



**ANNUAL INFORMATION FORM**

For the Year Ended December 31, 2009

March 22, 2010

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## PRELIMINARY NOTES

All information contained herein is as at March 22, 2010, unless otherwise stated.

### Financial Statements

This AIF should be read in conjunction with the Company's consolidated financial statements and management's discussion and analysis. The financial statements and management's discussion and analysis are available at [www.bankerspetroleum.com](http://www.bankerspetroleum.com) and under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). All financial statements are prepared in accordance with Canadian generally accepted accounting principles.

### GLOSSARY OF TERMS

“**Addendum**” means the Addendum to the PoD for the Patos Marinza oilfield submitted by Bankers Albania to Albpetrol and AKBN;

“**AKBN**” means the National Agency for Natural Resources in Albania;

“**AIF**” means this annual information form;

“**AIM**” means the Alternative Investment Market of the London Stock Exchange;

“**Albpetrol**” means Albpetrol Sh. A, an Albanian state owned agency;

“**API**” is an indication of the specific gravity of crude oil measured on the American Petroleum Institute gravity scale;

“**ARMO**” means Armo Sh. A, the Albanian refining and marketing organization;

“**Arrangement**” means the plan of arrangement completed in July 2008 under the provisions of the BCBCA and relating to the spin-off of Bankers' U.S. assets into BNK;

“**Bankers**” or the “**Company**” means Bankers Petroleum Ltd.;

“**Bankers Albania**” means Bankers Petroleum Albania Ltd., formerly Bankers Petroleum International Ltd. and Saxon International Ltd., a wholly owned subsidiary of the Company incorporated under the laws of the Cayman Islands;

“**Bankers Cayman**” refers to Sherwood International Petroleum (Cayman) Inc.;

“**Bankers Jersey**” refers to Bankers Petroleum International Ltd.;

“**Bankers Group**” refers to Bankers together with its subsidiaries, Bankers Jersey, Bankers Albania, Sherwood and Bankers Cayman;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**BNK**” means BNK Petroleum Inc., a corporation incorporated pursuant to the BCBCA and listed for trading on the TSX and AIM;

“**Board of Directors**” means the board of directors of the Company;

“**Compensation Committee**” means the compensation committee of the Board of Directors;

“**Consolidation**” means the consolidation of the issued and outstanding common shares of Bankers on the basis of one (1) new post-consolidation common share of Bankers for every three (3) pre-consolidation common share of Bankers, which was completed in July 2008;

“**D&M**” means DeGolyer & McNaughton Canada Ltd., independent petroleum engineering consultants of Calgary, Alberta;

“**EBRD**” means the European Bank for Reconstruction and Development;

“**IFC**” means International Finance Corporation;

“**Kuçova License Agreement**” is the agreement between AKBN and Albpetrol dated June 7, 2007, to which Sherwood became a party on September 4, 2007, which together with the Petroleum Agreement governs the rights of Sherwood in respect of the Kuçova heavy oilfield in Albania;

“**Kuçova Petroleum Agreement**” is the agreement between Sherwood and Albpetrol, dated September 4, 2007, which, together with the License Agreement governs the rights of Sherwood in respect of the Kuçova heavy oilfield in Albania;

“**Lek**” is the domestic Albanian currency;

“**LIBOR**” means the London Interbank Overnight Rate;

“**Patos Marinza License Agreement**” is the agreement between AKBN and Albpetrol dated June 7, 2004, to which Bankers Albania became a party on June 19, 2004, which together with the Petroleum Agreement governs the rights of Bankers Albania in respect of the Patos Marinza heavy oilfield in Albania;

“**Patos Marinza Petroleum Agreement**” is the agreement between Bankers Albania and Albpetrol dated June 19, 2004, which, together with the License Agreement, governs the rights of Bankers Albania in respect of the Patos Marinza heavy oilfield in Albania;

“**Plan**” refers to the Company’s stock option plan that permits grants of options to directors, officers, employees and service providers as additional compensation and as an opportunity to participate in the success of the Company;

“**PoD**” means the Plan of Development for the Patos Marinza oilfield submitted by Bankers Albania and approved by AKBN in March 2006;

“**Raiffeisen**” means Raiffeisen Bank Sh.A of Albania;

“**RPS**” means RPS Energy Canada Ltd. (formerly APA Petroleum Engineering Inc.), independent petroleum engineering consultants of Calgary, Alberta;

“**Sherwood**” means Sherwood International Petroleum Ltd., a wholly owned subsidiary of the Company, incorporated under the laws of Alberta which holds the rights to the Kuçova heavy oilfield;

“**Trustee**” means Computershare Trust Company of Canada; and

“**TSX**” means the Toronto Stock Exchange.

