



CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

BNK PETROLEUM INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, expressed in Thousands of United States dollars)

ASSETS	March 31, 2010	December 31, 2009
Current assets		
Cash and cash equivalents	\$ 3,832	\$ 8,372
Accounts receivable	5,375	12,114
Inventory	1,345	1,345
Deposits and prepaid expenses	266	294
	10,818	22,125
Investments (Note 4)	688	512
Property, plant and equipment (Note 5)	166,912	165,350
	\$ 178,418	\$ 187,987
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,090	\$ 23,045
Deferred credit (Note 6)	1,750	2,500
Current portion of long-term debt (Note 7)	10,497	10,351
	25,337	35,896
Bank and long-term debt (Note 7)	16,217	17,685
Subordinated loan (Note 8)	2,788	2,749
Asset retirement obligations (Note 9)	1,484	1,471
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	142,028	141,819
Contributed surplus (Note 10)	9,153	8,300
Deficit	(18,589)	(19,933)
	132,592	130,186
	\$ 178,418	\$ 187,987

Future Operations (Note 2)
Commitments (Note 13)
Subsequent events (Note 14)

See accompanying notes to consolidated financial statements.

BNK PETROLEUM INC.
CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
(Unaudited, expressed in Thousands of United States dollars, except per share amounts)

	Three months ended	
	March 31	
	2010	2009
Revenue		
Oil and gas revenue	\$ 4,637	\$ 2,761
Royalties	(989)	(518)
Realized loss on risk management contracts (Note 12)	(19)	-
Unrealized gain on risk management contracts (Note 12)	455	-
Gathering revenue	1,530	245
Equity loss on investment (Note 4)	(16)	-
	5,598	2,488
Expenses		
Operating	1,183	815
General and administrative	869	761
Interest on long-term debt	454	354
Interest on subordinated debt	39	211
Foreign exchange (gain) loss	(119)	20
Stock-based compensation (Note 10)	737	1,842
Depletion, depreciation and accretion	1,091	1,970
	4,254	5,973
Net income (loss) and Comprehensive income (loss) for the period	1,344	(3,485)
Deficit, beginning of period	(19,933)	(7,345)
Deficit, end of period	\$ (18,589)	\$ (10,830)
Basic and fully diluted income (loss) per share (Note 10)	\$.01	\$ (0.05)

See accompanying notes to consolidated financial statements.

BNK PETROLEUM INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited, expressed in Thousands of United States dollars)

	Three months ended	
	March 31	
	2010	2009
<i>Cash provided by (used in):</i>		
<i>Operating activities</i>		
Net income (loss) and Comprehensive income (loss)	\$ 1,344	\$ (3,485)
Items not involving cash:		
Depletion, depreciation and accretion	1,091	1,970
Unrealized loss on risk management contracts	(455)	-
Equity loss on investment (Note 4)	16	-
Stock-based compensation	737	1,842
	<u>2,733</u>	<u>327</u>
Change in non-cash working capital (Note 16)	(4,903)	5,045
	<u>(2,170)</u>	<u>5,372</u>
<i>Investing activities</i>		
Additions to property, plant and equipment	(2,424)	(3,329)
Advances to and investments in affiliates	(191)	-
Change in non-cash working capital (Note 16)	1,459	(7,958)
	<u>(1,156)</u>	<u>(11,287)</u>
<i>Financing activities</i>		
Issue of equity instruments, net of share issue expenses	109	-
Repayment of long-term debt	(1,323)	-
	<u>(1,214)</u>	<u>-</u>
<i>Decrease in cash and cash equivalents</i>	(4,540)	(5,915)
Cash and cash equivalents, beginning of period	<u>8,372</u>	<u>8,265</u>
<i>Cash and cash equivalents, end of period (Note 16)</i>	\$ 3,832	\$ 2,350

See accompanying notes to consolidated financial statements.

