unrealized gains and losses on financial instrument contracts.

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

Calculation of Funds From Operations:	Three months ended March 31,	
	2011	2010
(thousands)		
Cash flow from operating activities	\$ 143,456	\$ 161,874
Finance costs	(10,751)	(4,799)
Decommissioning expenditures	6,984	2,110
Changes in non-cash working capital	(10,622)	(13,086)
Funds from operations	\$ 129,067	\$ 146,099

**Capital expenditures** - Capital expenditures for the three months ended March 31, 2011 were \$134.4 million, consisting of \$141.5 million spent on exploration and development activities, \$2.1 million spent on property acquisitions offset by property dispositions of \$17.0 million. Bonavista also incurred head office expenditures of \$7.8 million primarily related to leasehold improvements on its new head office premises. For the same period in 2010, capital expenditures were \$98.7 million, consisting of \$101.6 million spent on exploration and development activities offset by property acquisition adjustments of \$3.9 million and property dispositions adjustments of \$700,000. A significant increase in the demand for services year over year has resulted in modest erosion in cost efficiencies. We will continue to monitor the situation and will rely heavily on our relationships that we have cultivated over the past 13 years.

**Liquidity and capital resources** - As at March 31, 2011, long-term debt including working capital (excluding associated assets and liabilities from financial instrument contracts) was \$1.1 million with a debt to first quarter 2011 annualized funds from operations ratio of 2.1:1. Bonavista has significant flexibility to finance future expansions of its capital programs, through the use of its current funds generated from operations and its debt facilities. As at March 31, 2011, Bonavista has approximately \$416.6 million of unused borrowing capacity from its \$1.0 billion bank credit facility.

Under the terms of the credit facility, Bonavista has provided the covenant that its: (i) consolidated senior debt borrowing will not exceed three times net income before unrealized gains and losses on financial instrument contracts and marketable securities, interest, taxes and depreciation, depletion and accretion; (ii) consolidated total debt will not exceed three and one half times consolidated net income before unrealized gains and losses on financial instrument contracts and marketable securities, interest, taxes and depreciation, depletion and accretion; and (iii) consolidated senior debt borrowing will not exceed one-half of consolidated total debt plus consolidated shareholders' equity of the Corporation, in all cases calculated based on a rolling prior four quarters.

On March 3, 2011, Bonavista elected to reduce the committed amount of its bank credit facility by \$400 million from \$1.4 billion to \$1.0 billion as a result of capacity created from the issuance of senior unsecured debt and the desire to reduce the cost of carrying the larger undrawn facility.

In 2011, Bonavista plans to invest between \$345 and \$375 million on its capital programs within its core regions. Bonavista intends on financing its 2011 capital program with a combination of funds from operations and to the extent required its existing credit facilities. Going forward, Bonavista remains committed to the fundamental principle of maintaining financial flexibility and the prudent use of debt.

**Shareholders' equity** - As at March 31, 2011, Bonavista had 157.0 million equivalent common shares outstanding. This includes 21.3 million exchangeable shares, which are exchangeable into 21.5 million common shares. The exchange ratio in effect at March 31, 2011 for exchangeable shares was 1.00804:1. As at May 5, 2011, Bonavista had 157.2 million equivalent common shares outstanding. This includes 21.3 million exchangeable shares, which are exchangeable into 21.5 million common shares. The exchange ratio in effect at May 5, 2011 for exchangeable shares was 1.01211:1. In addition, Bonavista has 4.8 million common share incentive rights outstanding at May 5, 2011, with an average exercise price of \$22.11 per common share.

**Dividends** - For the three months ended March 31, 2011, Bonavista declared dividends of \$48.5 million (\$0.36 per share) compared to \$60.1 million (\$0.48 per share) in the same period in 2010. Bonavista's dividend policy is constantly monitored and is dependent upon its forecasted production, commodity prices, funds from operations, debt levels and capital expenditures. Within a dividend paying corporate structure, Bonavista is well positioned to provide our shareholders a combination of sustainable growth and meaningful income. While the proven underlying operating strategies of Bonavista will remain intact, our new business model has been designed to deliver long-term total shareholder returns of between 10% and 15% per annum.

Bonavista announces its dividend policy on a quarterly basis. Dividends 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. For 2011, our objective is to distribute approximately 30% to 40% of our funds from operations, which allows us to withhold sufficient funds to finance capital expenditures required to grow our production base in the range of 5% to 7% annually. Our current dividend rate of \$0.12 per share per month will place us slightly below this targeted level for the year assuming current strip prices are realized.

**Quarterly financial information** - The following table highlights Bonavista's performance for the eight quarterly periods ending on June 30, 2009 to March 31, 2011:

	2011		2010				2009 <sup>(1)</sup>	
	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
(\$ thousands, except per share amounts)								
Production revenues	238,798	234,706	222,656	227,732	253,632	232,870	180,977	166,430
Net income	32,021	(62,403)	29,580	71,944	59,757	39,647	33,339	661
Net income per share:								
Basic	0.20	(0.47)	0.22	0.55	0.48	0.27	0.25	0.01
Diluted	0.20	(0.47)	0.22	0.54	0.48	0.27	0.25	0.01

<sup>(1)</sup> The amounts for 2009 are non-adjusted Canadian GAAP calculations. The comparative amounts for 2010 have been adjusted to comply with IFRS.

Production revenues over the past eight quarters have fluctuated largely due to the volatility of commodity prices and increasing production volumes. Net income in the past eight quarters has fluctuated from a deficit of \$62.4 million in the fourth quarter of 2010 to a high of \$71.9 million in the second quarter of 2010. These fluctuations are primarily influenced by production volumes, commodity prices, realized and unrealized gains and losses on financial instrument contracts and marketable securities; gains and losses on foreign exchange; fluctuations due to the fair market value of exchangeable shares and share-based compensation; and future income tax recoveries associated with the reduction in corporate income tax rates. Net income increased in the first quarter of 2011 as compared to a deficit in the fourth quarter of 2010. The first quarter of 2011 was the first reporting period under the corporate structure rather than as a trust, this eliminated the fluctuations in net income due to changes in the fair market value of exchangeable shares and share-based compensation.

**Disclosure controls and procedures** - Disclosure controls and procedures have been designed to ensure that information 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 and year end filings that Bonavista's disclosure controls and procedures are appropriately designed and operating effectively to provide reasonable assurance that material information relating to the issuer is made known to them by others within the Corporation.

**Internal control over financial reporting** - Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. 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. Management has assessed the effectiveness of Bonavista's internal control over financial reporting as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Management has concluded that their internal control over financial reporting was effective as of March 31, 2011. There were no material changes to the internal controls over financial reporting during the three months ended March 31, 2011.

**Adoption of International Financial Reporting Standards ("IFRS")** - Bonavista's condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Corporation's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported consolidated financial position, financial performance and cash flows of the Corporation is provided in note 14. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP (previous GAAP) to those reported for those periods and at the date of transition under IFRS, along with details of the IFRS 1 exemptions taken. The adoption of IFRS does not impact the underlying economics of Bonavista's operations or its cash flows.

**BONAVISTA ENERGY CORPORATION**

## Condensed Consolidated Interim Statements of Financial Position

(thousands)	Notes	March 31, 2011	December 31, 2010	January 1, 2010
(unaudited)				
<b>Assets:</b>				
Current assets:				
Accounts receivable		\$ 113,661	\$ 114,430	\$ 104,912
Prepaid expenses		12,010	14,510	16,912
Marketable securities		-	-	6,322
Financial instrument contracts	(3)	9,016	11,413	5,626
Other assets		8,963	10,068	6,539
		143,650	150,421	140,311
Property, plant and equipment	(7)	3,137,171	3,065,349	2,726,326
Exploration and evaluation assets	(8)	230,097	219,590	179,747
Goodwill	(8)	31,321	31,321	41,321
		\$ 3,542,239	\$ 3,466,681	\$ 3,087,705
<b>Liabilities and Shareholders' Equity:</b>				
Current liabilities:				
Accounts payable and accrued liabilities		\$ 215,748	\$ 186,447	\$ 157,019
Dividends payable		16,265	21,436	19,937
Financial instrument contracts	(3)	36,925	12,931	15,169
Convertible debentures		-	-	38,856
Exchangeable shares		-	-	479,136
Share-based compensation		-	-	8,468
		268,938	220,814	718,585
Long-term debt	(10)	971,468	951,443	832,138
Decommissioning liabilities	(11)	316,124	319,096	294,635
Deferred tax		123,607	113,055	117,784
Financial instrument contracts	(3)	12,124	4,261	-
Share-based compensation		-	-	4,577
Shareholders' equity:	(9)			
Shareholders' capital		1,224,580	1,179,270	1,533,919
Exchangeable shares		612,856	650,668	-
Contributed surplus		29,009	28,074	123
Retained earnings (Deficit)		(16,467)	-	(414,056)
		1,849,978	1,858,012	1,119,986
		\$ 3,542,239	\$ 3,466,681	\$ 3,087,705

See accompanying notes to the condensed consolidated interim financial statements.

