



Financial Statements

For the period ending March 31, 2010

Q1

2010

Bankers
PETROLEUM LTD.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

BANKERS PETROLEUM LTD.
CONSOLIDATED BALANCE SHEETS
(Unaudited, expressed in thousands of US dollars)

	ASSETS	
	March 31 2010	December 31 2009
Current assets		
Cash and cash equivalents (Note 11)	\$ 52,137	\$ 59,495
Short-term deposits	9,075	7,275
Restricted cash	1,500	1,500
Accounts receivable (Note 12)	25,295	23,358
Inventory	2,767	2,031
Deposits and prepaid expenses	6,916	5,899
	97,690	99,558
Note receivable (Note 3)	2,749	2,749
Deferred financing costs (Note 5)	13,853	14,383
Property, plant and equipment (Note 4)	216,079	188,130
	\$ 330,371	\$ 304,820
	LIABILITIES	
Current liabilities		
Accounts payable and accrued liabilities	\$ 27,064	\$ 19,505
Current portion of long-term debt (Note 5)	4,639	4,639
	31,703	24,144
Long-term debt (Note 5)	21,779	23,446
Asset retirement obligations (Note 6)	4,275	3,856
Future income tax liability (Note 7)	47,066	39,414
	SHAREHOLDERS' EQUITY	
Share capital (Note 8)	211,541	206,058
Warrants (Note 8)	1,624	1,739
Contributed surplus (Note 8)	22,562	16,812
Deficit	(10,179)	(10,649)
	225,548	213,960
	\$ 330,371	\$ 304,820

Commitments (Note 10)
Subsequent Events (Note 3 and 12)

See accompanying notes to consolidated financial statements.

BANKERS PETROLEUM LTD.
CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME (LOSS)
AND DEFICIT

FOR THE THREE MONTHS ENDED MARCH 31

(Unaudited, expressed in thousands of US dollars, except per share amounts)

	2010	2009
Revenue		
Oil revenue	\$ 35,149	\$ 13,052
Royalties	(7,190)	(3,486)
Interest	149	257
	28,108	9,823
Expenses		
Operating	7,925	5,512
Sales and transportation	4,395	1,426
General and administrative	1,926	1,204
Interest and bank charges	311	307
Interest on long-term debt	379	170
Foreign exchange (gain) loss	(1,504)	253
Stock-based compensation (Note 8)	3,798	562
Amortization of deferred financing costs (Note 5)	683	-
Depletion, depreciation and accretion	4,975	4,010
	22,888	13,444
Income (loss) before income tax	5,220	(3,621)
Future income tax (expense) recovery (Note 7)	(4,750)	1,129
Net income (loss) and comprehensive income (loss) for the period	470	(2,492)
Deficit, beginning of period	(10,649)	(10,499)
Deficit, end of period	\$ (10,179)	\$ (12,991)
Basic earnings (loss) per share	\$ 0.002	\$ (0.014)
Diluted earnings (loss) per share	\$ 0.002	\$ (0.014)

See accompanying notes to consolidated financial statements.

BANKERS PETROLEUM LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

(Unaudited, expressed in thousands of US dollars)

	2010	2009
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	\$ 470	\$ (2,492)
Items not involving cash:		
Depletion, depreciation and accretion	4,975	4,010
Amortization of deferred financing costs	683	-
Future income tax expense (recovery)	4,750	(1,129)
Stock-based compensation	3,798	562
Unrealized foreign exchange (gain) loss	(857)	314
	<u>13,819</u>	<u>1,265</u>
Change in non-cash working capital (Note 11)	(1,153)	(2,249)
	<u>12,666</u>	<u>(984)</u>
Investing activities		
Additions to property, plant and equipment	(26,700)	(2,835)
Change in non-cash working capital (Note 11)	5,022	(791)
	<u>(21,678)</u>	<u>(3,626)</u>
Financing activities		
Issue of shares for cash	4,416	42
Short-term deposits	(1,800)	1,000
Financing costs	(152)	-
Decrease in long-term debt	(1,667)	(1,177)
	<u>797</u>	<u>(135)</u>
Foreign exchange gain (loss) on cash and cash equivalents	<u>857</u>	<u>(314)</u>
Decrease in cash and cash equivalents	<u>(7,358)</u>	<u>(5,059)</u>
Cash and cash equivalents, beginning of period	<u>59,495</u>	<u>15,607</u>
Cash and cash equivalents, end of period (Note 11)	<u>\$ 52,137</u>	<u>\$ 10,548</u>

See accompanying notes to consolidated financial statements.