BNK Petroleum Inc.
Notes to the Consolidated Financial Statements
(Unaudited, expressed in Thousands of United States dollars)

1. INCORPORATION AND PLAN OF ARRANGEMENT

BNK Petroleum Inc. (the “Company”), was incorporated under the Business Corporations Act (British Columbia) on May 6, 2008. Pursuant to shareholders’ approval of Bankers Petroleum Ltd. (“Bankers”), at the Annual and Special General Meeting held on June 27, 2008, Bankers completed its plan of arrangement in July 2008 by which all of Bankers’ U.S. operations and assets were transferred into BNK Petroleum Inc. Shareholders of Bankers received one common share of the Company for every ten (10) common shares held in Bankers. This transaction was accounted for using continuity of interests accounting whereby the assets, liabilities and equity of the U.S. operations were transferred to BNK Petroleum Inc. as of July 1, 2008 at their book values, with no gain or loss recorded.

The unaudited consolidated financial statements of the Company have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”), using the same accounting policies as those set out in note 3 to the consolidated financial statements for the year ended December 31, 2009. The consolidated financial statements for the three months ended March 31, 2010, should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2009. Certain amounts have been reclassified to conform with the current year’s presentation. All tabular amounts are in thousands, except per share amounts, unless otherwise stated.

2. FUTURE OPERATIONS

The consolidated financial statements have been prepared on a going concern basis. The Company has an accumulated deficit of \$18.9 million and a working capital deficiency of approximately \$14.5 million as at March 31, 2010. Included in this deficiency is the current portion of long-term debt of \$10.5 million as estimated by management which will be paid out of 80% of the Company’s net operating income, and a deferred credit (Note 8) of \$1.75 million which is non-refundable. Management’s estimate of net operating income may vary based on production, commodity prices and operating expenses. Any variation in these estimates will increase or decrease the current portion of long-term debt proportionately. Excluding these amounts, the Company has a working capital deficiency of \$2.3 million as at March 31, 2010. The repayment terms of the current banking facility leaves the Company with no discretionary cash flows. In order to fund its capital program, the Company needs to raise funds by way of equity and/or debt. To that end the Company has entered into an agreement with a syndicate of underwriters to issue 15.8 million common shares at CAD \$2.85 per common share on a bought-deal basis to raise gross proceeds of \$45 million. Closing of the Offering is expected to be on or about May 18, 2010 subject to regulatory approvals. The Company has also granted the underwriters an over-allotment option to purchase, on the same terms, up to an additional 2.37 million common shares. This option is exercisable, in whole or in part, by the underwriters at their sole discretion, at any time up to 30 days after closing. The maximum gross proceeds raised under the Offering will be \$51.8 million, should the over-allotment option be exercised in full (Note 16).

BNK Petroleum Inc.
Notes to Consolidated Financial Statements
(Unaudited, expressed in Thousands of United States dollars)

3. FUTURE ACCOUNTING CHANGES

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

The CICA Handbook Section 1582 "Business Combinations" is effective for business combinations with an acquisition date after January 1, 2011. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adopting the standard is expected to have a material effect on the way the Company accounts for future business combinations. Entities adopting Section 1582 will also be required to adopt CICA Handbook Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". These standards will require non-controlling interests to be presented as part of Shareholders' Equity on the balance sheet. In addition, the income statement of the controlling parent will include 100 per cent of the subsidiary's results and present the allocation between the controlling and non-controlling interests. These standards will be effective January 1, 2011, with early adoption permitted. The changes resulting from adopting Section 1582 will be applied retrospectively. The Company is currently assessing the impact of this standard on its financial position and future results.

4. INVESTMENT

In October 2009, the Company entered into a farm-out agreement with two European companies (the "Farmees") under which the Company agreed to reduce its 80% ownership in Saponis Investments Sp. z.o.o., ("Saponis") its Polish subsidiary, to 26.667% in exchange for the Farmees paying \$5 million of the Company's share of expenditures on the first \$25 million of capital expenditures in Poland. As a result of this transaction, the Company now accounts for its investment in Saponis using the equity method of accounting. As at March 31, 2010 the investment in Saponis was \$688 and the Company's share of Saponis' loss for the three month period ended March 31, 2010 was \$16.

