MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIODS ENDED

MARCH 31, 2010 AND 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis (MD&A) of BNK Petroleum Inc.'s (BNK or the Company) operating and financial results for the three months ended March 31, 2010, compared to the preceding quarter and the corresponding period in the prior year, as well as information and expectations concerning the Company's outlook based on currently available information. The MD&A should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2010 and the audited financial statements and MD&A for the year ended December 31, 2009. Additional information relating to BNK including its Annual Information Form is filed on SEDAR at www.sedar.com and on the Company's website at www.bnkpetroleum.com.

All dollar values are expressed in U.S. dollars, unless otherwise indicated.

The Company's natural gas production is reported in thousand cubic feet or (mcf). The Company also uses the "barrels" (bbls) or "barrels of oil equivalent" (boe) reference in this report to reflect natural gas liquids and oil production and sales. All boe conversions are derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil, representing the approximate energy equivalency.

This report is prepared as of May 7, 2010.

NON-GAAP MEASURES

Netback per barrel and its components are calculated by dividing revenue, royalties and operating expenses by the Company's sales volume during the period. Netback per barrel is a non-GAAP measure but it is commonly used by oil and gas companies to illustrate the unit contribution of each barrel produced. This is a useful measure for investors to compare the performance of one entity with another.

Net operating income is similarly a non-GAAP measure that represents revenue net of royalties and operating expenses. The Company believes that net operating income is a useful supplemental measure to analyze operating performance and provides an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses.

Funds from operations is a non-GAAP measure that represents cash provided by (used in) operating activities, as per the consolidated statements of cash flows, before changes in non-cash working capital. The Company considers this a key measure as it demonstrates its ability to generate the funds necessary for future growth after

taking into account the short-term fluctuations in the collection of accounts receivable and the payment for accounts payable. Reconciliation to the GAAP measure is as follows:

	Three months ended March 31	
($000)	**2010**	2009
Cash provided by (used) in operating activities	**(2,170)**	5,372
Change in non-cash working capital	**4,903**	(5,045)
Funds from operations	**2,733**	327

The non-GAAP measures referred to above do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information including estimates of reserves and resources and future revenue associated therewith, expectations of future production, funds flow from operations and the Company's planned work programs in the Tishomingo field in Oklahoma, Black Warrior Basin in Mississippi and Alabama and its investments in Poland and elsewhere in Europe. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward-looking information, including but not limited to statements as to production targets, timing of the Company's planned work program and management's belief as to the potential of certain properties, involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operation, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration and development projects or capital expenditures; the uncertainty of reserve and resource estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks and uncertainties associated with securing the necessary regulatory approvals and financing to proceed with continued development of the Tishomingo field and other shale basins in the United States and elsewhere. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause costs of the Company's program or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Principal Business Risks section of this MD&A for a further description of these risks. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information.

OVERVIEW

Results at a Glance	Three months ended March 31		
	2010	2009	%
Financial (US $000 except as noted)			
Oil and gas revenue	**4,637**	2,761	68
Net operating income	**2,465**	1,428	73
Income (loss) for the period	**1,344**	(3,485)	139
Funds from operations	**2,733**	327	736
Additions to property, plant and equipment	**2,424**	3,329	(27)
Cash and cash equivalents	**3,832**	2,350	63
Total assets	**178,418**	169,845	5
Subordinated loan	**2,788**	13,665	(80)
Asset retirement obligations	**1,484**	1,236	20
Bank debt	**26,714**	7,000	282
Shareholders' equity	**132,592**	115,228	15
Operating			
Average production (Boepd)	**1,085**	1,065	2
Average price ($/BOE)	**47.49**	24.45	94
Netback ($/BOE)	**25.25**	11.36	122