**BONAVISTA ENERGY CORPORATION**

## Condensed Consolidated Interim Statements of Income and Comprehensive Income

(thousands, except per share amounts)		Three months ended March 31,	
(unaudited)	Notes	2011	2010
<b>Revenues:</b>			
Production		\$ 238,798	\$ 253,632
Royalties		(35,374)	(40,229)
		203,424	213,403
Realized gains on financial instrument contracts	(3)	2,219	388
Unrealized gains (losses) on financial instrument contracts	(3)	(34,254)	24,524
		(32,035)	24,912
		171,389	238,315
<b>Expenses:</b>			
Operating		50,403	49,153
Transportation		9,621	8,799
General and administrative		5,801	4,941
Share-based compensation		3,440	3,677
Gain on dispositions of property, plant and equipment		(6,736)	-
Depletion, depreciation and amortization		60,439	58,913
		122,968	125,483
Income from operating activities		48,421	112,832
Finance costs	(5)	13,828	39,973
Finance income	(5)	(7,980)	(2,094)
Net finance costs		5,848	37,879
Income before taxes		42,573	74,953
Income taxes	(12)	10,552	15,196
<b>Net income and comprehensive income</b>		<b>\$ 32,021</b>	<b>\$ 59,757</b>
<b>Net income per share – basic</b>		<b>\$ 0.20</b>	<b>\$ 0.48</b>
<b>Net income per share – diluted</b>		<b>\$ 0.20</b>	<b>\$ 0.48</b>

See accompanying notes to the condensed consolidated interim financial statements.

**BONAVISTA ENERGY CORPORATION**

## Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended March 31

(thousands) (unaudited)	Shareholders' capital	Contributed surplus	Deficit	Total shareholders' equity
Balance as at January 1, 2010	\$ 1,533,919	\$ 123	\$ (414,056)	\$ 1,119,986
Net income for the period	-	-	59,757	59,757
Issued for cash on exercise of common share incentive rights	4,704	-	-	4,704
Exercise of common share incentive rights	810	-	-	810
Conversion of restricted share awards	107	-	-	107
Exchangeable shares exchanged for common shares	10,404	-	-	10,404
Dividends declared	-	-	(60,090)	(60,090)
Balance as at March 31, 2010	\$ 1,549,944	\$ 123	\$ (414,389)	\$ 1,135,678

(thousands) (unaudited)	Shareholders' capital	Exchangeable shares	Contributed surplus	Deficit	Total shareholders' equity
Balance as at December 31, 2010	\$ 1,179,270	\$ 650,668	\$ 28,074	\$ -	\$ 1,858,012
Net income for the period	-	-	-	32,021	32,021
Issued for cash on exercise of common share incentive rights	4,323	-	-	-	4,323
Exercise of common share incentive rights	2,311	-	(2,311)	-	-
Conversion of restricted share awards	864	-	(864)	-	-
Share-based compensation expense	-	-	3,440	-	3,440
Share-based compensation capitalized	-	-	670	-	670
Exchangeable shares exchanged for common shares	37,812	(37,812)	-	-	-
Dividends declared	-	-	-	(48,488)	(48,488)
Balance as at March 31, 2011	\$ 1,224,580	\$ 612,856	\$ 29,009	\$ (16,467)	\$ 1,849,978

See accompanying notes to the condensed consolidated interim financial statements.

**BONAVISTA ENERGY CORPORATION**

## Condensed Consolidated Interim Statements of Cash Flows

(thousands) (unaudited)	Notes	Three months ended March 31,	
		2011	2010
<b>Cash provided by (used in):</b>			
<b>Operating Activities:</b>			
Net income		\$ 32,021	\$ 59,757
Adjustments for:			
Depletion, depreciation and amortization		60,439	58,913
Share-based compensation		3,440	3,677
Unrealized (gains) losses on financial instrument contracts		34,254	(24,524)
Gain on dispositions of property, plant and equipment		(6,736)	-
Net finance costs		5,848	37,879
Deferred tax		10,552	15,196
Decommissioning expenditures		(6,984)	(2,110)
Changes in non-cash working capital items	(6)	10,622	13,086
		143,456	161,874
<b>Financing Activities:</b>			
Proceeds on exercise of common share incentive rights		4,323	4,704
Dividends paid		(53,659)	(59,979)
Interest paid		(6,825)	(3,927)
Proceeds from long-term debt		27,934	-
Repayment of long-term debt		-	(27,128)
		(28,227)	(86,330)
<b>Investing Activities:</b>			
Exploration and development		(141,506)	(101,575)
Office equipment and leasehold improvements		(7,782)	(298)
Property acquisitions		(2,080)	3,958
Property dispositions		17,012	(745)
Proceeds on sale of marketable securities		-	4,678
Changes in non-cash working capital items	(6)	19,127	18,438
		(115,229)	(75,544)
Change in cash		-	-
Cash, beginning of period		-	-
<b>Cash, end of period</b>		<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to the condensed consolidated interim financial statements.

# BONAVISTA ENERGY CORPORATION

## Notes to the Condensed Consolidated Interim Financial Statements

### For the three months ended March 31, 2011 (unaudited)

#### Structure of the Corporation and Basis of Presentation:

The principal undertakings of Bonavista Energy Corporation, its predecessor Bonavista Energy Trust (the "Trust") and its subsidiaries, ("Bonavista" or the "Corporation"), are to carry on the business of acquiring, developing and holding interests in oil and natural gas properties and assets. On December 31, 2010, the Trust effectively completed its conversion from an energy trust to a corporation pursuant to a plan of arrangement (the "Arrangement") under Section 193 of the *Business Corporations Act* (Alberta) that was approved by securityholders at the Joint Special Meeting of Securityholders of the Trust and Bonavista Petroleum Ltd. on December 14, 2010. On December 31, 2010, the Trust and Bonavista Petroleum Ltd. were merged into the Corporation. Unitholders of the Trust received one common share of the Corporation for each trust unit held, in addition, exchangeable shareholders of Bonavista Petroleum Ltd. received 2.40917 exchangeable shares of the Corporation for each exchangeable share held. The Board of Directors and senior management of the Trust continued as the Board of Directors and senior management of the Corporation.

In connection with the Arrangement, Bonavista assumed all of the obligations of the Trust in respect of the trust unit rights incentive plan (amended to the common share rights incentive plan) and the restricted trust unit incentive plan (amended to the restricted common share incentive plan). The Arrangement did not result in the acceleration of vesting of any such awards. Upon vesting, holders of these rights are entitled to receive common shares on the same terms and conditions that existed prior to the Arrangement. No new incentive awards will be granted in the amended plans. The stock option plan and restricted share award incentive plan of Bonavista were established for new stock options and incentive rights under the Corporation. These plans are functionally similar to their predecessor plans. The incentive plans are further outlined in note 9 of the notes to the condensed consolidated interim financial statements of the Corporation.

The Arrangement has been accounted for as a continuity of interests and accordingly, the consolidated financial statements for periods prior to the effective date of the Arrangement reflect the financial position, income and cash flows as if the Corporation had always carried on the business formerly conducted by the Trust. In these and future consolidated financial statements, Bonavista will refer to "common shares", "shareholders", "dividends" and "per share" which were formerly referred to as "trust units", "unitholders", "distributions" and "per unit" under the trust structure. Comparative amounts in these and future consolidated financial statements will reflect the history of the Trust.

The consolidated financial statements of the Corporation as at, and for, the year ended December 31, 2010, which were prepared under Canadian GAAP, are available through our filings on SEDAR at [www.sedar.com](http://www.sedar.com) or can be obtained from Bonavista's website at [www.bonavistaenergy.com](http://www.bonavistaenergy.com).

#### 1. Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Corporation's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported consolidated financial position, financial performance and cash flows of the Corporation is provided in note 14. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP (previous GAAP) to those reported for those periods and at the date of transition under IFRS.

The consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on May 5, 2011.

#### a) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- i) derivative financial instruments are measured at fair value;
- ii) available-for-sale financial assets are measured at fair value;
- iii) liabilities for cash-settled share-based compensation are measured at fair market value; and
- iv) liabilities for exchangeable shares are measured at fair market value, prior to the conversion from a trust to a corporation.