BNK Petroleum Inc.
Notes to the Consolidated Financial Statements
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5. PROPERTY, PLANT AND EQUIPMENT

The following tables summarize the Company's property, plant and equipment as at March 31, 2010 and December 31, 2009:

	2010			2009
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Net Book Value
Oil and gas properties	\$ 178,592	\$ 11,875	\$ 166,717	\$ 165,222
Equipment, furniture and fixtures	402	207	195	128
	\$ 178,994	\$ 12,082	\$ 166,912	\$ 165,350

Depletable assets for the depletion calculation for the three months ended March 31, 2010, included \$179,499 (2009 - \$37,481) for estimated future development costs associated with proved undeveloped reserves.

The Company capitalized general and administrative expenses and stock-based compensation of \$428 during the three month period ended March 31, 2010 (2009 - \$497) that were directly related to exploration and development activities.

6. DEFERRED CREDIT

In connection with the farm-out agreement (Note 6), the Company entered into a Technical Services Agreement with Farmees. Under this agreement, the Farmees paid the Company a non-refundable fee of \$3 million for technical consulting services the Company will provide in the three oil and gas concessions in Poland. The Company earns this fee over a twelve month period and accounts for it as an offset against capitalized general and administrative expenses. If the first well location is identified in one of the concessions during this twelve-month term, then the unamortized balance will be immediately recognized and offset against the capitalized general and administrative expenses.

BNK Petroleum Inc.
Notes to the Consolidated Financial Statements
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7. BANK AND LONG-TERM DEBT

In July 2009, the Company arranged a \$50 million reserve based credit facility (“Facility”) with a U.S. financial institution (the “Lender”). The proceeds from this Facility were partially used to pay the Company’s existing bank debt of \$7 million. The Facility has an initial borrowing base (the “Borrowing Base”) of \$29.5 million and is secured by the Company’s properties in the Tishomingo Field, Oklahoma. As at March 31, 2010, \$26.7 million of the Borrowing Base was drawn down. The Facility matures in April 2011 and bears interest at US base rate plus 3%. In addition, the Company assigned an overriding royalty interest of 3% in favour of the Lender in the initial forty wells (the “Initial Wells”) which reduces to 2% for subsequent wells. The Lender was also assigned a net profits interest (“NPI”). The NPI is equal to 20% of the Company’s net operating income from the Initial Wells and 10% from the subsequent wells. The NPI will be due and payable monthly in perpetuity beginning once the Facility has been retired in April 2011. The Facility is payable monthly from 80% of the Company’s net operating income as defined in the Facility to be oil and gas revenue minus royalties minus operating expenses from the Tishomingo Field. The Company estimated the amount repayable under the Facility over the next two years as follows:

2010 -	\$10,497
2011 -	16,217
	<u>\$26,714</u>

8. SUBORDINATED LOAN

In July 2008, the Company entered into a subordinated loan agreement (the “Subordinated Loan”) for \$23 million with Bankers in order to provide security for its initial credit facilities. Subordinated Loan bears interest at LIBOR plus 5.5% and is secured by a floating charge debenture and a general security agreement. The subordinated loan and interest thereon is due and payable on October 9, 2012. Through a series of payments the balance of the subordinated loan was reduced to \$2,788 at March 31, 2010 (2009 - \$2,749).

Bankers is considered a related party as Bankers and the Company have two common directors. The above transaction is considered to be in the normal course of business and has been measured at the exchange amount being the amounts agreed to by both the parties.

9. ASSET RETIREMENT OBLIGATIONS

The Company estimated the total undiscounted amount required to settle the asset retirement obligations as \$2,010 (2009 - \$1,781). These obligations are expected to be settled over 12 years. The liability has been discounted using a credit-adjusted risk-free interest rate ranging from 5.5% to 7.0% (2009 - 5.5% - 7.0%) and an inflation rate of 2.5% (2009 - 2.5%).