HIGHLIGHTS

- On January 26, 2010, the Company was awarded two additional oil and gas concessions totaling approximately 770,000 acres in a Western European Union country.
- On March 20, 2010, one of the Company's European subsidiaries, Indiana Investments Sp. z o.o was awarded three oil and gas concessions in the Baltic Basin of Poland. The three concessions, Darlowo, Bytow and Trzebielino total approximately 880,000 acres net to BNK which brought the Company's gross land acquisitions in Europe to 3.0 million gross acres and 2.65 million net acres.
- Subsequent to the quarter end, on April 26, 2010, the Company announced an agreement with a syndicate of underwriters under which the underwriters have agreed to purchase, on a bought deal basis, 15.8 million common shares of the Company at CAD $2.85 per common share to raise gross proceeds of CAD $45 million. Closing of the Offering is expected to be on or about May 18, 2010 subject to regulatory approvals. BNK 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 to cover any over allocation position on closing, at any time up to 30 days from closing. Should the over allotment option be exercised in full, the gross proceeds of the Offering will be CAD $51.8 million.

OPERATIONS UPDATE

Tishomingo Field, Ardmore Basin, Oklahoma

During the quarter 13 gross stages from two wells in which the Company holds an interest, were fracture stimulated. In February 2010, six gross stages of the Carter 16-1H were fracture stimulated yielding 29 day average initial production rates of 892 mcfpd of gas and 62 bopd of oil (24 mcfpd of gas and 2 bbl oil net to the Company). Also in February 2010 seven gross stages of the Nickel Hill 36-1H were fracture stimulated yielding 7 day average initial production rates of 1,222 mcfpd of gas and 96 bopd of oil (443 mcfpd of gas and 35 bopd of oil net to the Company). During the fourth quarter of 2009, frac outs were completed on the Bice 19-1H and the Hartgraves 1-1H wells which are still producing robustly after 60 days of production. Bice 19 had an average production of 804 mcfpd of gas and 30 bopd of oil (479 mcfpd of gas and 16 bopd of oil net to the Company); and Hartgraves 1-1H had an average production of 1,551 mcfpd of gas and 350 bopd of oil (473 mcfpd of gas and 107 bopd of oil net to the Company). The Company and its partners intend to complete the incremental fracture stimulation program in the Tishomingo field during the balance of 2010 by completing the remaining 107 gross (62 net stages).

Black Warrior, Mississippi, Alabama

During the first quarter the Company tested all four of the potential pay zones in the Hickman Farm 30-15 well. Two zones were completed by fracture stimulation and two by overbalanced perforation. Of the four zones, three produced uneconomic quantities of gas and were abandoned. The fourth zone which produced 10 mcfpd with no water after perforation is awaiting fracture stimulation. Under the Company's farm-in agreement, the Company can earn up to a 50% working interest in about 80,000 acres in the Black Warrior basin by drilling and paying for 100% of the costs for a series of test wells on identified prospects. The Company has currently earned 4,700 net acres in the project. The Company has permitted its second well, the WS Lee 26-12, which is anticipated to be spud during the second quarter of 2010.

Poland

The Company indirectly holds a 26.667% interest in three oil and gas concessions in Poland through its investee corporation, Saponis. The Company's net acreage holdings in the three concessions total approximately 195,000 acres. The work commitment under these concessions is comprised of additional core analysis, geological work and spudding of one well during the first 18 months from the date of grant on each concession. Each well is estimated to cost between $8 and $10 million. As a result of the farm-out agreement entered into with Rohöl-Aufsuchungs Aktiengesellschaft ("RAG") and Sorgenia E&P S.p.A. ("Sorgenia") in October of 2009, the Company is carried for all but 6.667% of its costs on the first $25 million to be spent on the project. It is anticipated that the first well, the Slawno #1well will be spud during the third quarter of 2010. Final well engineering design for the Slawno #1 well has been completed and the partners decided to locate it on the Slawno concession. The subsequent priority will be drilling a well on the Slupsk concessions and then the Starogard concession. The preparation of the Slawno well drilling permit application has commenced and will be submitted in the second quarter. The partners have authorized the shooting of two small 2D seismic lines for each selected drill site in order to avoid any potential faults. Amendments to the concessions have been requested to allow this additional work and extra time to complete the work on the other two concessions.