#### b) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

c) Use of estimates and judgements:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS consolidated financial statements.

- Note 3 - valuation of financial instruments
- Note 7 - valuation of property, plant and equipment
- Note 8 - valuation of exploration and evaluation assets and goodwill
- Note 9(b) - measurement of share-based compensation
- Note 11 - provisions

Reserve estimates impact a number of the areas referred to above and in particular, the valuation of property, plant and equipment and the calculation of depletion and depreciation.

## 2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements, and have been applied consistently by the Corporation and its subsidiaries.

Certain comparative amounts have been reclassified to conform to the current year's presentation as noted below:

a) Basis of consolidation:

*Acquisitions on or after January 1, 2010*

For acquisitions on or after January 1, 2010, the Corporation measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

*Acquisitions prior to January 1, 2010*

As part of its transition to IFRS, the Corporation elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under the Corporation's previous accounting framework of Canadian GAAP.

i) Subsidiaries:

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated statements of financial position from the date that control commences until the date that control ceases.

ii) Jointly controlled operations and jointly controlled assets:

Many of the Corporation's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Corporation's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency:

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

c) Financial instruments:

i) Non-derivative financial instruments:

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of consolidated financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

*Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the consolidated statement of income.

Financial assets designated at fair value through profit or loss comprise of interest rate swaps and forward exchange contracts.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents, and trade and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of consolidated financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

iii) Derivative financial instruments:

The Corporation has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Corporation considers all commodity contracts to be economic hedges. Derivatives are recognized initially at fair value and are attributable. Transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

The Corporation has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the balance sheet. Settlements on these physical sales contracts are recognized in oil and natural gas revenues.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in the consolidated statement of income.

iv) Shareholders' capital/Exchangeable shares:

Common shares and exchangeable shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

d) Property, plant and equipment and Exploration and evaluation assets:

i) Recognition and measurement:

Pre-licence costs are recognized in the consolidated statement of income as incurred.

Exploration and evaluation expenditures:

Exploration and evaluation ("E&E") costs, including the costs of acquiring licences and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to a cash generating unit ("CGU").

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when total proved plus probable reserves are determined to exist. A review of each exploration licence or field is carried out, at least annually, to ascertain whether proved plus probable reserves have been discovered. Upon determination of total proved plus probable reserves, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets referred to as oil and natural gas interests.

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. The cost of property, plant and equipment at January 1, 2010, the date of transition to IFRS, was determined by reference to geological locations and product split. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on dispositions of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" or "other expenses" in the consolidated statement of income.

ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved or proved plus probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of income as incurred.

iii) Depletion, depreciation and amortization:

The net carrying amount of development or production assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50% statistical probability that it will be less. The equivalent statistical probabilities for the proven component of proved and probable reserves are 90% and 10%, respectively.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered total proved plus probable if producibility is supported by either actual production or conclusive formation test. The area of reservoir considered proved includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved and probable classification when successful testing by a pilot project, the operation of an installed program in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

The estimated useful lives for certain production assets for the current and comparative years are as follows:

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Facilities	15 years
Oil and natural gas properties	Based on CGU Reserve Life

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For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for other assets for the current and comparative years are as follows:

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Office equipment	5 years
Fixtures and fittings	5 years
Leaseholds	9.5 years

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Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) Exploration and evaluation assets and goodwill:

i) Goodwill:

Goodwill arises on the acquisition of businesses, subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses.

Acquisitions prior to January 1, 2010:

As part of its transition to IFRS, the Corporation elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under the Corporation's previous accounting framework, Canadian GAAP.

Acquisitions on or after January 1, 2010:

For acquisitions on or after January 1, 2010, goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognized immediately in the consolidated statement of income.

ii) Exploration and evaluation assets:

Other intangible assets that are acquired by the Corporation, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of other intangible assets, other than goodwill, from the date they were available for use.

f) Impairment:

i) Non-derivative financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the consolidated statement of income.

ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed each year. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGU's that are expected to benefit from the synergies of the combination. E&E assets are allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

g) Share-based compensation:

Long-term incentives are granted to officers, directors, employees and certain consultants in accordance with the Corporation's stock option and restricted share award plans.

The fair value of stock options is assessed on the grant date using the Black-Scholes option pricing model. The fair value is subsequently recognized as compensation expense over the vesting period with a corresponding increase in contributed surplus. Upon exercise of the options, consideration paid by the stock option holders and the value in contributed surplus pertaining to the exercised options are recorded as shareholders' capital.

The fair value of restricted share awards is assessed on the grant date factoring in the weighted average trading price of the five days preceding the grant date and forecasted dividends. This fair value is recognized as compensation expense over the vesting period with a corresponding increase in contributed surplus. Upon the forced vest of the restricted share awards into common shares on the predetermined dates, the value in contributed surplus pertaining to the share awards is recorded as shareholders' capital.

Under both incentive plans, forfeiture rates are assigned in the determination of fair value. Upon vest, the difference between estimated and actual forfeitures is adjusted through share-based compensation.

h) Lease payments:

Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

i) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

j) Decommissioning obligations:

The Corporation's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

k) Revenues:

Revenues from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline. Revenues are measured net of discounts, customs duties and royalties. With respect to the latter, the entity is acting as a collection agent on behalf of others.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

l) Finance income and costs:

Finance costs comprise of interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets, fair value losses on financial assets at fair value through profit and loss.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses, reported under finance income or expenses, are reported on a net basis.

m) Income tax:

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in the consolidated statement of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax are not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Net income per share:

Basic net income per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees.

### 3. Financial risk management:

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

a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises, primarily from joint venture partners, marketers and financial intermediaries.

The Corporation's accounts receivable are with customers and joint venture partners in the oil and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to numerous purchasers under normal industry sale and payment terms. The Corporation routinely assesses the financial strength of its customers.

The Corporation may be exposed to certain losses in the events of non-performance by counterparties to financial instrument contracts. The Corporation mitigates this risk by entering into transactions with highly rated financial institutions.

The carrying amount of accounts receivable represents the maximum credit exposure. As at March 31, 2011 Bonavista's receivables consisted of \$82.9 million of receivables from oil and natural gas marketers which has substantially been collected, subsequent to March 31, 2011, \$30.8 million from joint venture partners of which \$1.5 million has been subsequently collected. As at March 31, 2011 Bonavista 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. As the operator of properties, Bonavista has the ability to withhold production to joint venture partners, who are in default of amounts owing. The Corporation does not have an allowance for doubtful accounts as at March 31, 2011 and did not provide for any doubtful accounts during the three months ended March 31, 2011.

b) Liquidity risk:

Liquidity risk is the risk that Bonavista will encounter difficulty in meeting obligations associated with the financial liabilities. The Corporation's financial liabilities consist of accounts payable and accrued liabilities, financial instruments contracts, bank debt and senior unsecured notes. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities, capital expenditures, and distributions payable. Bonavista processes invoices within a normal payment period.

Accounts payable and accrued liabilities have contractual maturities of less than one year. Risk management contracts have contractual maturities of less than two years. Bonavista maintains a three year revolving credit facility, as outlined in note 10, which may, at the request of the Corporation with the consent of the lenders, be extended on an annual basis. The Corporation also has a series of senior unsecured notes outstanding, as outlined in note 10, which range in maturities from June 4, 2016 to November 2, 2022. The Corporation also maintains and monitors a certain level of cash flow which is used to partially finance all operating, investing and capital expenditures.

c) 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 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. Bonavista has attempted to mitigate a portion of the commodity price risk through the use of various financial instrument contracts and physical delivery sales contracts. The Corporation's policy is to enter into commodity price contracts when considered appropriate to a maximum of 60% of net after royalty, forecasted production volumes.

i) Financial instrument contracts:

As at March 31, 2011, Bonavista entered into the following costless collars to sell natural gas and crude oil as follows:

Volume		Average Price	Term
15,000	gjs/d	CDN\$4.03 - CDN\$5.13 - AECO	April 1, 2011 - October 31, 2011
5,000	gjs/d	CDN\$4.50 - CDN\$7.24 - AECO	April 1, 2011 - October 31, 2011
10,000	gjs/d	CDN\$5.25 - CDN\$7.20 - AECO	April 1, 2011 - December 31, 2011
10,000	gjs/d	CDN\$3.68 - CDN\$4.45 - AECO	April 1, 2012 - October 31, 2012
9,500	bbls/d	CDN\$79.58 - CDN\$97.09 - WTI	April 1, 2011 - December 31, 2011
3,500	bbls/d	CDN\$84.29 - CDN\$105.17 - WTI	January 1, 2012 - December 31, 2012