Q1
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Bankers
PETROLEUM LTD.

For the period ending March 31, 2010

1. BASIS OF PRESENTATION

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Certain information and note disclosures normally included in financial statements prepared in accordance with Canadian GAAP have been condensed or omitted. These interim consolidated financial statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2009. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented. The preparation of interim financial statements is based on accounting principles and practices consistent with those used in the preparation of annual financial statements.

The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned operating subsidiaries - Bankers Petroleum Albania Ltd. (BPAL), Bankers Petroleum International Ltd. and Sherwood International Petroleum Ltd.

Unless where otherwise noted, the unaudited interim consolidated financial statements are presented in thousands of United States (US) dollars.

2. 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 Sections 1601 “Consolidated Financial Statements” and 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 prospectively and the changes from adopting Sections 1601 and 1602 will be applied retrospectively.

3. NOTE RECEIVABLE

The note receivable of \$2.7 million (December 31, 2009 - \$2.7 million) represents the residual amount due from BNK Petroleum Inc. (BKX). The note, which is due in October 2012, accrues interest at London InterBank Offered Rate (LIBOR) plus 5.5% and is secured by a floating charge debenture and a general security agreement. At March 31, 2010, no principal or interest amounts were due. The outstanding accrued interest receivable pertaining to this note was \$107,000 (December 31, 2009 - \$68,000) and is included in accounts receivable as at March 31, 2010. The Company is entitled to receive up to 50% of any future equity financing by BKX and 90% of any increase in BKX's borrowing base as repayment of this note. The Company has no further obligation to increase the note. BKX is considered a related party as BKX and the Company have 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. On April 26, 2010, BKX announced a CAD \$45 million bought-deal equity issue that is scheduled to close on or about May 18, 2010, at which time the note receivable will be settled.

4. PROPERTY, PLANT AND EQUIPMENT

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

(\$000s)	March 31, 2010		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil properties	\$ 261,803	\$ 48,009	\$ 213,794
Equipment, furniture and fixtures	4,097	1,812	2,285
	<u>\$ 265,900</u>	<u>\$ 49,821</u>	<u>\$ 216,079</u>

(\$000s)	December 31, 2009		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil properties	\$ 229,230	\$ 43,217	\$ 186,013
Equipment, furniture and fixtures	3,830	1,713	2,117
	<u>\$ 233,060</u>	<u>\$ 44,930</u>	<u>\$ 188,130</u>

The depletion expense calculation for the three months ended March 31, 2010 included \$357.6 million (2009 – \$297.0 million) for estimated future development costs associated with proved reserves in Albania.

The depletion expense calculation for the three months ended March 31, 2010 excluded nil (2009 – \$4.0 million) relating to unproved properties in Albania.

The Company capitalized general and administrative expenses and stock-based compensation of \$3.7 million during the three months ended March 31, 2010 (2009 – \$0.5 million) that were directly related to exploration and development activities in Albania.

5. LONG-TERM DEBT

The Company has credit facilities with three international banks, including Raiffeisen Bank, the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC), as summarized below:

(\$000s)	Facility Amount	Outstanding Amount	
		March 31, 2010	December 31, 2009
<i><u>Raiffeisen Bank</u></i>			
Operating loan (a)	\$ 20,000	\$ 16,850	\$ 17,358
Term loan – 2006 (b)	5,938	5,938	6,875
Term loan – 2009 (c)	3,630	3,630	3,852
<i><u>EBRD and IFC*</u></i>			
Environmental term loan (d)	10,000	-	-
Revolving loan – Tranche 1 (e)	50,000	-	-
Revolving loan – Tranche 2 (e)	50,000	-	-
	<u>\$ 139,568</u>	<u>\$ 26,418</u>	<u>\$ 28,085</u>

* all facilities are equally funded

These facilities are secured by all of the assets of BPAL, assignment of proceeds from the Albanian domestic and export crude oil sales contracts, a pledge of the common shares of BPAL and a guarantee by the Company. The credit facilities are subject to certain covenants requiring the maintenance of certain financial ratios, all of which were met as at March 31, 2010.

(a) Operating Loan

The operating loan is a revolving facility, has no scheduled repayments until its maturity in March 2012 and bears interest at a rate relative to the bank's refinancing rate plus 3.5%.