The Company's wholly subsidiary, Indiana Investments Sp. z o.o was awarded three oil and gas concessions in the Baltic Basin of Poland in March 2010. The three concessions, Darlowo, Bytow and Trzebielino total approximately 880,000 acres net to BNK. Core analysis and geological work on these concessions have already begun. The work commitment on these concessions also require the drilling of one well on each concession block within the first 18 months from the date of grant on each concession.

Other European Projects

The Company indirectly holds about 1.5 million acres in 3 other basins in a Western European EU country that it acquired in 2009 and January 2010. BNK intends to do further geological and geophysical work on these concessions during the balance of the year and in 2011. BNK has made other concession applications and currently is awaiting their grant. It is the intention of the Company to apply for further concessions in Europe in 2010 with the goal of having concessions in six or more basins in Europe.

OPERATING AND FINANCIAL RESULTS

Production and Revenue

	Three months ended March 31		
	2010	2009	%
Average natural gas production (mcf/d)	**2,401**	3,136	(23)
Average NGL production (Boepd)	**458**	229	100
Average oil production (Bopd)	**227**	313	(27)
Average production (Boepd)	**1,085**	1,065	2
Average natural gas price ($/mcf)	**5.11**	3.12	64
Average NGL ($/bbl)	**45.12**	21.09	114
Average oil price ($/bbl)	**81.72**	36.48	124
Average price ($/BOE)	**47.49**	24.45	94
Oil and gas revenue ($000)	**4,637**	2,761	68

During the quarter average natural gas production was 2,401 mcfpd compared to 2,229 mcfpd in the previous quarter, an increase of 8%. Natural gas production for the three months ended March, 31, 2009 was 3,136 mcfpd. The increase in natural gas production during the current period over the preceding quarter reflects the incremental production from the Bice 19 and Hartgraves 1-1 wells, which were fracture stimulated during late fourth quarter which offset natural depletion from the field.

NGL production increased to 458 boepd from 399 boepd in the preceding quarter, an increase of 15%. The production increase is related to higher gas production. NGL production for the corresponding period in 2009 was 229 boepd.

Oil production for the quarter was 227 bopd compared to 169 bopd for the preceding quarter an increase of 34%. Oil production for the same period in 2009 was 313 bopd. The production increase is due to in part to the additional fracture stimulations discussed above offset by natural depletion from the field.

Production on a per boe basis was 1,085 boepd in the current quarter compared to 940 boepd for the immediately preceding quarter and 1,065 boepd for the same period in 2009.

The Company's average gas price rose to $5.11 per mcf during the quarter compared to $4.06 per mcf for the immediately preceding quarter and $3.12 per mcf for the corresponding period in 2009.

NGL prices increased during the quarter to $45.12 per barrel from $39.24 per barrel in the preceding quarter and $21.09 per barrel average for the same period in 2009.

Crude oil prices increased averaging $81.72 per barrel in the quarter compared to $72.53 and $36.48 average per barrel for the same period in 2009.

Average price per boe increased to $47.49 during the quarter from $39.33 for the preceding quarter and $24.45 for the same period in 2009.

The average prices for the quarter ended March 31, 2010 were affected by adjustments resulting from the changes in the ownership percentages in the wells the Company operates; and adjustments to gathering fees. Had it not been for the effect of these adjustments, natural gas, NGL, oil prices would have been respectively $4.96/mcf, $40.82/boe and $75.57/bbl. The resulting average price for the quarter would have been $41.66/boe as compared to $47.49.

The impact of the production and price changes discussed above was that the revenue for the quarter increased to $4,637,000 from $3,401,000 in the fourth quarter of 2009, an increase of 36% and from $2,761,000 or by 68% in the corresponding period in 2009.