Unless the context otherwise indicates, all references to “common shares” in this AIF are references to the common shares without par value in the capital of the Company.

### **Conventions**

This AIF contains references to Canadian dollars and United States dollars. All dollar amounts referenced are expressed in United States dollars unless otherwise indicated. Canadian dollars are referred to as “CAD\$”.

The following table sets forth, for each of the years indicated, the exchange rate of United States dollars into Canadian dollars at the end of each such year, the average exchange rate during each such year and the range of high and low rates for each such year.

	<b>Year Ended December 31</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
High <sup>(1)</sup> .....	\$1.3000	\$1.2969	\$1.1853
Low <sup>(1)</sup> .....	\$1.0292	\$0.9719	\$0.9170
Average <sup>(2)</sup> .....	\$1.1374	\$1.0660	\$1.0748
Closing <sup>(1)</sup> .....	\$1.0466	\$1.2246	\$0.9881

#### **Notes:**

- (1) The rate of exchange means the noon rate as reported by the Bank of Canada.
- (2) The average rate means the average of the exchange rates on the last day of each month during the year.

### **Abbreviations**

API	American Petroleum Institute
Bbl	Barrel
Bbls	Barrels
Bopd	Barrels of oil per day
Mbbls	Thousand barrels

Brent                      Brent crude oil

### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

Certain statements in this AIF may constitute forward looking information, including information relating to opinions, assumptions, estimates and expectations of future production, cash flow and earnings. When used in this AIF, the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “project”, “plan”, “will”, “should”, “potential” and similar expressions are intended to be among the statements that identify forward looking information. By its very nature, the preparation of such forward looking information requires the Company to make assumptions, and involves inherent risks and uncertainties, both general and specific. Although the Company believes that the expectations represented by such forward looking information is reasonable, there is significant risk that express or implied projections contained in such forward looking information will not materialize or will be inaccurate.

In particular, this AIF contains forward looking statements pertaining to the following:

- performance characteristics of the Company’s oil properties;
- crude oil production estimates and targets;
- the size of the oil reserves;
- capital expenditure programs and estimates;
- projections of market prices and costs;
- supply and demand for oil;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under governmental regulatory regimes and tax laws.

These forward looking statements are based on a number of assumptions, including but not limited to: those set out herein, the **RPS F1** (as defined herein) and the **D&M F1** (as defined herein), anticipated commodity prices to generate funds from operations, availability of funds for capital expenditures, a consistent and improving success rate for well re completions relating to the Patos Marinza field, the evaluation and the implementation of a successful plan of development relating to the Kuçova field, increasing production as contemplated by the Plan of Development and Addendum for the Patos Marinza field, stable costs, availability of equipment and personnel when required for the Company’s operations, continuing favourable relations with Albanian governmental agencies and strong demand for oil.

Statements relating to “reserves” or “resources” are inherently forward looking as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

Actual results could differ materially from those anticipated in these forward looking statements as a result of the risks and uncertainties set forth below and elsewhere in this AIF:

- general economic, market and business conditions;
- volatility in market prices for oil;
- risks inherent in oil production operations including those relating to maintaining and increasing oil production;
- uncertainties associated with estimating oil reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- rising cost of labour and equipment;
- changes in foreign laws and regulations including those related to tax laws and incentive programs relating to the oil industry;
- environmental risks;
- the ability to implement corporate strategies;
- the ability to obtain financing;
- the state of domestic and international capital markets;
- changes in oil acquisition and drilling programs;
- failure to complete and/or realize the anticipated benefits of its acquisitions;
- delays resulting from, or inability to obtain, required regulatory approvals; and
- the other factors discussed under “Risk Factors”.

The forward looking statements included in this AIF are made as of the date of this AIF and, except as required by law, the Company undertakes no obligation to publicly update such forward looking statements to reflect new information, subsequent events or otherwise.