Subsequent to March 31, 2011, Bonavista entered into the following costless collar to sell natural gas and crude oil as follows:

Volume		Average Price	Term
500	bbls/d	CDN\$85.00 - CDN\$130.00 - WTI	January 1, 2012 - December 31, 2012

As at March 31, 2011, Bonavista entered into the following option contracts to manage its overall commodity exposure:

Volume		Price	Contract	Term
33,000	gjs/d	CDN\$4.01	Swap - AECO	April 1, 2011 - October 31, 2011
10,000	gjs/d	CDN\$6.45	Sold Call - AECO	April 1, 2011 - October 31, 2011
1,000	bbls/d	CDN\$100.00	Sold Call - WTI	April 1, 2011 - December 31, 2011
500	bbls/d	USD\$102.50	Sold Call - WTI	April 1, 2011 - December 31, 2011
500	bbls/d	USD\$105.00	Sold Call - WTI	April 1, 2011 - December 31, 2011
1,000	bbls/d	CDN\$105.00	Sold Call - WTI	January 1, 2012 - December 31, 2012

Financial instrument contracts are recorded on the consolidated statement of financial position at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statements of income and comprehensive income. As at March 31, 2011, the fair market value recorded on the consolidated statement of financial position for these financial instrument contracts was a net liability of \$40.0 million, compared to a net asset of \$15.0 million as at March 31, 2010.

Bonavista mitigates its risk associated with fluctuations in commodity prices by utilizing financial instrument contracts. A \$0.10 change in the price per thousand cubic feet of natural gas - AECO would have an impact of approximately \$900,000 on net income for those financial instrument contracts that were in place as at March 31, 2011. A \$1.00 increase in the price per barrel of oil - WTI would have a negative impact of approximately \$2.3 million on net income for those financial instrument contracts that were in place as at March 31, 2011. A \$1.00 decrease in the price per barrel of oil - WTI would have a positive impact of \$3.0 million on net income for those financial instrument contracts that were in place as at March 31, 2011.

ii) Physical purchase and sale contracts:

As at March 31, 2011, Bonavista entered into the following physical contracts to sell natural gas as follows:

Volume		Average Price	Term
10,000	gjs/d	CDN\$5.13 - CDN\$6.99 - AECO	April 1, 2011 - December 31, 2011
19,500	gjs/d	CDN\$3.95 - AECO	April 1, 2011 - October 31, 2011

As at March 31, 2011, Bonavista entered into the following contracts to purchase electricity as follows:

Volume		Average Price	Term
6	mw/h	CDN\$50.37 - AESO	April 1, 2011 - December 31, 2011
1	mw/h	CDN\$51.00 - AESO	April 1, 2011 - December 31, 2012

Physical purchase and sale contracts are being accounted for as they are settled.

d) Foreign exchange risk:

Commodity prices are largely denominated in US dollars and as a result the prices that Canadian producers receive is determined by the relationship between the US and Canadian dollar. In addition, Bonavista also has US denominated debt and interest obligations of which future cash payments are directly impacted by the exchange rate in effect on the due date.

e) Interest rate risk:

Bonavista is exposed to interest rate risk on its outstanding bank debt, as it has a floating interest rate and consequently changes to interest rates would impact the Corporation's future cash flows. If interest rates applicable to the variable rate debt increases by 1% it is estimated that Bonavista's net income for the period ended March 31, 2011 would decrease by \$1.1 million.

#### 4. Capital management:

The Corporation'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 shareholders with stable dividends and rates of return.

The Corporation considers its capital structure to include working capital (excluding associated asset and liabilities from financial instrument contracts and their related tax impact), bank debt, senior unsecured notes and shareholders' equity. Bonavista 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, and senior unsecured notes, plus or minus net working capital, divided by funds from operations for the most recent calendar quarter, annualized (multiplied by four). The Corporation's strategy is to maintain a ratio of less than 2.0 to 1. This strategy is more restrictive than the existing financial covenants on both the Corporation's bank credit facility and senior unsecured notes. This ratio may increase at certain times as a result of acquisitions or low commodity prices. As at March 31, 2011, Bonavista's ratio of net debt to first quarter annualized funds from operations was 2.1 to 1 (2010 - 1.4 to 1), which is slightly higher than the range established by the Corporation.

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

In order to maintain or adjust the capital structure, Bonavista 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 Corporation's lenders; 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 dividends payable to its shareholders. The Corporation's shareholder's capital is not subject to external restrictions, however the Corporation's bank credit facility and senior unsecured notes do contain financial covenants that are outlined in note 10 of the consolidated financial statements.

5. Finance costs and income:

a) Finance costs:

	Three Months ended March 31,	
	2011	2010
Finance costs:		
Interest on bank debt	\$ 6,696	\$ 4,157
Interest on notes payable	4,126	-
Interest on convertible debentures	-	642
Accretion of decommissioning liabilities	3,006	2,837
Net change in fair value of financial derivatives	-	154
Net change in fair market value of exchangeable shares	-	32,183
Finance costs	\$ 13,828	\$ 39,973

b) Finance income:

	Three Months ended March 31,	
	2011	2010
Finance income:		
Gain on marketable securities	\$ -	\$ (2,094)
Foreign exchange gain	(7,980)	-
Finance income	\$ (7,980)	\$ (2,094)

The Corporation's effective interest rate for the period ending March 31, 2011 was approximately 4.5% (2010 - 2.0%).

6. Supplemented cash flow information:

Changes in non-cash working capital is comprised of:

	Three Months ended March 31,	
	2011	2010
Source/(use) of cash		
Accounts receivable	\$ 769	\$ (17,468)
Prepaid expenses	2,500	228
Other assets	1,105	1,403
Accounts payable and accrued liabilities, net of interest accrual	25,375	47,361
	\$ 29,749	\$ 31,524
Related to:		
Operating activities	\$ 10,622	\$ 13,086
Investing activities	19,127	18,438
	\$ 29,749	\$ 31,524

**7. Property, plant and equipment:**

	<b>Oil and natural gas properties</b>	<b>Facilities</b>	<b>Other assets</b>	<b>Total</b>
<b>Cost:</b>				
Balance as at January 1, 2010	\$ 2,360,798	\$ 362,240	\$ 3,288	\$ 2,726,326
Additions	268,831	10,287	1,419	280,537
Acquisitions	220,885	59,099	-	279,984
Transfer from exploration and evaluation	37,085	-	-	37,085
Changes in decommissioning liabilities	28,490	-	-	28,490
Disposals	(35,192)	(5,695)	-	(40,887)
<b>Balance as at December 31, 2010</b>	<b>2,880,897</b>	<b>425,931</b>	<b>4,707</b>	<b>3,311,535</b>
Additions	114,306	12,015	7,782	134,103
Acquisitions	18,625	4,243	-	22,868
Transfer from exploration and evaluation	3,661	-	-	3,661
Changes in decommissioning liabilities	1,006	-	-	1,006
Disposals	(25,286)	(5,689)	-	(30,975)
<b>Balance as at March 31, 2011</b>	<b>\$ 2,993,209</b>	<b>\$ 436,500</b>	<b>\$ 12,489</b>	<b>\$ 3,442,198</b>
<b>Depletion, depreciation and amortization:</b>				
Balance at January 1, 2010	\$ -	\$ -	\$ -	\$ -
Depletion, depreciation and amortization	(227,209)	(21,070)	(941)	(249,220)
Disposals	2,777	257	-	3,034
<b>Balance as at December 31, 2010</b>	<b>(224,432)</b>	<b>(20,813)</b>	<b>(941)</b>	<b>(246,186)</b>
Depletion, depreciation and amortization	(54,595)	(5,378)	(466)	(60,439)
Disposals	1,279	319	-	1,598
<b>Balance as at March 31, 2011</b>	<b>\$ (277,748)</b>	<b>\$ (25,872)</b>	<b>\$ (1,407)</b>	<b>\$ (305,027)</b>
<b>Net book value as at March 31, 2011</b>	<b>\$ 2,715,461</b>	<b>\$ 410,628</b>	<b>\$ 11,082</b>	<b>\$ 3,137,171</b>
<b>Net book value as at December 31, 2010</b>	<b>\$ 2,656,465</b>	<b>\$ 405,118</b>	<b>\$ 3,766</b>	<b>\$ 3,065,349</b>
<b>Net book value as at January 1, 2010</b>	<b>\$ 2,360,798</b>	<b>\$ 362,240</b>	<b>\$ 3,288</b>	<b>\$ 2,726,326</b>

a) Depletion, depreciation and amortization:

The depletion, depreciation and amortization and impairment of oil and natural gas properties and equipment, and any eventual reversal thereof, are recognized in depletion, depreciation and amortization in the income statement.

b) Contingencies:

Although the Corporation believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

8. Exploration and evaluation assets and goodwill:

	Goodwill	Exploration and evaluation assets
Cost:		
Balance as at January 1, 2010	\$ 41,321	\$ 179,747
Additions	-	71,444
Acquisitions	-	6,092
Dispositions	-	(608)
Transfers to property, plant and equipment	-	(37,085)
Impairment	(10,000)	-
Balance as at December 31, 2010	31,321	219,590
Additions	-	15,140
Acquisitions	-	53
Dispositions	-	(1,025)
Transfers to property, plant and equipment	-	(3,661)
Balance as at March 31, 2011	\$ 31,321	\$ 230,097

Exploration and evaluation (“E&E”) assets consist of the Corporation’s exploration projects which are pending the determination of proved or probable reserves. Additions represent the Corporation’s share of costs incurred on E&E assets during the period.