Royalties, Operating Expenses and Netbacks

	Three months ended March 31		
($/BOE)	**2010**	2009	%
Average price	**47.49**	24.45	94
Royalties	**10.13**	4.59	121
Operating expenses	**12.11**	8.50	42
Netback	**25.25**	11.36	122

Freehold royalties on Tishomingo production average approximately 18.75%. In addition, Wells Fargo has a 3% overriding royalty interest on all of the Company's current producing wells in the Tishomingo field effective April 2009.

Major operating expenses are related to compression, gathering and processing of natural gas and natural gas liquids. Operating expenses averaged $12.11 per boe during the quarter compared to $15.73 per boe for the preceding quarter and $8.50 per boe for the same period in 2009. The fluctuations in the unit operating expenses reflect the retroactive adjustments referred to above which not only impacted revenue but also operating expenses as well as the changes made in processing and gathering fees during 2009. The Company estimates unit operating expenses to vary between $9.50 and $10.00 per boe on a sustained basis.

Operating expenses in nominal terms were $1,183,000 for the quarter compared to $1,360,000 for the preceding quarter and $815,000 for the same period in 2009.

The overall impact of intra-period adjustments on netback was positive during the quarter. Had it not been for these adjustments, the average price, royalties and operating expenses on a per boe basis would have been $41.66, $9.06 and $9.91 respectively resulting in a netback of $22.69 per boe compared to $11.66 per boe for the corresponding period in 2009.

Realized and Unrealized Gains and Losses from Risk Management Contracts

The Company has entered into five financial derivative transactions with Wells Fargo as part of its risk management strategy to manage commodity price fluctuations and stabilize cash flows for future exploration and

development programs. The Company has fair valued its financial derivative contracts. As at March 31, 2010, the estimated fair value of these contracts is an asset of $167,000 as opposed to a liability of $288,000 at December 31, 2009. As a result, the Company recorded an unrealized gain of $455,000 for the three month period ended March 31, 2010. The estimated fair market value was based on natural gas prices of $3.75/mmbtu and $5.40/mmbtu being the Center Point East price which is historically $0.80/mmbtu less than the Henry Hub price, and oil prices of $47.95/bbl and $84.28/bbl.

The details of the financial derivative contracts are as follows:

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	-

During the first quarter, the Company realized a loss of $19,000 on its financial derivative contracts which was comprised of a $30,000 gain on the natural gas contracts and a $49,000 loss on the oil contracts.

General and Administrative Expenses

General and administrative expenses (G&A) for the quarter were $1,081,000 before capitalization compared to $1,363,000 for the preceding quarter and $933,000 for the same period in 2009. The Company charged $869,000 (2009 - $761,000) of its G&A to earnings during the quarter and capitalized $212,000 (2009 - $172,000). The decrease in G&A compared to the previous quarter relates primarily to lower legal fees. During the previous quarter the legal fees incurred were significantly higher due partly to the farm-out of the Company's Polish concessions held by its then subsidiary Saponis.

The stock-based compensation expense increased to $737,000 during the quarter compared to $267,000 in the preceding period as a result of 700,000 new options granted to employees. The stock-based compensation expense for the same period in 2009 was $1,842,000 of which $1,529,000 was related to the voluntary cancellation of 4,900,000 stock options issued to directors, employees and service providers in February 2009.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for three months ended March 31, 2010 were $1,091,000 compared to $1,258,000 for the preceding quarter and $1,970,000 for the same period in 2009. The decline in depletion, depreciation and accretion expense results from the increase in the Company's proved reserves which went up by 198% on a year-over-year basis. Depletion, depreciation and accretion on a per barrel basis was $11.17 for the period compared to $14.55 and $20.55 for the preceding period and for the same period in 2009 respectively.

Net income (loss) for the period and Funds from Operations

The Company posted net earnings of $1,344,000 ($0.01 per share) during the quarter compared to losses of $2,673,000 ($0.03 per share) for the preceding quarter and $3,485,000 ($0.05 per share) for the same period in 2009. The improvement in the results is due to higher commodity prices and netbacks which increased by 122% over the same period in 2009, an adjustment of approximately $371,000 to the gathering revenues as a result of retroactive re-determination of gathering fees, lower legal fees of approximately $185,000, an unrealized gain on risk management contracts of $455,000 and lower depletion expense as a result of an increase in proved reserves.