(b) Term Loan - 2006

This term loan bears interest at the bank's financing rate plus 4.5% and is repayable in equal monthly instalments of \$0.3 million ending on October 31, 2011. As at March 31, 2010, the entire term loan was utilized. Of the amount outstanding, \$3.8 million is classified as current and \$2.1 million as long-term. Principal repayments of the term loan over the next two years are:

(\$000s)	
2010	\$ 2,813
2011	3,125
	<u>\$ 5,938</u>

5. LONG-TERM DEBT (cont'd)

(c) Term Loan - 2009

This term loan bears interest at the bank's refinancing rate plus 4.65% and is repayable in equal monthly instalments of \$74,100 ending on April 30, 2014. As at March 31, 2010, the entire facility was utilized. Of the amount outstanding, \$0.9 million is classified as current and \$2.7 million as long-term. Principal repayments of the term loan over the next five years are:

(\$000s)	
2010	\$ 667
2011	889
2012	889
2013	889
2014	296
	<hr/>
	\$ 3,630

(d) Environmental Term Loan

The \$10.0 million term loan, funded equally by IFC and EBRD, is available for environmental and social programs pertinent to the Company's activities in Albania. The interest rate is based on LIBOR plus 4.5%. A standby fee of 0.5% is charged on the unutilized portion. At March 31, 2010, none of the facility was drawn. Principal repayments commence in April 2013 in bi-annual instalments of \$0.5 million with maturity on October 15, 2017.

(e) Revolving loans

The revolving loans, funded equally by EBRD and IFC, consist of two \$50.0 million tranches, of which Tranche I is currently available to the Company. Tranche II becomes available subject to mutual agreement among the Company, IFC and EBRD, when production exceeds 10,000 barrels of oil per day and the Brent oil price exceeds \$62 per barrel for twenty consecutive trading days. The interest rate is based on LIBOR plus 4.5%. A standby fee of 2.0% is charged on the unutilized Tranche I portion and Tranche II portion, when it becomes available. At March 31, 2010, none of the facility was drawn. For each of Tranche I and Tranche II, the amounts decline to \$16.5 million on October 15, 2013, \$8.3 million on October 14, 2014 with final repayment due on October 15, 2015. Setup costs of \$16.3 million (December 31, 2009 – 16.2 million) pertaining to these facilities, including the value attributed to the share purchase warrants (Note 8(b)), have been recorded as deferred financing costs and are amortized over the life of the revolving facilities.

6. ASSET RETIREMENT OBLIGATIONS

In Albania, the Company estimated the total undiscounted amount required to settle the asset retirement obligations at March 31, 2010 at \$24.9 million (December 31, 2009 – \$24.7 million). These obligations will be settled at the end of the Company's 25-year license of which 21 years are remaining. The liability has been discounted using a credit-adjusted risk-free interest rate of 10% (December 31, 2009 – 10%) and an inflation rate of 2.0% (December 31, 2009 – 2.5%) to arrive at asset retirement obligations of \$4.3 million as at March 31, 2010.

6. ASSET RETIREMENT OBLIGATIONS (cont'd)

<i>(\$000s)</i>		
Asset retirement obligations, December 31, 2009	\$	3,856
Incurred		430
Revisions		(96)
Accretion		85
Asset retirement obligations, March 31, 2010	\$	<u>4,275</u>

7. INCOME TAXES

Future income tax expense relates to the Albanian operations and results from the following:

<i>(\$000s)</i>	March 31 2010	December 31 2009
Net book value of property, plant and equipment, net of asset retirement obligations	\$ 207,734	\$ 180,280
Cost recovery pool	(113,602)	(101,452)
Timing difference	\$ 94,132	\$ 78,828
Future income tax liability at 50%	\$ 47,066	\$ 39,414

The cost recovery pool represents deductions for income taxes in Albania.

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

<i>(\$000s)</i>	Three months ended March 31	
	2010	2009
Earnings (loss) before income taxes	\$ 5,220	\$ (3,621)
Statutory tax rate	<u>28.00%</u>	29.00%
	1,462	(1,050)
Difference in tax rates between Albania and Canada	1,741	(560)
Non-deductible expenses	1,063	163
Valuation allowance and other	<u>484</u>	318
Future income tax expense (recovery)	\$ <u>4,750</u>	\$ (1,129)

8. SHAREHOLDERS' EQUITY

(a) Share Capital

Authorized

Unlimited number of common shares with no par value.