The forward looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

## **CORPORATE STRUCTURE**

### **General**

The Company was incorporated as “Errington Gold Exploration Ltd.” under the *Business Corporations Act* (Ontario) on August 11, 1983. On May 14, 1985, the Company changed its name to “Convertel Canada Inc.” and subdivided its issued capital on a 10 for 1 basis. On May 29, 1985, the Company changed its name back to “Errington Gold Exploration Ltd.”. On November 25, 1985, the Company changed its name to “Errington Industrial Enterprises Ltd.”. On November 5, 1986, the Company changed its name to “Goldteck Mines Limited”. On August 28, 1992, the Company changed its name to “Gold Park Mines and Investments Ltd.”. On September 22, 1994, the Company changed its name to “Gold Park China Limited”. On August 13, 1999, the Company consolidated its common shares on a 1 for 2

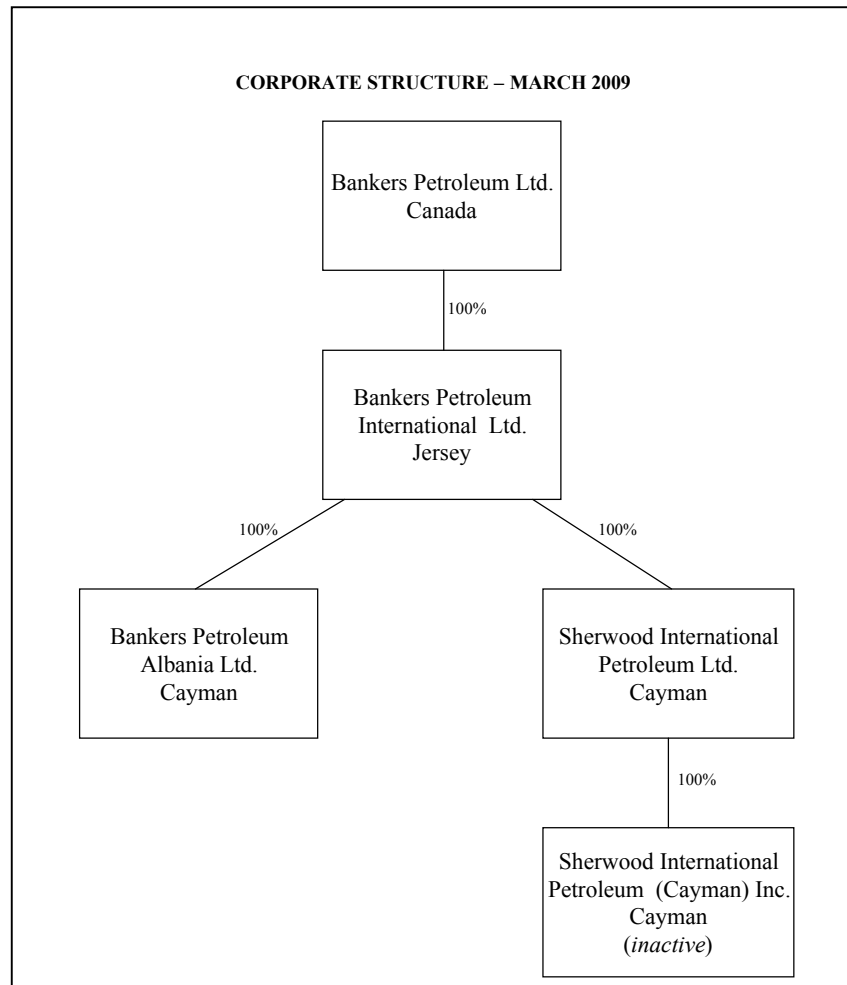
basis. On June 24, 2004, the Company changed its name to “Bankers Petroleum Ltd.” and continued under the *Business Corporations Act* (British Columbia).

On July 2, 2008, Bankers received approval from the British Columbia Supreme Court for its Arrangement pursuant to which all of Bankers U.S. operations and assets were spun out into BNK Petroleum Inc., which in turn was approved for listing and trading on the TSX under the symbol BKX. After the completion of the Arrangement, the Company consolidated its common shares on a one (1) for three (3) basis.

The registered and records office of the Company is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5, and its head office and principal place of business is located at Suite 400, 906 – 12th Avenue S.W., Calgary, Alberta, T2R 1K7.

### Intercorporate Relationships

As of the date herein, the Company has the following subsidiaries:



**Notes:**

- (1) Both Bankers Albania’s and Sherwood’s operations in Albania are conducted through an Albanian branch office registered to conduct business in Albania.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

The following describes the development of the Bankers Group's business over the last three completed fiscal years.