9. Share capital:

At March 31, 2011 and 2010, the Corporation was authorized to issue an unlimited number of common shares and exchangeable shares.

The holders of common shares are entitled to receive dividends as declared by the Corporation and are entitled to one vote per share.

The exchangeable shares of Bonavista are exchangeable into common shares of the Corporation based on the exchange ratio, which is adjusted monthly, to reflect dividends paid on common shares. As a result, dividends are not paid on exchangeable shares. The holders of exchangeable shares are entitled to one vote times the exchange ratio for each exchangeable share.

a) Issued and outstanding:

(i) Common shares:

(thousands)	
Balance as at December 31, 2010	133,975
Issued on conversion of exchangeable shares	1,319
Issued upon exercise of common shares incentive rights	232
Conversion of restricted share awards	17
Share-based compensation	-
<b>Balance as at March 31, 2011</b>	<b>135,543</b>

(ii) Exchangeable shares:

(thousands)	
Balance as at December 31, 2010	22,593
Exchanged for common shares	(1,313)
<b>Balance as at March 31, 2011</b>	<b>21,280</b>
Exchange ratio as at March 31, 2011	1.00804
<b>Common shares issuable on exchange as at March 31, 2011</b>	<b>21,451</b>

The holders of the Corporation's exchangeable shares shall be entitled to notice of, to attend at, and to that number of votes equal to the number of exchangeable shares held multiplied by the exchange ratio in effect at the meeting record date at any meeting of the shareholders of Bonavista. In accordance with the provisions of the Corporation's exchangeable shares, Bonavista may require, at any time, the exchange of that number of the Corporation's exchangeable shares as determined by the Board of Directors on the basis of the exchange ratio in effect on the date set by Bonavista (the "Compulsory Exchange Date"). On and after the applicable Compulsory Exchange Date, the holders of the Corporation's exchangeable shares called for exchange shall cease to be holders of such Corporation's exchangeable shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than; (i) the right to receive their proportionate part of the common shares; and (ii) the right to receive any declared and unpaid dividends on such common shares.

b) Share-based compensation:

Bonavista has option and restricted share award programs that entitles officers, directors, employees and certain consultants to purchase and receive shares in the Corporation. The number of common shares awarded under all long-term incentive plans shall be limited to 8% of the aggregate number of issued and outstanding equivalent shares of the Corporation.

(i) Stock option and common share incentive rights plan:

Upon conversion to a corporation, the stock option plan of the Corporation was established and the common share rights incentive plan (formerly the trust unit rights incentive plan of the Trust) was amended. The amended plan provided that all rights to acquire trust units became rights to acquire common shares. The amended plan will remain in place until such time as all rights granted have been exercised or expired. All new rights granted after December 31, 2010 are granted under the stock option plan.

The incentive rights granted under the stock option plan vest over a three year period and expire three years after each vesting date, whereas rights granted under the amended common share rights incentive plan vest over a four year period and expire two years after each vesting date. Option exercise prices are equal to the weighted average trading price of the five trading days preceding the date of grant. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model and recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. Upon exercise of the options, the fair value is moved from contributed surplus into share capital.

The following tables summarize the common share incentive rights outstanding and exercisable under the plan at March 31, 2011:

	Number of Common Share Incentive Rights	Weighted Average Exercise Price
Balance as at December 31, 2010	3,956,728	\$ 20.28
Granted	1,224,113	28.85
Exercised	(232,278)	(18.61)
Expired and forfeited	(10,702)	(21.56)
Reduction in exercise price	-	(0.32)
<b>Balance as at March 31, 2011</b>	<b>4,937,861</b>	<b>\$ 22.16</b>
<b>Exercisable as at March 31, 2011</b>	<b>937,410</b>	<b>\$ 20.92</b>

The range of exercise prices of the outstanding options is as follows:

Range of exercise prices	Common Share Incentive Rights Outstanding			Common Share Incentive Rights Exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 11.95 – 20.37	1,793,886	2.8	15.07	454,505	\$ 14.98
20.38 – 26.56	1,320,980	2.9	22.01	190,200	21.10
26.57 – 35.99	1,822,995	3.8	29.25	292,705	30.04
<b>\$ 11.95 – 35.99</b>	<b>4,937,861</b>	<b>3.2</b>	<b>22.16</b>	<b>937,410</b>	<b>\$ 20.92</b>

The fair value of the options was estimated using the Black-Scholes option pricing model with the following weighted average inputs:

	<b>2011</b>	<b>2010</b>
Fair value at grant date	\$ 6.38	\$ 8.18
Exercise price	\$ 28.85	\$ 22.52
Annual dividend per option	\$ 1.44	\$ -
Range of expected volatilities (%)	37.3 - 40.7	37.4 - 45.4
Range of expected forfeitures (%)	10 - 20	10 - 20
Range of risk free interest rates (%)	1.91 - 2.71	1.66 - 2.46
Range of option terms (years)	4 - 6	3 - 6

(ii) Restricted share award incentive plan and restricted common share incentive plan:

Upon the Trust's conversion to a corporation, the Restricted Share Award Incentive Plan was established and the restricted common share incentive plan (formerly the restricted trust unit rights incentive plan of Bonavista Energy Trust) was amended. The amended plan provided that all rights to acquire Trust Units became rights to acquire common shares. The amended plan will remain in place until such time as all rights granted have vested or been cancelled. All new rights granted after December 31, 2010 are granted under the Restricted Share Award Plan.

Vesting arrangements are within the discretion of Bonavista's Board of Directors, but all awards will vest within three years from the date of grant. On the vesting date, the holder will receive equivalent common shares for each unit award, including dividends made on the common shares from the date of the grant to and including the vesting date, net of statutory withholding tax.

The fair value of restricted share awards is assessed on the grant date factoring in the weighted average trading price of the five days preceding the grant date and forecasted dividends. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. Upon the forced vest of these awards, the fair value is moved from contributed surplus into share capital.

The following table summarizes the restricted share awards outstanding under the plan at March 31, 2011:

Balance as at December 31, 2010	248,552
Granted	211,846
Exercised	(3,452)
Forfeited	(26,824)
<b>Balance as at March 31, 2011</b>	<b>430,122</b>

The fair value of the restricted share awards was estimated using the following weighted average inputs:

	<b>2011</b>	<b>2010</b>
Fair value at grant date	\$ 31.71	\$ 26.30
Grant price	\$ 28.85	\$ 22.52
Annual dividend per award	\$ 1.44	\$ 1.92
Range of expected forfeitures (%)	10 - 15	10 - 15
Range of terms (years)	1 - 3	1 - 3

As at March 31, 2011 the balance of contributed surplus attributable to stock options and restricted share awards was \$28.9 million. Share-based compensation expense recognized in the three months ended March 31, 2011 was \$3.4 million.

c) Per share amounts:

The following table summarizes the weighted average common shares and exchangeable shares used in calculating net income per equivalent share:

	<b>Three Months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
(thousands)		
Common shares	134,462	125,055
Exchangeable shares converted at the exchange ratio	22,394	-
Basic equivalent shares	156,856	125,055
Exchangeable shares	-	21,570
Convertible debentures	-	1,330
Common share incentive rights	703	321
Restricted common share incentive rights	384	255
<b>Diluted equivalent shares</b>	<b>157,943</b>	<b>148,531</b>

10. Long-term debt:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
(thousands)		
Bank credit facility	\$ 583,429	\$ 555,348
Senior unsecured notes	388,039	396,095
<b>Balance, end of period</b>	<b>\$ 971,468</b>	<b>\$ 951,443</b>

a) Bank credit facility:

On September 10, 2010, Bonavista combined and renewed its bank credit facilities into a single facility of \$1.4 billion provided by a syndicate of 12 domestic and international banks with a maturity date of September 10, 2013. This facility is an unsecured, covenant-based, extendible revolving facility and includes a \$50 million working capital facility. This 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. This facility is a three year revolving credit and may, at the request of the Corporation with the consent of the lenders, be extended on an annual basis. There is an accordion feature providing that at any time during the term, on participation of any existing or additional lenders, the Corporation can increase the facility by \$250 million. On March 3, 2011, Bonavista elected to reduce the committed amount of its bank credit facility by \$400 million from \$1.4 billion to \$1.0 billion.