8. SHAREHOLDERS' EQUITY (cont'd)

Issued

	Number of Common Shares	Amount (\$000s)
Balance, December 31, 2008	182,540,179	\$ 121,907
Prospectus issue	25,143,800	38,349
Warrants exercised	19,144,502	43,731
Stock options exercised	1,443,684	4,291
Share issuance costs	-	(2,220)
Balance, December 31, 2009	228,272,165	206,058
Warrants exercised	1,033,334	2,724
Stock options exercised	1,035,222	2,759
Balance, March 31, 2010	230,340,721	\$ 211,541

The following table summarizes the calculation of basic and diluted weighted average number of common shares:

	Three months ended March 31	
	2010	2009
Weighted-average number of common shares outstanding – basic	229,893,597	182,570,188
Dilution effect of stock options	8,134,995	-
Dilution effect of warrants	3,405,776	-
Weighted-average number of common shares outstanding – diluted	241,434,368	182,570,188

In computing diluted earnings (loss) per share for the period ended March 31, 2010, 479,999 options and no warrants were excluded as the effect would be anti-dilutive. Due to the net loss for the three months ended March 31, 2009, the effect of all options and warrants was anti-dilutive.

(b) Warrants

A summary of the changes in warrants is presented below:

	Number of Warrants	Amount (\$000s)
Balance, December 31, 2008	9,713,375	\$ 2,088
Issued	16,000,000	14,136
Transferred to share capital on exercise	(19,144,502)	(14,485)
Forfeited	(428,540)	-
Balance, December 31, 2009	6,140,333	1,739
Transferred to share capital on exercise	(1,033,334)	(115)
Balance, March 31, 2010	5,106,999	1,624

8. SHAREHOLDERS' EQUITY (cont'd)

(b) Warrants (cont'd)

The following table summarizes the outstanding and exercisable warrants at March 31, 2010:

Expiry Date	Number of Warrants Outstanding and Exercisable	Weighted Average Exercise Price (CAD\$)
November 15, 2010	233,333	2.63
March 1, 2012	4,873,666	2.37
	5,106,999	2.38

(c) Stock Options

The Company has established a "rolling" Stock Option Plan. The number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued and outstanding shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant.

Options issued vest one-third immediately, one-third after one year following the date of the grant, and one-third two years following the grant date.

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

	Number of Options	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2009	12,830,002	2.39
Granted	3,430,000	6.66
Exercised	(1,035,222)	1.82
Forfeited	(8,168)	3.40
Balance, March 31, 2010	15,216,612	3.39

(d) Stock-based Compensation

Using the fair value method for stock-based compensation, the Company calculated stock-based compensation expense for the three months period ended March 31, 2010 as \$6.7 million (2009 - \$0.7 million) for the stock options vested and/or granted to officers, directors, employees and service providers. Of this amount, \$3.8 million (2009 - \$0.6 million) was charged to earnings and \$2.9 million (2009 - \$0.2 million) was capitalized. The Company determined these amounts using the Black-Scholes option pricing model assuming a risk free interest rate range of 2.72% - 2.86% (2009 - 1.80%), a dividend yield of 0% (2009 - 0%), a forfeiture rate of 0% (2009 - 0%), an expected volatility range of 63% - 77% (2009 - 125%) and expected lives of the stock option of five years (2009 - five) from the date of grant. The weighted average fair value per option for the three months period ended March 31, 2010 was CAD\$4.12 (2009 - CAD\$1.54).

8. SHAREHOLDERS' EQUITY (cont'd)

(e) Contributed Surplus

The following table summarizes the changes in contributed surplus as of March 31, 2010 and December 31, 2009:

<i>(\$000s)</i>	March 31 2010	December 31 2009
Balance, beginning of period	\$ 16,812	\$ 11,862
Stock-based compensation	6,702	6,560
Transferred to share capital on exercise	(952)	(1,610)
Balance, end of period	<u>\$ 22,562</u>	<u>\$ 16,812</u>

9. SEGMENTED INFORMATION

The Company defined its reportable segments based on geographic locations.

Three months ended March 31, 2010 (\$000s)	Albania	Canada	Total
Revenue			
Oil revenue	\$ 35,149	\$ -	\$ 35,149
Royalties	(7,190)	-	(7,190)
Interest	3	146	149
	<u>27,962</u>	<u>146</u>	<u>28,108</u>
Expenses			
Operating	7,925	-	7,925
Sales and transportation	4,395	-	4,395
General and administrative	1,015	911	1,926
Interest on bank charges	311	-	311
Interest on long-term debt	379	-	379
Foreign exchange (gain) loss	(592)	(912)	(1,504)
Stock-based compensation	998	2,800	3,798
Amortization of deferred financing costs	683	-	683
Depletion, depreciation and accretion	4,933	42	4,975
	<u>20,047</u>	<u>2,841</u>	<u>22,888</u>
Income (loss) before income taxes	7,915	(2,695)	5,220
Future income tax expense	(4,750)	-	(4,750)
Net income (loss) for the period	<u>\$ 3,165</u>	<u>\$ (2,695)</u>	<u>\$ 470</u>
Assets, March 31, 2010	<u>\$ 265,398</u>	<u>\$ 64,973</u>	<u>\$ 330,371</u>
Additions to property, plant and equipment	<u>\$ 26,619</u>	<u>\$ 81</u>	<u>\$ 26,700</u>