#### *Albania*

In July 2004, the Company's wholly owned subsidiary, Bankers Albania, acquired an interest in the Patos Marinza heavy oilfield in Albania pursuant to the Patos Marinza Petroleum Agreement and the Patos Marinza License Agreement.

The Patos Marinza License Agreement provided Bankers Albania 24 months to evaluate the Patos Marinza field and propose a plan of development to Albpetrol and AKBN. Bankers concluded the evaluation phase of the Patos Marinza License Agreement and submitted the PoD to Albpetrol in December 2005. Following approval by Albpetrol, the PoD was submitted to AKBN which approved it in March 2006. These approvals allow Bankers to take over the remaining wells in the field on the basis set out in the PoD and to produce and sell oil under the existing Patos Marinza License Agreement for a period of 25 years with an option to extend at the Company's election for further five year increments.

The Addendum was submitted to Albpetrol and AKBN in March 2008 and further updated and re-submitted in December 2008 to provide additional detail for the infill vertical and horizontal drilling, waterflood, and thermal programs planned by the Company in Patos Marinza over the next five years and beyond. The Addendum was approved by Albpetrol on March 4, 2009. The Addendum was subsequently approved on June 2, 2009.

During 2008, Bankers acquired a 100% interest in Sherwood which holds the rights to the Kuçova oilfield in Albania that has approximately 300 million barrels of original oil in place. The Company operates the Kuçova oilfield pursuant to the Kuçova Petroleum Agreement with Albpetrol and under Albpetrol's existing license with AKBN. The Kuçova Petroleum Agreement became effective in September 2007 and has a 25 year development and production term after the initial 24 month evaluation term, with an option to extend at the Company's election for further five year increments. Bankers has submitted an application to Albpetrol to extend the initial 24 month evaluation term and is currently awaiting approval with respect to such matter.

See also "Narrative Description of Business – Albania".

#### *Spin-off of United States Assets*

With the success the Company enjoyed with respect to its shale gas assets in Oklahoma, the Company determined in May, 2008 that the timing was right for Bankers' U.S. assets to be restructured into a separate, new public entity called BNK Petroleum Inc. This transaction was designed to enhance shareholder value by creating two separate companies, both with upside potential. The corporate reorganization was completed by way of a plan of

arrangement pursuant to the *Business Corporations Act* (British Columbia) and received the approval of Bankers' shareholders in June 2008.

Pursuant to the Arrangement, Bankers' shareholders received one (1) common share of BNK for every ten (10) common shares held in Bankers as at the record date of July 14, 2008. With respect to outstanding Bankers' common share purchase warrants, their respective exercise prices were reduced in accordance with the terms of the applicable common share purchase warrant indenture by an amount on a per share basis that reflected the fair market value of the U.S. assets that were spun off into BNK. All such adjusted warrants remained exercisable only into common shares of Bankers.

Through the Arrangement, Bankers' shareholders continued to own Bankers' significant heavy oil properties in Albania, while retaining the upside potential associated with Bankers' U.S. shale gas assets through ownership in BNK. BNK is managed by Bankers' previous U.S. management team.

In July 2008 and in connection with the Arrangement, Bankers provided a \$23 million guarantee to a U.S. bank as security for a new credit facility for BNK. The guarantee is supported by an interest-bearing term loan agreement, and will be reduced from future BNK equity issuances and credit facility increases. On August 10, 2008, \$10 million was repaid to Bankers, thereby reducing the amount owing to Bankers to \$13 million which remains outstanding as at the date hereof. Bankers has credit risk with respect to this receivable and regularly monitors the operations and financial condition of BNK.

## **Recent Financings**

### ***Debt***

In addition to various equity financings undertaken by Bankers during the past three years, development of the Company's business during the past three fiscal years has been financed by credit facilities provided by Raiffeisen, as amended, (the "**Raiffeisen Facilities**") and, more recently, the IFC and EBRD.

At the conclusion of fiscal 2008, the Raiffeisen Facilities consisted of a US \$16.0 million operating loan bearing interest at the rate of LIBOR plus 3.5% and a US \$15.0 million term loan bearing interest at the rate of one year LIBOR plus 4.5%.