Funds from operations for the quarter were $2,733,000 compared to $327,000 for the same period in 2009. The Company used funds of $677,000 in operations during the immediately preceding quarter.

CAPITAL EXPENDITURES

	Three months ended March 31	
	2010	2009
Additions to oil and gas properties	**$ 2,343**	$ 3,321
Equipment, furniture and fixtures	**81**	8
	$ 2,424	$ 3,329

During the quarter, the Company spent approximately $1.9 million in the U.S. of which $1.6 million was incurred on fracture stimulation costs and $273,000 on leasing costs, the majority of which was related to title and lease clean up work in the Tishomingo field and the Black Warrior basin. In addition, the Company incurred $505,000 on concession acquisition fees in Poland.

During the quarter the Company incurred $1.47 million in fracture stimulation and work-over costs, $887,000 on carry-over charges on non-operated properties and $388,000 on lease costs. The balance was related to the capitalized G&A, carry-over charges on existing wells and adjustments to well working interests as a result of title work.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2010, BNK had a working capital deficiency of approximately $2.3 million excluding deferred credit of $1.75 million which is non-refundable and the current portion of long-term debt which is paid out of 80% of the Company's net operating income in the Tishomingo field.

Subsequent to the quarter end (see "Subsequent Event" below), the Company announced an agreement with a syndicate of underwriters to issue 15.8 million common shares of the Company at CAD $2.85 per common share with a 15% over allotment option on a bought deal basis to raise gross proceeds of CAD $45 million. The Company will direct approximately $2.8 million of the net proceeds towards the payment of the subordinated loan payable to Bankers and a further $17 million on its exploration and development activities in Europe and the U.S., including permitting, licensing and tendering expenses, seismic and geochemical work, acquisition of additional lands, well development and the Company's share of drilling expenses on its European concessions. The balance of the net proceeds will be used for working capital and general corporate purposes, including to reduce royalties or burdens on its properties. It is anticipated that the net proceeds will allow the Company to increase its holdings in Europe, to meet its commitments on the concessions that it currently holds in Europe, and to continue to develop and increase its reserves in the U. S.

COMMITMENTS

Black Warrior, Alabama, Mississippi

In connection with the sale of its Black Warrior acreage in Mississippi and Alabama in December 2008, the Company has entered into an exploration agreement with a privately owned Delaware company (the "Purchaser") under which the Company can earn up to a 50% working interest in a portion or all of the Black Warrior acreage by drilling a series of test wells on identified prospects. The exploration program requires BNK to pay for the Purchaser's share of costs. The first three wells are on a drilling schedule which began on September 30, 2009. Failure to commence any of these wells on scheduled dates could subject BNK to liquidated damages of $500,000 for each well not drilled. To that end, the Company spudded the first well Hickman Farms 30-15, prior to September 30, 2009 and drilled and ran casing to 5,475 feet. This well is currently undergoing testing. The second commitment well is expected to commence drilling in the third quarter 2010.

Poland

The Company has to drill one well in each of the three concessions in Poland within 18 months of the concession date. Each well is estimated to cost between 8 to $10 million. Failure to drill these wells may result in the forfeiture of a part or the all of the concessions. Pursuant to the farm-out agreement, BNK will pay 6.667% of the first $25 million in total exploration costs which will thereafter increase to 26.667%. The Company anticipates drilling its first well in Poland during third quarter 2010.

SUBSEQUENT EVENT

Subsequent to the quarter 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 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.