Under the terms of the bank credit facility, Bonavista has provided the covenant that its: (i) consolidated senior debt borrowing will not exceed three times net income before unrealized gains and losses on financial instrument contracts and marketable securities, interest, taxes and depreciation, depletion and accretion; (ii) consolidated total debt will not exceed three and one half times consolidated net income before unrealized gains and losses on financial instrument contracts and marketable securities, interest, taxes and depreciation, depletion and accretion; and (iii) consolidated senior debt borrowing will not exceed one-half of consolidated total debt plus consolidated shareholders' equity of the Corporation, in all cases calculated based on a rolling prior four quarters.

b) Senior unsecured notes issued under a master shelf agreement:

In the second quarter of 2010, the Corporation entered into an uncommitted master shelf agreement that allows for an aggregate draw of up to US\$125 million in notes at a rate equal to the related US treasury rate corresponding to the term of the notes plus an appropriate credit risk adjustment at the time of issuance. On June 4, 2010 the Corporation drew down US\$50 million on the master shelf agreement with a coupon rate of 4.86% with US\$25 million maturing on June 4, 2016 and the remaining US\$25 million maturing on June 4, 2017. Under the terms of the master shelf agreement, Bonavista has provided similar significant covenants that exist under the bank credit facility.

c) Senior unsecured notes not subject to the master shelf agreement:

On November 2, 2010, Bonavista issued the following senior unsecured notes by way of a private placement. The significant covenants of the senior unsecured notes are the same as those under the bank credit facility.

The terms and coupon rates of the notes are summarized below:

Issued Date	Principal	Coupon Rate	Maturity Date
November 2, 2010	CDN \$50.0 million	3.79%	November 2, 2015
November 2, 2010	US \$90.0 million	3.66%	November 2, 2017
November 2, 2010	US \$160.0 million	4.37%	November 2, 2020
November 2, 2010	US \$50.0 million	4.47%	November 2, 2022

#### 11. Decommissioning liability:

Bonavista's decommissioning liability results from net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of expenditures required to settle its decommissioning liability is approximately \$771.4 million (2010 - \$750.2 million) which will be incurred over the next 50 years. The majority of the costs will be incurred between 2012 and 2039. A risk-free rate of approximately 4.1% (2010 - 4.1%) was used to discount this amount. A reconciliation of the decommissioning liability is provided below:

	Three months ended March 31,	
	2011	2010
(thousands)		
Balance, beginning of period	\$ 319,096	\$ 294,635
Accretion expense	3,006	2,837
Liabilities incurred	1,065	4,043
Liabilities acquired	-	-
Liabilities disposed	(3,786)	
Liabilities settled	(6,984)	(2,110)
Change in estimate	3,727	-
<b>Balance, end of period</b>	<b>\$ 316,124</b>	<b>\$ 299,405</b>

#### 12. Deferred tax:

The provision for income tax differs from the result which would have been obtained by applying the combined Federal and Provincial income tax rates to net income before taxes. The difference results from the following items:

	Three months ended March 31,	
	2011	2010
(thousands)		
Net income before tax	\$ 42,573	\$ 74,953
Current statutory income tax rate	26.6%	28.1%
Income tax expense (benefit) at current statutory rate	11,324	21,062
Loss on exchangeable shares	-	9,064
Distributions to unitholders		(16,922)
Effect of tax rate changes and rate variance	(632)	973
Other	(140)	1,019
<b>Total income tax expense</b>	<b>\$ 10,552</b>	<b>\$ 15,196</b>

### **13. Business relationships:**

Bonavista and NuVista Energy Ltd. (“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 of NuVista is also an officer of Bonavista.

In 2011, Bonavista completed the rationalization of its partnership interest in NuVista Energy in exchange for working interests in certain of NuVista Energy’s oil and natural gas properties. NuVista Energy was a general partnership held with NuVista of which Bonavista had a 24.22% beneficial interest.

### **14. First time adoption of International Financial Reporting Standards:**

These are the Corporation’s first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements to be prepared in accordance with IFRS. The condensed consolidated interim financial statements as of January 1, 2010 and March 31, 2010 represent those of the Trust.

The accounting policies in Note 2 have been applied in preparing the condensed interim consolidated financial statements for the first three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the balance sheet for the year ended December 31, 2010 and the preparation of an opening IFRS balance sheet on the transition date, January 1, 2010.

In preparing the condensed interim consolidated financial statements for the three months ended March 31, 2011, comparative information for the three months ended March 31, 2010 and financial statements for the year ended December 31, 2010, have been adjusted from the amounts reported previously in the financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation’s financial position, financial performance is set out in the following tables. The transition from Canadian GAAP to IFRS has not affected the corporation’s cashflows.

#### **Key First-Time Adoption Exemptions Applied**

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from retrospective application of certain IFRS.

The Corporation has applied the following exemptions:

- Certain oil and natural gas assets in property, plant and equipment on the balance sheet were recognized and measured on a full cost basis in accordance with Canadian GAAP. The Corporation has elected to measure its properties at the amount determined under Canadian GAAP as at January 1, 2010. Costs included in the full cost pool on January 1, 2010 were allocated on a pro-rata basis to the underlying assets on the basis of total proved plus probable reserve values as at January 1, 2010. Decommissioning liabilities were measured using a risk free rate, with a corresponding adjustment recorded to opening retained earnings.
- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries or interests in joint ventures that occurred before January 1, 2010.

## Reconciliation of equity from Canadian GAAP to IFRS at the date of IFRS transition – January 1, 2010:

(thousands) (unaudited)	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets:</b>				
Current Assets:				
Accounts receivable		\$ 104,912	\$ -	\$ 104,912
Prepaid expenses		16,912	-	16,912
Marketable securities		6,322	-	6,322
Financial instrument contracts		5,626	-	5,626
Deferred tax asset	(h)	4,424	(4,424)	-
Other assets		6,539	-	6,539
		144,735	(4,424)	140,311
Property, plant and equipment	(a)	2,906,073	(179,747)	2,726,326
Exploration and evaluation assets	(b)	-	179,747	179,747
Goodwill		41,321	-	41,321
		\$ 3,092,129	\$ (4,424)	\$ 3,087,705
<b>Liabilities and Shareholders' Equity:</b>				
Current liabilities:				
Accounts payable and accrued liabilities		\$ 157,019	\$ -	\$ 157,019
Dividends payable		19,937	-	19,937
Financial instrument contracts		15,169	-	15,169
Convertible debentures		38,093	763	38,856
Exchangeable shares	(f)	-	479,136	479,136
Share-based compensation	(g)	-	8,468	8,468
Deferred tax	(h)	1,641	(1,641)	-
		231,859	486,726	718,585
Long-term debt		832,138	-	832,138
Decommissioning liabilities	(e)	160,314	134,321	294,635
Deferred tax	(h)	144,235	(26,451)	117,784
Share-based compensation	(g)	-	4,577	4,577
Shareholders' equity:				
Shareholders' capital	(k)	1,531,299	2,620	1,533,919
Exchangeable shares	(f)	59,295	(59,295)	-
Contributed surplus	(l)	13,319	(13,196)	123
Retained earnings (Deficit)	(m)	119,670	(533,726)	(414,056)
		1,723,583	(603,597)	1,119,986
		\$ 3,092,129	\$ (4,424)	\$ 3,087,705

Reconciliation of equity from Canadian GAAP to IFRS at the end of the last reporting year under Canadian GAAP –  
March 31, 2010:

(thousands) (unaudited)	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets:</b>				
Current assets:				
Accounts receivable		\$ 122,380	\$ -	\$ 122,380
Prepaid expenses		16,684	-	16,684
Marketable securities		3,738	-	3,738
Financial instrument contracts		21,588	-	21,588
Deferred tax asset	(h)	1,611	(1,611)	-
Other assets		5,136	-	5,136
		171,137	(1,611)	169,526
Property, plant and equipment	(a)	2,927,462	(176,999)	2,750,463
Exploration and evaluation assets	(b)	-	199,912	199,912
Goodwill		41,321	-	41,321
		\$ 3,139,920	\$ 21,302	\$ 3,161,222
<b>Liabilities and Shareholders' Equity:</b>				
Current liabilities:				
Accounts payable and accrued liabilities		\$ 205,252	\$ -	\$ 205,252
Dividends payable		20,048	-	20,048
Financial instrument contracts		6,607	-	6,607
Convertible debentures	(j)	38,336	674	39,010
Exchangeable shares	(f)	-	500,916	500,916
Share-based compensation	(g)	-	10,201	10,201
Deferred tax	(h)	4,907	(4,907)	-
		275,150	506,884	782,034
Long-term debt		805,010	-	805,010
Decommissioning liabilities	(e)	162,605	136,800	299,405
Deferred tax	(h)	146,038	(13,058)	132,980
Share-based compensation	(g)	-	6,115	6,115
Shareholders' equity:				
Shareholders' capital	(k)	1,538,809	11,135	1,549,944
Exchangeable shares	(f)	58,007	(58,007)	-
Contributed surplus	(l)	14,987	(14,864)	123
Retained earnings (Deficit)	(m)	139,314	(553,703)	(414,389)
		1,751,117	(615,439)	1,135,678
		\$ 3,139,920	\$ 21,302	\$ 3,161,222

Reconciliation of equity from Canadian GAAP to IFRS at the end of the last reporting year under Canadian GAAP – December 31, 2010:

(thousands) (unaudited)	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets:</b>				
Current assets:				
Accounts receivable		\$ 114,430	\$ -	\$ 114,430
Prepaid expenses		14,510	-	14,510
Financial instrument contracts		11,413	-	11,413
Deferred tax asset	(h)	3,241	(3,241)	-
Other assets		10,068	-	10,068
		153,662	(3,241)	150,421
Property, plant and equipment	(a)	3,148,005	(82,656)	3,065,349
Exploration and evaluation assets	(b)	-	219,590	219,590
Goodwill	(i)	41,321	(10,000)	31,321
		\$ 3,342,988	\$ 123,693	\$ 3,466,681
<b>Liabilities and Shareholders' Equity:</b>				
Current liabilities:				
Accounts payable and accrued liabilities		\$ 186,447	\$ -	\$ 186,447
Dividends payable		21,436	-	21,436
Financial instrument contracts		12,931	-	12,931
Deferred tax	(h)	2,860	(2,860)	-
		223,674	(2,860)	220,814
Long-term debt		951,443	-	951,443
Decommissioning liabilities	(e)	168,423	150,673	319,096
Deferred tax	(h)	117,579	(4,524)	113,055
Financial instrument contracts		4,261	-	4,261
Shareholders' equity:				
Shareholders' capital	(k)	1,737,077	(557,807)	1,179,270
Exchangeable shares	(f)	57,286	593,382	650,668
Contributed surplus	(l)	14,292	13,782	28,074
Retained earnings (Deficit)	(m)	68,953	(68,953)	-
		1,877,608	(19,596)	1,858,012
		\$ 3,342,988	\$ 123,693	\$ 3,466,681

Reconciliation of total comprehensive income for the three months ended March 31, 2010:

(thousands) (unaudited)	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Revenue:</b>				
Production		\$ 253,632	\$ -	\$ 253,632
Royalties		(40,229)	-	(40,229)
		213,403	-	213,403
Realized gain on financial instrument contracts		388	-	388
Unrealized gain on financial instrument contracts		24,524	-	24,524
		24,912	-	24,912
		238,315	-	238,315
<b>Expenses:</b>				
Operating		49,153	-	49,153
Transportation		8,799	-	8,799
General and administrative expenses		4,941	-	4,941
Share-based compensation	(g)	2,731	946	3,677
Depletion, depreciation and amortization	(c)	79,330	(20,418)	58,912
		144,954	(19,472)	125,482
Income from operating activities		93,361	19,472	112,833
Finance costs	(e)(f)(j)	7,839	32,135	39,974
Finance income		(2,094)	-	(2,094)
Net finance costs		5,745	32,135	37,880
Income before income taxes		87,616	(12,663)	74,953
Income taxes	(h)	7,882	7,314	15,196
<b>Net income and comprehensive income</b>		<b>\$ 79,734</b>	<b>\$ (19,977)</b>	<b>\$ 59,757</b>
<b>Net income per share – basic</b>		<b>\$ 0.54</b>	<b>\$ (0.06)</b>	<b>\$ 0.48</b>
<b>Net income per share – diluted</b>		<b>\$ 0.53</b>	<b>\$ (0.05)</b>	<b>\$ 0.48</b>

## Reconciliation of total comprehensive income for the year ended December 31, 2010:

(thousands) (unaudited)	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Revenue:</b>				
Production		\$ 938,726	\$ -	\$ 938,726
Royalties		(143,507)	-	(143,507)
		795,219	-	795,219
Realized gain on financial instrument contracts		16,080	-	16,080
Unrealized gain on financial instrument contracts		3,764	-	3,764
		19,844	-	19,844
		815,063	-	815,063
<b>Expenses:</b>				
Operating		194,755	-	194,755
Transportation		39,652	-	39,652
General and administrative expenses		20,897	-	20,897
Restructuring costs		736	-	736
Goodwill impairment		-	10,000	10,000
Share-based compensation	(g)	11,584	9,278	20,862
Gain on disposition of property, plant and equipment		-	(27,109)	(27,109)
Depletion, depreciation and amortization	(c)	342,336	(93,116)	249,220
		609,960	(100,947)	509,013
Income from operating activities		205,103	100,947	306,050
Finance costs	(e)(f)(j)	40,529	187,480	228,009
Finance income		(15,119)	-	(15,119)
Net finance costs		25,410	187,480	212,890
Income before income taxes		179,693	(86,533)	93,160
Income taxes	(h)	(21,888)	16,171	(5,717)
<b>Net income and comprehensive income</b>		<b>\$ 201,581</b>	<b>\$ (102,704)</b>	<b>\$ 98,877</b>
<b>Net income per share – basic</b>		<b>\$ 1.32</b>	<b>\$ (0.58)</b>	<b>\$ 0.74</b>
<b>Net income per share – diluted</b>		<b>\$ 1.30</b>	<b>\$ (0.56)</b>	<b>\$ 0.74</b>

**Notes to reconciliation:**

- a) Property, Plant and Equipment (“PP&E”) – Bonavista’s PP&E assets were allocated to its CGU’s unlike under Canadian GAAP where all oil and natural gas assets are accumulated into one cost centre. The deemed cost of Bonavista’s oil and natural gas assets were allocated to its defined CGUs based on Bonavista’s total proved plus probable reserve values as at January 1, 2010, in accordance with IFRS 1. These CGUs were aligned within the major geographic regions in which Bonavista operates and could change in the future as a result of significant acquisition and disposition activity. The following tables highlight the changes in property, plant and equipment and the impact on the consolidated statement of income and comprehensive income as a result of its transition from Canadian GAAP to IFRS.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Decrease due to transfer of exploration and evaluation assets	\$ (179,747)	\$ (199,912)	\$ (219,590)
Adjustment required for recorded gains on disposition of property, plant and equipment	-	-	27,109
Increase due to adjustment in depletion, depreciation and amortization	-	20,418	93,116
Change in decommissioning liabilities	-	2,439	16,292
Capitalization of share-based compensation	-	56	417
<b>Net change in property, plant and equipment</b>	<b>\$ (179,747)</b>	<b>\$ (176,999)</b>	<b>\$ (82,656)</b>

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Gain on disposition of property, plant and equipment	\$ -	\$ (27,109)
Increase in retained earnings (deficit)	\$ -	\$ 27,109

- b) Exploration and Evaluation (“E&E”) expenditures – Upon transition to IFRS, Bonavista reclassified all E&E expenditures that were included in the PP&E balance on the consolidated statement of financial position. This consisted of the carrying amount for Bonavista’s undeveloped land that related directly to exploration properties. E&E assets will not be depleted and will be assessed for impairment when indicators of impairment exist. Management identified and reclassified the following amounts from PP&E to E&E in the consolidated statement of financial position prepared under IFRS as at January 1, 2010, March 31, 2010 and December 31, 2010.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Increase in exploration and evaluation assets	\$ 179,747	\$ 199,912	\$ 219,590

- c) Depletion expense – Bonavista has chosen to calculate its depletion using a reserve base of total proved plus probable reserves, as compared to using only proved reserves under Canadian GAAP. As a result, the depletion expense decreased as compared to its current calculation under Canadian GAAP.