On March 31, 2009, Bankers Albania and Raiffeisen executed an agreement to amend the terms of the Raiffeisen Facilities. Pursuant to such amendment, the amount available under the above operating loan was increased by US \$4.0 million to US \$20.0 million and a new US \$4.0 million term loan was established. As of the date hereof, the Company has drawn down US \$23.6 million available in connection with the Raiffeisen Facilities. The Raiffeisen Facilities are secured by a pledge of the shares of Bankers Albania by Bankers Jersey, the granting of security on all of the assets and equipment of Bankers Albania (including an assignment of proceeds from the domestic and export crude oil sales contracts) and by a guarantee by the Company. The operating loan with Raiffeisen bears interest at a rate of LIBOR plus 3.5%, the US \$15.0 term loan with Raiffeisen bears interest at a rate of one year

LIBOR plus 4.5% and the US \$4.0 million term loan with Raiffeisen bears interest at the rate of one year LIBOR plus 4.65%.

In February 2009, Bankers finalized loan and guarantee agreements with each of IFC and EBRD for the provision of reserve-based long-term credit facilities of up to an aggregate US \$110.0 million (collectively the “**IFC/EBRD Facilities**”) to supplement the Raiffeisen Facilities.

The IFC/EBRD Facilities consist of two six-year revolving facilities of US \$50.0 million each bearing interest at a rate of LIBOR plus 4.5% and two eight-year term loans of US \$5.0 million each bearing interest at a rate of LIBOR plus 4.5%. The IFC/EBRD Facilities, are expected to be funded equally between IFC and EBRD, and will become available to the Company upon the satisfaction of certain remaining conditions precedent. The borrower in respect of the IFC/EBRD facilities is Bankers Jersey, which entity holds all of the issued and outstanding shares of Bankers Albania and Sherwood. The Company and Bankers Albania are guarantors in respect of these credit facilities.

As part of the IFC/EBRD Facilities, Bankers issued 16 million common share purchase warrants (eight million for each of IFC and EBRD). These warrants were issued with exercise prices of CAD \$1.50 per share and were exercised in full in July 2009 by each of IFC and EBRD generating proceeds of CAD \$24.0 million and resulting in IFC and EBRD each acquiring a 3.6% equity interest in the Company.

### ***Equity***

Between January 1, 2007 and December 31, 2009, the Company raised an aggregate of \$186.6 million through various equity financings. On March 1, 2007 the Company completed an underwritten short form prospectus offering of 12,014,286 units (on a post-Consolidation basis) to raise net proceeds of approximately \$20.2 million. The units were issued and sold at a price of CAD\$2.10 per unit (on a post-Consolidation basis) and were comprised of one common share and one-half of one common share purchase warrant of the Company. Each whole common share purchase warrant is exercisable to acquire one additional common share at a price of CAD\$2.37 per common share (on a post-Consolidation basis) and expires on March 1, 2012. The warrants are listed on the TSX under the symbol BNK.Wt.A.

An additional 1,466,667 units (on a post-Consolidation basis) comprising one common share and one non-transferable common share purchase warrant, each exercisable to acquire one additional common share at a price of CAD\$2.63 per share (on a post-Consolidation basis) were issued on non-brokered private placement basis in November 2007 for proceeds of \$2.2 million.

In March 2008, the Company completed a non-brokered private placement, issuing an aggregate of 22,222,222 common shares (on a post-Consolidation basis) at CAD\$2.70 per share (on a post-Consolidation basis), resulting in net proceeds of \$58.5 million. During 2008, Bankers received proceeds of \$11.0 million from the exercise of an aggregate of

6,179,624 options and \$8.9 million from the exercise of an aggregate of 3,301,838 common share purchase warrants.

On May 7, 2009, the Company completed an underwritten short form prospectus offering of 25,143,800 common shares of the Company at CAD\$1.75 per common share, generating gross proceeds of CAD\$44.0 million.

## **DESCRIPTION OF THE BUSINESS**

### **Business Profile**

Bankers is a Canadian based oil exploration and production company focused on maximizing the value of its heavy oil assets in Albania. The Company is targeting growth in production and reserves through application of new and proven technologies by a strong experienced technical team. Bankers operates in Albania which is located northwest of Greece in South Eastern Europe.

In Albania, Bankers operates and has the rights to develop the Patos Marinza heavy oilfield pursuant to the 25 year Patos Marinza License Agreement with AKBN and the Patos Marinza Petroleum Agreement with Albpetrol. The Patos Marinza oilfield is the largest onshore oilfield in continental Europe, holding approximately 5.7 billion barrels of original-oil-in-place.