QUARTERLY SUMMARY

Below is a summary of the Company's performance over the last eight quarters:

	2010	2009			
($000, except as noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Daily Production					
Natural gas (mcfpd)	2,401	2,229	2,040	1,550	3,136
NGL's & oil (bpd)	685	568	641	525	542
Average production (boepd)	1,085	940	981	783	1,065

	2008		
($000, except as noted)	**Q4**	**Q3**	**Q2**
Daily Production			
Natural gas (mcfpd)	2,755	1,408	1,263
NGL's & oil (bpd)	398	127	147
Average production (boepd)	857	362	358

	2010	2009			
($000, except as noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Netback					
Average price ($/boe)	47.49	39.32	29.37	26.13	24.45
Royalties	10.13	8.24	6.22	5.39	4.59
Operating expenses	12.11	15.73	8.15	10.12	8.50
Netback ($/boe)	25.25	15.35	15.00	10.62	11.36

	2008		
($000, except as noted)	**Q4**	**Q3**	**Q2**
Netback			
Average price ($/boe)	35.43	66.40	70.10
Royalties	6.65	12.46	13.14
Operating expenses	7.52	17.68	10.93
Netback ($/boe)	21.26	36.25	46.03

	2010	2009			
($000, except as noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net operating income					
Oil and gas revenue	4,637	3,401	2,651	1,862	2,761
Royalties	989	713	561	384	518
Operating expenses	1,183	1,360	736	721	815
	2,465	1,328	1,354	757	1,428

($000, except as noted)	2008 Q4	Q3	Q2
Net operating income			
Oil and gas revenue	2,793	2,212	2,284
Royalties	524	415	428
Operating expenses	593	589	356
	1,676	1,208	1,500

($000, except as noted)	2010 Q1	2009 Q4	Q3	Q2	Q1
Net earnings (loss)	1,344	(2,673)	(3,224)	(3,206)	(3,485)
Basic and Fully Diluted Earnings (loss) per share	.01	(.03)	(.04)	(.05)	(.05)
Funds from operations	2,733	(677)	(67)	(1,545)	327
Bank debt	26,714	28,036	28,518	27,515	7,000
Total assets	178,418	187,987	174,338	168,591	169,845

($000, except as noted)	2008 Q4	Q3	Q2
Net earnings (loss)	(2,506)	(2,442)	44
Basic and Fully Diluted Earnings (loss) per share	(0.04)	(0.04)	-
Funds from operations	652	527	1,166
Bank debt	7,000	23,000	-
Total assets	180,493	198,849	125,074

Quarterly figures and operating statistics may not agree with the financial statements due to intra period adjustments.

Quarterly Variability

Fluctuations in quarterly results are due to a number of factors, some of which are not within the Company's control such as seasonality and exchange rates:

- Seasonality of winter operating conditions results in production increases that are typically higher in the second and third quarters. In addition, production levels can be affected by water disposal constraints, mechanical wellbore and isolation failures, increased water production coming from shallower and deeper zones, and a shortage of rig work-over capacity and specialized well servicing equipment.

- The increase in production during the first quarter of 2010 was related to the successful fracture stimulation of some existing wells.

- Oil, gas and NGL prices were higher due to economic recovery and increasing demand.

- Operating expenses have varied significantly from quarter to quarter due to the formative state of the Company's development; changes in natural gas processing facilities, contracts and rates; and changes in gas gathering fees. Since the Company finalized the major contracts relating to the processing and gathering of its natural gas and natural gas liquids, quarter to quarter variability is expected to subside in future periods.

- Fluctuations in the U.S. dollar against Canadian dollar, Euro and Polish Zlotys result in higher or lower general and administrative expenses in United States dollar terms. The fluctuations also affect the net proceeds in United States dollar terms from equity issuances.

- The changes in G&A from quarter to quarter reflect growth in operations, increase in personnel, and non-recurring charges related to specific transactions or events. The decline in G&A during the first quarter of 2010 compared to the previous quarter reflects lower legal fees.

- The changes in stock based compensation reflect new options grants and cancellation of existing options.