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Decrease in depletion, depreciation and amortization	\$ (20,418)	\$ (93,116)
Increase in retained earnings (deficit)	\$ 20,418	\$ 93,116

- d) Impairment of PP&E assets – Under IFRS, an impairment test of PP&E is performed at the CGU level as opposed to the entire PP&E balance, which is currently required under Canadian GAAP through the full cost ceiling test. Bonavista is required to recognize an impairment loss if the carrying amount of a CGU exceeds the higher of its fair value less cost to sell and value in use. Under Canadian GAAP, estimated future cash flows used to assess whether an impairment has occurred are not discounted.
- e) Decommissioning liabilities - Under IFRS, Bonavista remeasured its liability for asset retirement obligations using the risk-free rate of interest. IFRS requires that asset retirement obligations be re-measured each reporting period for changes in the discount rate with a corresponding adjustment to the cost of property, plant and equipment. At January 1, 2010 Bonavista's total of its decommissioning liabilities increased by \$134.3 million to \$294.6 million as the liability was revalued to reflect the estimated risk free rate of interest of 4.1% as compared to the credit adjusted risk-free rate of 7.5% used previously under Canadian GAAP.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Increase in decommissioning liabilities	\$ 134,321	\$ 136,800	\$ 150,673
Decrease in retained earnings (deficit)	(134,321)	(134,361)	(134,381)
Change in decommissioning liabilities	\$ -	\$ 2,439	\$ 16,292

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Increase in finance costs	\$ 40	\$ 61

- f) Exchangeable shares - Under IFRS, exchangeable shares are considered to be puttable financial instrument and are classified as a financial liability. They were recorded on the opening statement of financial position at their fair value. As at January 1, 2010, Bonavista's liability associated with Bonavista Petroleum Ltd. exchangeable shares under IFRS was determined to be \$479.1 million. On December 31, 2010 Bonavista completed its conversion from an energy trust to a corporation resulting in exchangeable shares being classified as equity under IFRS.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Increase in fair market value of exchangeable shares - liability	\$ 479,136	\$ 500,916	\$ -
Increase in shareholders capital	-	9,116	14,641
Changes in exchangeable shares - equity	(59,295)	(58,007)	593,382
Decrease in retained earnings (deficit)	\$ (419,841)	\$ (452,025)	\$ (608,023)

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Finance costs	\$ 32,183	\$ 188,182

- g) Share-based compensation - Under IFRS, Bonavista's common share incentive rights and restricted common share incentive rights were considered to be cash-settled awards and were classified as a liability. The liability is measured at fair value with subsequent changes in the fair value recognized in the statement of comprehensive income. As at January 1, 2010, Bonavista's liability associated with common share-based compensation under IFRS was \$13.0 million. On December 31, 2010, Bonavista completed its conversion from an energy trust to a corporation resulting in common share-based awards to be classified as equity under IFRS.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Increase in fair market value of share-based compensation - current liability	\$ 8,468	\$ 10,201	\$ -
Increase in fair market value of share-based compensation - long-term liability	\$ 4,577	\$ 6,115	\$ -
Decrease in shareholders' capital	\$ -	\$ (602)	\$ (5,046)
Changes in contributed surplus	\$ (13,196)	\$ (14,864)	\$ 14,590
Changes in retained earnings (deficit)	\$ 151	\$ (794)	\$ (9,127)
Capitalization of share-based compensation	\$ -	\$ 56	\$ 417

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Changes in fair market value of share-based compensation	\$ 946	\$ 9,278

- h) Deferred tax - Under IFRS, the Trust was required to calculate deferred tax using the undistributed profits rate of 39%. Under Canadian GAAP, the Trust was required to use the expected average tax rate for distributed profits of 25%. In addition, under IFRS, changes in net tax position arising from changes in tax rates are recorded outside of profit and loss if the original deferred tax position was recorded outside of profit and loss. Under Canadian GAAP, all changes in net tax position arising from changes in tax rates are reflected in profit and loss.

Bonavista recorded an overall decrease of \$23.7 million to its deferred tax liability upon transition to IFRS with the offset to opening accumulated earnings of \$20.2 million and shareholder's capital of \$3.5 million. The overall decrease in deferred tax liability is a combination of a \$37.7 million decrease due to the adjustments to the opening balances of property, plant and equipment and decommissioning liabilities on transition to IFRS and a \$14.0 million increase due to the requirement to use the undistributed profits rate.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Decrease in deferred tax asset	\$ (4,424)	\$ (1,611)	\$ (3,241)
Decrease in deferred tax current liability	\$ (1,641)	\$ (4,907)	\$ (2,860)
Decrease in deferred tax long-term liability	\$ (26,451)	\$ (13,058)	\$ (4,524)
Increase in shareholders' capital	\$ 3,428	\$ 3,428	\$ 75
Increase in retained earnings (deficit)	\$ 20,240	\$ 12,926	\$ 4,068

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Increase in deferred tax	\$ 7,314	\$ 16,171

- i) Goodwill - Under IFRS, goodwill is assigned to the appropriate CGU's in which it was originally derived from. Goodwill is determined as the excess of the purchase price paid over the fair value of net assets acquired. Since goodwill results from the culmination of purchase accounting it is inherently imprecise and requires judgement in the determination of the fair value of assets and liabilities. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. As such at December 31, 2010, Bonavista conducted an impairment test on its CGU's after receiving its reserve report and it was determined that there was an impairment of \$10.0 million on one of its CGU's.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Decrease in goodwill	\$ -	\$ -	\$ (10,000)

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Goodwill impairment	\$ -	\$ 10,000
Decrease in retained earnings (deficit)	\$ -	\$ (10,000)

- j) Convertible debentures – Under Canadian GAAP, the convertible debentures issued in 2004 and redeemed in 2010, were treated as a compound instrument with a debt and equity component. 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 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 the consolidated statement of income.

Under IFRS the convertible debenture is accounted for as a derivative instrument. A derivative is measured at fair value at each reporting date with changes in value being recorded in the consolidated statement of income.

<b>Consolidated statement of financial position</b>	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
(thousands)			
Changes in fair market value of convertible debentures - liability	\$ 763	\$ 674	\$ -
Decrease in shareholders capital	(808)	(808)	-
Decrease in contributed surplus	-	-	(808)
Changes in retained earnings (deficit)	45	134	808
	\$ -	\$ -	\$ -

<b>Consolidated statement of income and comprehensive income</b>	<b>For the period ended March 31, 2010</b>	<b>For the year ended December 31, 2010</b>
(thousands)		
Decrease in finance costs	\$ (88)	\$ (763)

k) Shareholders' capital

<b>Consolidated statement of financial position</b> (thousands)	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
Share-based compensation	\$ -	\$ (601)	\$ (5,046)
Deferred tax	3,428	3,428	75
Exchangeable shares	-	9,116	14,640
Convertible debentures	(808)	(808)	-
Reduction of capital for reclassification of deficit	-	-	(567,476)
	\$ 2,620	\$ 11,135	\$ (557,807)

l) Contributed surplus

<b>Consolidated statement of financial position</b> (thousands)	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
Share-based compensation	\$ (13,196)	\$ (14,864)	\$ 14,590
Convertible debentures	-	-	(808)
	\$ (13,196)	\$ (14,864)	\$ 13,782

m) Retained earnings

<b>Consolidated statement of financial position</b> (thousands)	<b>As at January 1, 2010</b>	<b>As at March 31, 2010</b>	<b>As at December 31, 2010</b>
Share-based compensation	\$ 152	\$ (794)	\$ (9,126)
Adjustment to depletion, depreciation and amortization	-	20,418	93,116
Gain on disposition of property, plant and equipment	-	-	27,109
Deferred tax	20,239	12,926	4,068
Decommissioning liabilities	(134,321)	(134,361)	(134,381)
Exchangeable shares	(419,841)	(452,025)	(608,023)
Goodwill impairment	-	-	(10,000)
Convertible debentures	45	133	808
Reclassification of deficit	-	-	567,476
	\$ (533,726)	\$ (553,703)	\$ (68,953)

## INVESTOR INFORMATION

Bonavista is a mid sized energy corporation committed to maintaining its emphasis on operating high quality oil and natural gas properties, providing moderate growth and delivering consistent dividends to its shareholders 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.

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