Through the indirect ownership of all of the issued and outstanding common shares of Sherwood, Bankers holds a 100% indirect interest in the Kuçova heavy oilfield located in Albania, providing it with the right to evaluate and redevelop the Kuçova oilfield. Bankers initially acquired 50% of Sherwood's common shares in January 2008 and following an evaluation of the oilfield to further define its remaining reserves and production potential, elected in June 2008 to exercise its option to acquire the remaining 50% of the issued and outstanding securities of Sherwood. The Kuçova oilfield has approximately 297 million barrels of original-oil-in-place.

In December 2009, Bankers Albania entered into a petroleum agreement with AKBN with respect to the future exploration and development of a 740 km<sup>2</sup> area located immediately to the west of the Patos Marinza oilfield. This area, named Block "F" excludes three gas fields currently operated by Albpetrol, and forms the basis of current negotiations between Bankers Albania and the Albanian government.

At the end of 2009, Bankers Group had 230 employees of which 12 were located in its head office and 218 in Albania.

### **Statement of Reserves Data and Other Oil and Gas Information**

The information contained in the Company's National Instrument 51 101F1 Statement of Reserves Data and Other Oil and Gas Information, prepared by RPS as at December 31, 2009 (the "RPS F1") and the Company's National Instrument 51 101F1 Statement of Reserves Data and Other Oil and Gas Information, prepared by D&M as at December 31, 2008 (the "D&M F1"), the reports of RPS and D&M each in the form of Form 51 101F2

Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor, and Form 51 101F3 Report of Management and Directors on Oil and Gas Disclosure, each filed under the Company's profile at [www.sedar.com](http://www.sedar.com) are incorporated by reference into this AIF.

## **Albania**

### ***Patos Marinza***

The Patos Marinza heavy oilfield is located in southern Albania and was discovered in 1928. It is the largest onshore oilfield in continental Europe in terms of the quantity of original-oil in place. Production commenced in the 1930's and reached a peak in the late 1950s and early 1960s. Historically, Albpetrol was the sole operator of the Patos Marinza oilfield, holding the rights to evaluate and redevelop the Patos Marinza oilfield under an existing license agreement with AKBN. Anglo Albanian Petroleum Ltd. ("AAP"), a joint venture of Albpetrol and Premier Oil Plc. was formed as a new operating company in 1994 and operated a portion of the field until 2004. AAP was dissolved in March 2004 and control of the field reverted back to Albpetrol.

In June 2004, Bankers Albania entered into the Patos Marinza Petroleum Agreement with Albpetrol. The rights of Albpetrol under the Patos Marinza License Agreement were transferred to Bankers Albania on June 19, 2004, subject to the terms of the Patos Marinza Petroleum Agreement. Bankers Albania commenced operations in July 2004, taking over the operation of 28 wells, a disposal well, and associated equipment and facilities. Bankers Albania was entitled to take up to 24 months to evaluate the field and propose a plan of development to Albpetrol and AKBN. The evaluation phase was concluded and the PoD for the Patos Marinza field was approved by AKBN in March 2006. This approval allows Bankers to take over the remaining wells in the field as set out in the PoD and to produce and sell oil under the Patos Marinza License Agreement for a period of 25 years with an option to extend at the Company's election for further five year increments. The PoD includes redeveloping between 80 and 120 wells each year for the first five years along with necessary infrastructure. The approval of the Addendum to the PoD will not affect the redevelopment of existing wells but will include additional activities above and beyond the PoD.

Bankers Albania is required to submit annual work programs and budgets to Albpetrol each year, including the nature and amount of capital expenditures, which is required to be in line with the PoD as reviewed by AKBN for compliance. Significant deviations from the PoD are subject to AKBN and Albpetrol approval.

The terms of the Patos Marinza Petroleum Agreement include a 1% gross overriding royalty payable to Albpetrol which increases to 3% and to 5% (based on an incremental sliding scale) after payout of funds expended by the Company. In addition, the Company pays a royalty to Albpetrol for the latter's share of pre existing production from the wells taken over by Bankers. This royalty is calculated on a per well basis using 70% of the average production for the preceding six months declining at 15% per year. For the original 28 oil wells taken over in July 2004, a fixed pre existing production rate was applied and declines

at 10% per year. Twenty of the twenty-eight wells have no pre existing production liability as they were newly drilled wells by the previous operator, AAP.