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9. ASSET RETIREMENT OBLIGATIONS (cont'd)

	March 31, 2010	December 31, 2009
Asset retirement obligations, opening balance	\$ 1,471	\$ 1,219
Liabilities incurred during the period	-	161
Accretion	<u>13</u>	<u>91</u>
Asset retirement obligations, closing balance	<u>\$ 1,484</u>	<u>\$ 1,471</u>

10. SHAREHOLDERS' EQUITY

(a) Share Capital

Authorized

An unlimited number of common shares with no par value.

Issued

	Number of Common Shares	Amount	Contributed Surplus
Balance, December 31, 2008	68,350,379	\$ 119,590	\$ 4,301
Private placement	17,000,000	4,556	-
Prospectus issue	16,000,000	19,034	-
Stock options exercised	50,000	64	(34)
Share issuance costs	-	(1,425)	-
Stock-based compensation	-	-	4,033
Balance, December 31, 2009	<u>101,400,379</u>	<u>141,819</u>	<u>8,300</u>
Stock options exercised	159,333	209	(100)
Stock-based compensation	-	-	953
Balance, March 31, 2010	<u>101,559,712</u>	<u>\$ 142,028</u>	<u>\$ 9,153</u>

Basic and Fully Diluted Loss per Share

Basic earnings (loss) per share was calculated using the weighted average number of outstanding common shares of 101,503,312 (2009 - 68,350,379). Fully diluted earnings per share was calculated using the weighted average number of shares of 106,223,091 (2009 - 68,350,379).

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10. SHAREHOLDERS' EQUITY (cont'd)

(b) Stock options

A summary of the changes in stock options is presented below:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2008	4,905,000	2.00
Options granted	6,975,000	0.63
Options exercised	(50,000)	(0.65)
Options cancelled	(4,900,000)	(2.00)
Balance, December 31, 2009	<u>6,930,000</u>	<u>0.63</u>
Options granted	700,000	2.01
Options exercised	(159,333)	(0.72)
Balance, March 31, 2010	<u><u>7,470,667</u></u>	<u><u>0.77</u></u>

Stock options vest as to one third on the date of grant and as to one third in each of the first and second anniversaries.

The following table summarizes the outstanding and exercisable options at March 31:

Range of Exercise Price (CAD\$)	2010			2009		
	Outstanding	Exercisable	Weighted Average Remaining Contractual Life	Outstanding	Exercisable	Weighted Average Remaining Contractual Life
2.01-2.50	500,000	166,667	4.9	-	-	-
1.51-2.00	200,000	66,667	4.8	-	-	-
1.01-1.50	43,333	21,667	4.5	-	-	-
0.50-1.00	6,722,334	2,306,167	4.3	-	-	-
1.01-2.01	5,000	3,333	3.3	5,000	1,667	4.3
	<u>7,470,667</u>					

Stock options vest as to one-third on the date of grant and one-third each on the first and second anniversary dates.

In February 2009, the Company cancelled 4,900,000 stock options issued to its directors, employees and service providers pursuant to a stock voluntary option cancellation program. As a result of this cancellation the Company incurred stock based compensation expense of \$1,799 of which \$1,529 was charged to earnings and \$270 was capitalized.

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10. SHAREHOLDERS' EQUITY (cont'd)

(c) Stock-based compensation

Using the fair value method for stock-based compensation, the Company calculated stock-based compensation expense for the three month period ended March 31, 2010 as \$953 (2009- \$2,167) for the stock options vested and/or granted to officers, directors, employees and service providers. Of these amounts, \$737 (2009 - \$1,842) was charged to earnings and \$216 (2009 - \$325) was capitalized. The Company determined these amounts using the Black-Scholes option pricing model assuming no dividends were paid. The weighted average fair market value per option granted in the three month periods ended March 31, 2010 and 2009 and the assumptions used in their determination were as follows:

	Three Months Ended March 31	
	2010	2009
Weighted average fair value per option (\$)	1.46	1.10
Risk-free interest rate (%)	2.71	3.00
Average volatility (%)	155	74
Expected life (years)	5	5