OUTSTANDING SHARE DATA

There were 101,559,712 and 101,564,712 common shares outstanding as at March 31, 2010 and May 7, 2010 respectively. The Company had 7,470,667 and 7,465,667 stock options outstanding as of the same dates.

PRINCIPAL BUSINESS RISKS

BNK's business and results of operations are subject to a number of risks and uncertainties, including but not limited to the following:

Exploration, development, production and marketing of oil and natural gas involves a wide variety of risks which include but are not limited to the uncertainty of finding oil and gas in commercial quantities, securing markets for existing reserves, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations, including regulations relating to prices, taxes, royalties and environmental protection. The oil and gas industry is intensely competitive and the Company competes with a large number of companies with greater resources.

BNK's ability to increase its reserves in the future will depend not only on its ability to develop its current properties but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Company in a timely manner. The availability of equity or debt financing is affected by many factors many of which are beyond the control of the Company.

INTERNAL CONTROLS

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have

concluded, based on their evaluation as of March 31, 2010, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to them by others within those entities. During the three months ended March 31, 2010, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the requirement to report under International Financial Reporting Standards (IFRS) with comparative 2010 periods converted as well.

In order to meet the requirement to transition to IFRS the Company has appointed internal staff to lead the conversion project along. The Company involves the external auditors and external consultants, as required, during the conversion project. The Company has provided training to key employees, completed a preliminary analysis of the accounting differences and is monitoring the impact of the transition on its business practices, information systems and internal control over financial reporting. During the Company’s preliminary analysis, accounting implementation for certain areas was identified as having the greatest potential impact to the Company’s consolidated statements in terms of complexity and effort. The Company has determined that accounting for property, plant and equipment, impairment testing, asset retirement obligations, stock-based compensation and income taxes will be impacted by the conversion to IFRS and may result in a significant write-off of assets. The precise impact of IFRS on the Company’s consolidated financial statements is not reasonably determinable at this time.

OUTLOOK

In the United States, the Company, during the remainder of 2010, intends to complete its fracture stimulation program of wells whose wells bores were partially fracture stimulated. The Company estimates that there are more than 100 gross frac stages remaining in the existing well bores. To date, the wells that have been fracture stimulated incrementally have generated encouraging production gains. In addition the Company intends to drill additional development wells and expects to drill a down-spacing pilot in 2010 which if successful should prove up additional reserves.

BNK’s international strategy will be a continuing expansion of its land holdings into additional basins outside of North America. The Company’s expert team continues to work on identifying additional European basins that it believes are prospective for shale gas. At present, there are a number of pending applications that the Company expects will be granted. The concession applications generally take between 5 and 12 months to be awarded. After concessions are awarded BNK will over the next 6 to 12 months further high-grade the plays and then address industry partners to fund the exploration phase of each project. BNK generally intends to retain between 150,000 and 500,000 acres in each basin with the farmees providing one hundred percent of the funding of the first test wells in such basins. As the Company already farmed out a portion of its interest in the first Polish project through Saponis, it is now in the process of planning to drill the first set of exploratory wells there in 2010.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Ford Nicholson [2,3]
Director, Chairman of the Board

Robert Cross [1,2,3]
Director

Victor Redekop [1,2]
Director

Eric Brown [1,3]
Director

General Wesley K. Clark
Director

Wolf Regener
President and Chief Executive Officer

Warren Nelson
VP and Chief Financial Officer

Mary Collyer
Legal Counsel

1 Member of the Audit Committee
2 Member of the Corporate Governance Committee
3 Member of the Compensation Committee

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Trading Symbol: BKX

LEGAL COUNSEL
DuMoulin Black LLP
Vancouver, BC

AUDITORS
KPMG LLP
Calgary, AB

BANKERS
Wells Fargo Energy Capital, Inc.
Houston, TX, USA

HSBC Bank Canada
Calgary, AB

CONSULTING ENGINEERS
MHA Petroleum Consultants Inc.
Lakewood, CO, USA

TRANSFER AGENT AND REGISTRAR
Computershare Trust Company
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