With effect from August 20, 2008, a new royalty tax of 10% on sales volumes, payable directly to the Government of Albania, was implemented. The new royalty tax is applied to gross sales amounts net of pre-existing production royalties in a fashion similar to the share of production royalty payable to Albpetrol. To mitigate the economic impact of the new royalty tax, as required by the Petroleum Agreement, the full royalty tax amount paid is added to the cost recovery balance to delay the profits tax horizon upon full cost recovery.

Crude oil produced from the Patos Marinza oilfield is sold to both domestic and export markets. Domestically, the Company sells its oil to the ARMO refineries pursuant to a sales agreement. The price received by the Company under its agreement (subject to production quality) is determined by reference to the price of Brent crude oil. The higher domestic sales price compares favourably to the previous contract, becoming competitive with export pricing.

Bankers Albania has the right to export all of its production from the Patos Marinza and Kuçova oilfields. The Company exports its crude oil production to two Italian refineries, Alma Petroli S.p.A, and Iplom S.p.A and also has sales contracts with B.P. Oil International Ltd., UK and Vitol S.A., Geneva. The export contracts' pricing is based on market prices of Brent crude oil, and includes price limits for discussion and renegotiation purposes.

During 2009, Bankers Albania exported 82% of its production and received an overall average price of \$36.86 per barrel sold. Bankers expects that its overall average sales price will approximate 62% of the Brent oil price for 2010, dependent upon total domestic versus export volumes.

Revenues from crude oil production totalled \$66.6 million in 2009, net of royalties of \$20.8 million, compared to \$110.3 million in 2008. The Company's Patos Marinza crude oil production at the end of 2009 was over 8,100 bopd, up from 600 bopd in July 2004 when the Company began operating the oilfield. Average crude oil production was 6,438 bopd during 2009 compared to 5,875 bopd for 2008. Production varies from quarter to quarter due to seasonal factors. As part of its overall growth strategy, the Company is undertaking several new initiatives beyond primary recovery techniques in its multi-year plan to increase reservoir recovery and production from the oilfield.

Also during 2009, the Company drilled ten (10) infill development wells, all of which were horizontal infill wells.

The Addendum was submitted to Albpetrol and AKBN in March 2008 and further updated and re-submitted in December 2008 to provide additional detail for the infill vertical and horizontal drilling, waterflood, and thermal programs planned by the Company in Patos Marinza over the next five years and beyond. The Addendum was approved by Albpetrol on March 4, 2009. The Addendum was subsequently submitted to AKBN for review and approval.

## ***Kuçova***

Bankers holds the exclusive right to evaluate and redevelop the Kuçova heavy oilfield pursuant to the Kuçova Petroleum Agreement with Albpetrol and the Kuçova License Agreement with AKBN through 100% ownership of its subsidiary Sherwood Petroleum International Limited.

The Kuçova heavy oilfield has an estimated 300 million barrels of original oil in place that averages approximately 17 API gravity. Estimated recovery to date of approximately eight percent (8%) is based on preliminary estimates and available data that were prepared by a qualified reserves evaluator in accordance with National Instrument 51-101. There is no certainty that any portion of the resources will be recoverable, nor is there any certainty that it will be commercially viable to produce any of the resources.

Geologically, the Kuçova heavy oilfield is similar to the Patos Marinza oilfield, consisting of several stacked sandstone reservoirs of the same geological age and of various oil gravities. The Company will undertake an evaluation of the oilfield to further define its remaining reserves and production potential. .

## **Subsequent Events to Year End 2009**

In the fourth quarter of 2009, Bankers was pleased to announce that the main terms and conditions for a petroleum agreement for Block “F” exploration acreage application had been accepted by AKBN. Negotiations of a Production Sharing Agreement (the “PSA”) are currently being undertaken with an objective to submit a final draft PSA by the end of the first quarter of 2010 for necessary approvals by the Government of Albania.

Block “F” is located immediately west of the Patos Marinza oil field and covers an area of approximately 740 km<sup>2</sup> (185,000 acres). Excluded from the area are three gas fields operated by Albpetrol. The area contains several seismically defined structural and amplitude anomalies prospective for oil and natural gas.

## **Specialized Skills and Knowledge**

Exploration for and development of petroleum resources requires specialized skills and knowledge including in the areas of petroleum engineering, geophysics, geology and title. Bankers and its subsidiaries have obtained personnel with the required specialized skills and knowledge to carry out their respective operations. While the current labour market in the industry is highly competitive, the Company expects to be able to attract and maintain appropriately qualified employees for fiscal 2010.