9. SEGMENTED INFORMATION (cont'd)

Three months ended March 31, 2009 (\$000s)	Albania		Canada		Total
Revenue					
Oil revenue	\$	13,052	\$	-	\$ 13,052
Royalties		(3,486)		-	(3,486)
Interest		1		256	257
		<u>9,567</u>		<u>256</u>	<u>9,823</u>
Expenses					
Operating		5,512		-	5,512
Sales and transportation		1,426		-	1,426
General and administrative		566		638	1,204
Interest and bank charges		307		-	307
Interest on long-term debt		170		-	170
Foreign exchange (gain) loss		222		31	253
Stock-based compensation		47		515	562
Depletion, depreciation and accretion		3,982		28	4,010
		<u>12,232</u>		<u>1,212</u>	<u>13,444</u>
Loss before income taxes		(2,665)		(956)	(3,621)
Future income tax recovery		1,129		-	1,129
Net loss for the period	\$	(1,536)	\$	(956)	\$ (2,492)
Assets, March 31, 2009	\$	182,099	\$	28,676	\$ 210,775
Additions to property, plant and equipment	\$	2,828	\$	7	\$ 2,835

10. COMMITMENTS

The Company leases office premises, of which the minimum lease payments for the next three years are:

(\$000s)	Canada		Albania		Total
2010	\$	175	\$	257	\$ 432
2011		233		87	320
2012		10		22	32
	\$	<u>418</u>	\$	<u>366</u>	\$ 784

The Company has debt repayment commitments as disclosed in Note 5.

11. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended March 31	
	2010	2009
Operating activities		
(Increase) decrease in current assets		
Accounts receivable	\$ (1,937)	\$ (2,357)
Inventory	(736)	(348)
Deposit and prepaid expenses	(1,017)	(249)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	2,537	705
	<u>\$ (1,153)</u>	<u>\$ (2,249)</u>
Investing activities		
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	\$ 5,022	\$ (791)
	<u>\$ 165</u>	<u>\$ 477</u>
Interest paid		
	<u>\$ 54</u>	<u>\$ 45</u>

(\$000s)	March 31, 2010	December 31, 2009
Cash and cash equivalents		
Cash	\$ 5,624	\$ 3,895
Fixed income investments	46,513	55,600
	<u>\$ 52,137</u>	<u>\$ 59,495</u>

12. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from petroleum refineries relating to accounts receivable. As at March 31, 2010, the Company's receivables consisted of \$24.7 million (December 31, 2009 – \$23.1 million) of receivables from petroleum refineries and \$0.6 million (December 31, 2009 – \$0.2 million) of other trade receivables as summarized below:

(\$000s)	Current	30 – 60 days	61 – 90 days	Over 90 days	Total
Albania	\$ 12,871	\$ -	\$ -	\$ 11,838	\$ 24,709
Canada	586	-	-	-	586
	<u>\$ 13,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,838</u>	<u>\$ 25,295</u>

12. FINANCIAL RISK MANAGEMENT (cont'd)

In Albania, the Company considers any amounts greater than 60 days as past due. The accounts receivable, included in the table, past due or not past due are not impaired. They are from counterparties with whom the Company has a history of timely collection and the Company considers the accounts receivable collectible. Domestic receivables from a petroleum refinery are due by the end of the month following production. Export receivables are collected within 30 days from the date of the shipment. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with a variety of purchasers. Of the total receivables of \$24.7 million (December 31, 2009 - \$23.1 million) in Albania, approximately \$11.8 million (December 31, 2009 - \$12.8 million) is due from one domestic customer of which the entire amount is past due. The full amount outstanding was received from this customer subsequent to March 31, 2010.

In Canada, no amounts are considered past due or impaired.

The carrying amount of accounts receivable represents the maximum credit exposure. As of March 31, 2010 and December 31, 2009, the Company does not have an allowance for doubtful accounts and did not provide for any doubtful accounts nor was it required to write-off any receivables.

The Company also has credit risk with respect to the \$2.7 million note receivable from BKX and regularly monitors the operations and financial condition of the borrower (See Note 3).