11. FUTURE INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the cumulative US federal and state income tax rates to the loss before tax provision due to the following:

	Three Months ended March 31	
	2010	2009
Net earnings (loss) for the period	\$ 1,344	\$ (3,485)
Statutory tax rate	39%	39%
	524	(1,359)
Stock-based compensation	372	844
Foreign exchange and US versus Canadian tax rate differences	17	35
Valuation allowance	(913)	480
Future income tax expense	\$ -	\$ -

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11. FUTURE INCOME TAXES (cont'd)

The significant components of the Company's future income tax assets are as follows:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Future income tax assets		
Losses carry-forward	\$ 1,368	\$ 1,222
Unrealized (gain) loss on risk management contracts	(65)	112
Property, plant and equipment	1,164	2,014
Inventory	484	484
Asset retirement obligations	579	574
Share issue costs	484	521
Less: valuation allowance	<u>(4,014)</u>	<u>(4,927)</u>
Future income tax assets	<u>\$ -</u>	<u>\$ -</u>

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Company's financial instruments recognized in the consolidated balance sheets consist of cash and cash equivalents, accounts receivable, risk management contracts, accounts payable and accrued liabilities, subordinated loan and long-term debt. Except for risk management contracts carrying values reflect the current fair value of the Company's financial instruments due to their short term maturities and for subordinated loan and long-term debt due to market rates of interest paid by the Company in relation to similar instruments. Risk management contracts are recognized at fair value on the consolidated balance sheets. The estimated fair values of recognized financial instruments have been determined based on the Company's assessment of available market information and appropriate methodologies, through comparisons to similar instruments, or third party quotes. The Company's financial assets and liabilities recorded at fair value have been classified according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Price in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3- Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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Notes to Consolidated Financial Statements
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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The Company's cash and risk management contracts have been assessed on the fair value hierarchy described above. Cash has been classified as Level 1 and the risk management contracts have been classified as Level 2.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its accounts receivables. Most of the Company's accounts receivable arises from transactions with joint interest partners and oil and natural gas sales with petroleum and natural gas marketers. The Company mitigates credit risk with marketers by maintaining marketing relationships with established purchasers with strong credit ratings.

As at March 31, 2010, the accounts receivable balance was \$5.4 million of which \$.4 million of accounts receivable were past due. The Company considers all amounts greater than 90 days past due. These past due accounts receivable are considered to be collectible as they are owed by joint interest partners. The Company does not have an allowance for doubtful accounts at March 31, 2010.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity through continuous monitoring of cash flows from operating activities, review of actual capital expenditure program, and managing maturity profiles of financial assets and financial liabilities. These activities ensure that the Company has sufficient funds to meet its financial obligations as they come due.

The timing of cash flows relating to financial liabilities as at March 31, 2010, is as follows:

	2010	2011	2012	2013	2014	Thereafter
Accounts payable and accrued liabilities	\$ 13,090	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	10,497	16,217	-	-	-	-
Subordinated loan	2,788	-	-	-	-	-
Total financial liabilities	\$ 26,375	\$ 16,217	\$ -	\$ -	\$ -	\$ -

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in commodity price risk, currency risk, and interest rate risk. The objective of market risk management is to manage the Company's exposure to these risks within acceptable parameters, while optimizing returns.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

(e) Commodity price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil, natural gas and natural gas liquids are impacted by world economic events that dictate the levels of supply and demand.

The Company's revenues are generated from the sale of oil, natural gas and natural gas liquids in the United States. For the three months ended March 31, 2010, a \$1 per barrel change in the oil and NGL prices with all other variables held constant, would affect before tax net income for the year by \$9 (2009 - \$41). Similarly a \$0.10 per mcf change in the natural gas price with all other variables held constant would affect before tax net income for the year by \$14 (2009 - \$20).

The Company has entered into various financial commodity contracts to manage its commodity risk in the normal course of its operations. The following contracts were outstanding as at March 31, 2010:

Commodity	Period	Total Volume Hedged (MMBTU/BBLs)	Daily Volume	Floor Price (\$/MMBTU/\$/BBL)	Counter-party participation above Floor Price
Gas	June 1, 2009 to March 31, 2011	365,000	500-667 MMBTU/D	\$3.75	25%
Gas	November 1, 2009 to November 30, 2010	390,000	1000 MMBTU/D	\$5.40	-
Oil	June 1, 2009 to March 31, 2011	24,000	17-50 BOPD	\$47.95	25%
Oil	January 1, 2010 to December 31, 2010	14,600	40 BOPD	\$80.00	-
Oil	January 1, 2011 to December 31, 2011	10,950	30 BOPD	\$84.28	-

The Company has fair valued its financial commodity contracts using quoted market prices at March 31, 2010. As at March 31, 2010, the estimated fair value of these contracts is a net asset of \$167 which is included in accounts receivable and an unrealized gain of \$455 has been recognized in revenues for the period ended March 31, 2010.

During the period, the Company realized a net loss of \$19 on its financial commodity contracts which was comprised of a \$30 gain on the natural gas contracts and a loss of \$49 on the oil contracts.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

(f) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's functional currency is United States dollar. All of its revenues, field operating expenses and majority of its general and administrative expenses as well as a substantial portion of its capital expenditures are transacted in US dollars. The Company is exposed to currency risk on its Canadian head office overheads of approximately CAD \$371 (2009 - CAD \$218) and every one cent fluctuation in Canadian dollar against the US dollar has a \$4 impact on the Company's earnings (2009 - \$2).

(g) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank loan and Subordinated Loan which bear floating rates of interest. Each one percent change in interest rate on the Subordinated Loan and bank debt has a \$295 impact on the Company's interest expense (2009 - \$207). The Company had no interest rate swap or financial contracts in place as at or during the three months ended March 31, 2010 to mitigate interest risk.

13. COMMITMENTS

(a) The Company leases office premises with a term expiring on April 30, 2013. Total lease payments during the lease term will be paid as follows:

2010 -	\$ 98
2011 -	\$135
2012 -	\$138
2013 -	\$ 47

(b) The Company has a three well drilling commitment commencing September 30, 2009 pursuant to an exploration agreement under which the Company will pay 100% of the cost of drilling and completing the wells to earn a 50% interest in a portion of the Black Warrior basin in Mississippi and Alabama. Failure to drill these wells on schedule could subject the Company to liquidated damages of \$500 for each well. To that end, the Company spudded its first well prior to September 30, 2009. The second commitment well is expected to commence drilling in late May early June 2010.

(c) In Poland the Company has to spud one well in each of the three concessions during the first 18 months from the date of grant of each concession. Each well is estimated to cost between \$8 and \$10 million. The Company's net share of these capital expenditures on the first \$25 million will be approximately \$1.667 million (Note 6). Failure to spud these wells may result in partial or total forfeiture of the concessions.

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14. SUBSEQUENT EVENT

Subsequent to the quarter end, the Company has entered into an agreement with a syndicate of underwriters (the "Underwriters") to issue 15.8 million common shares at CAD \$2.85 per common share on a bought-deal basis to raise gross proceeds of \$45 million. Closing of the Offering is expected to be on or about May 18, 2010 subject to regulatory approvals. The Company has also granted the underwriters an over-allotment option to purchase, on the same terms, up to an additional 2.37 million common shares. This option is exercisable, in whole or in part, by the underwriters at their sole discretion, at any time up to 30 days after closing. The maximum gross proceeds raised under the Offering will be \$51.8 million, should the over-allotment option is exercised in full. In connection with this Offering, the Company has agreed to pay a 5% commission to the Underwriters and issue brokers warrants that are equal in number to 1% of the total common shares issued under the Offering. Each brokers warrant entitles the holder to purchase one common share of the Company for CAD \$2.85 for a period of two years from the date of closing.

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15. SEGMENTED INFORMATION

The Company defined its reportable segments based on geographic locations.

	2010			
	United States	Canada	Poland	Total
Revenue				
Oil and gas revenue net of royalties	\$ 3,648	\$ -	\$ -	\$ 3,648
Gathering revenue	1,530	-	-	1,530
Realized gains on risk management contracts	(19)	-	-	(19)
Unrealized gain on risk management contracts	455	-	-	455
Equity loss on investment	-	-	(16)	(16)
	<u>5,614</u>	<u>-</u>	<u>(16)</u>	<u>5,598</u>
Expenses				
Operating	1,183	-	-	1,183
General and administrative	482	357	30	869
Interest on long-term debt	454	-	-	454
Interest on subordinated debt	-	39	-	39
Foreign exchange	-	(123)	4	(119)
Stock-based compensation	523	214	-	737
Depletion, depreciation and accretion	1,091	-	-	1,091
	<u>3,733</u>	<u>487</u>	<u>34</u>	<u>4,254</u>
Net Income (loss)	<u>1,881</u>	<u>(487)</u>	<u>(50)</u>	<u>1,344</u>
Assets	\$ <u>174,526</u>	\$ <u>2,168</u>	\$ <u>1,724</u>	\$ <u>178,418</u>
Additions to property, plant and equipment	\$ <u>1,865</u>	\$ <u>(283)</u>	\$ <u>842</u>	\$ <u>2,424</u>

BNK Petroleum Inc.
Notes to Consolidated Financial Statements
(Unaudited, expressed in Thousands of United States dollars)

15. SEGMENTED INFORMATION (cont'd)

	2009			
	United States	Canada	Poland	Total
Revenue				
Oil and gas revenue net of royalties	\$ 2,243	\$ -	\$ -	\$ 2,243
Gathering revenue	245	-	-	245
Realized gains on risk management contracts	-	-	-	-
Unrealized loss on risk management contracts	-	-	-	-
Equity loss in investee company	-	-	-	-
Dilution loss	-	-	-	-
	<u>2,488</u>	<u>-</u>	<u>-</u>	<u>2,488</u>
Expenses				
Operating	815	-	-	815
General and administrative	576	175	10	761
Interest on long-term debt	354	-	-	354
Interest on subordinated debt	-	211	-	211
Foreign exchange	-	19	1	20
Stock-based compensation	655	1,187	-	1,842
Depletion, depreciation and accretion	1,970	-	-	1,970
	<u>4,370</u>	<u>1,592</u>	<u>11</u>	<u>5,973</u>
Loss for the period	<u>(1,882)</u>	<u>(1,592)</u>	<u>(11)</u>	<u>(3,485)</u>
Assets	\$ <u>169,160</u>	\$ <u>555</u>	\$ <u>130</u>	\$ <u>169,845</u>
Additions to property, plant and equipment	\$ <u>3,303</u>	\$ <u>-</u>	\$ <u>26</u>	\$ <u>3,329</u>

BNK Petroleum Inc.
Notes to the Consolidated Financial Statements
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16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	<u>2010</u>	<u>2009</u>
<i>Operating activities</i>		
Decrease in current assets		
Accounts receivable	\$ 3,001	\$ (1,856)
Deposit and prepaid expenses	28	(17)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	<u>(7,932)</u>	<u>(3,172)</u>
	<u>\$ (4,903)</u>	<u>\$ (5,045)</u>
<i>Investing activities</i>		
Decrease in current assets		
Accounts receivable	3,738	4,561
Decrease in current liabilities		
Accounts payable and accrued liabilities	<u>(2,279)</u>	<u>(12,519)</u>
	<u>\$ 1,459</u>	<u>\$ (7,958)</u>
<i>Interest paid</i>	<u>\$ 306</u>	<u>\$ 354</u>
<i>Cash and cash equivalents</i>	\$ 3,832	\$ 2,350
<i>Fixed income investments</i>	<u>-</u>	<u>-</u>
	<u>\$ 3,832</u>	<u>\$ 2,350</u>