## **Cycles**

The Company’s operations in Albania are affected by winter operating conditions from November to March. During these months, well reactivations decline with a corresponding decline in production gains in the Patos Marinza oilfield. The price per barrel received by the Company under its export sales contract is weighted to world Brent commodity price and can be adversely affected by mild weather conditions. World crude oil prices have fluctuated

significantly in 2009, from a low of approximately \$33 per barrel in February to a high of approximately \$80 per barrel in November.

### **Pricing and Marketing**

In Albania, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, the value of refined products and the supply/demand balance.

### **Economic Dependence**

The Company's Albanian production is dependent upon the Patos Marinza Petroleum Agreement and the Patos Marinza License Agreement. Its revenues are primarily derived from three sales contracts: a crude oil marketing agreement with ARMO and two smaller export sales agreements with two refineries located in Italy. See "Description of Business – Albania".

### **Environmental Protection**

The overall environmental impact to the Company's economic valuations is not material. Cost for environmental protection and remediation is included in Bankers' capital cost estimates and plans. Bankers has committed approximately \$5.0 million per year in capital expenditures to the effective clean up and remediation of the Patos Marinza oilfield in Albania.

The Company's operations are subject to environmental regulations (including regular environmental impact assessments and permitting) in the jurisdictions in which it operates. Such regulations cover a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Under such regulations there are clean up costs and liabilities for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and legislation relating to exploration and production of natural resources are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Such stricter standards could impact the Company's costs and have an adverse effect on results of operations.

## **RISK FACTORS**

Management of the Company considers the following risks to be the most significant for potential investors in the Company, but such risks do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not currently known to management of the Company may also have an adverse effect on the Company's business. If any of these risks actually occur, the Company's business, financial condition, capital resources, results and/or future operations could be materially adversely affected. In such a case, the market value of the Company could decline and investors may lose all or part of their investment.

## **Nature of the Oil and Gas Business**

An investment in the Company should be considered speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, development and production of, oil in Albania. The volume of production from petroleum properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Any proved reserves the Company may establish will decline as reserves are produced from its properties unless it is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investment to develop the Company's asset base of oil reserves will be impaired. In addition, there can be no assurance that even if the Company is able to raise capital to develop or acquire additional properties to develop the Company's reserves, the Company's future exploration, development and acquisition activities will result in proved reserves or that the Company will be able to drill productive wells at acceptable costs.

The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

## **Hedging Activities**

From time to time the Company may enter into agreements to receive fixed prices on its oil production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. The Company has no such agreements at this time.

## **Foreign Currency and Fiscal Matters**

The Company's operations and expenditures are to some extent paid in foreign currencies. As a result, the Company is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Albania to foreign entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from Albania will not be imposed in the future. Amendments to current taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on the Company.

To the extent that revenues and expenditures denominated in or strongly linked to the U.S. dollar are not equivalent, the Company is exposed to exchange rate risk. The Company is exposed to the extent U.S. dollar revenues do not equal U.S. dollar expenditures. The Company is not currently using exchange rate derivatives to manage exchange rate risks. In addition, the Company's results will be reported in U.S. dollars and foreign currency

denominated monetary balances could result in gains and losses that may increase the variability of earnings.

### **Availability of Equipment and Access Restrictions**

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the Company's proposed exploration, development and sales activities, and could have a material adverse effect on the Company's financial condition. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the petroleum industry may experience shortages of qualified personnel to operate drilling rigs. This could delay the Company's drilling operations and adversely affect the Company's financial condition and results of operations. To the extent the Company is not the operator of its petroleum producing properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

### **Financing Risks**

Cash resources available to the Company as of the date hereof are from existing working capital, the \$68.3 million provided by the Raiffeisen Facilities \$60 million provided by the IFC/EBRD Facilities, the sales of heavy oil produced from the Patos Marinza field and from potential equity financing. These predictions of cash flow are predicated upon future upward movement in world oil prices, as well as production continuing to increase as expected under the PoD and Addendum and the Company not experiencing any significant technical or marketing problems in respect of the Patos Marinza heavy oilfield and the successful exploitation of the Kuçova field. However, there is no assurance that current rates of production from the Patos Marinza field will be sustained, that sustainable production will be obtained from the Kuçova field, that budget overruns will not occur or that actual capital expenditures will approximate estimates or that oil prices will stay stable or appreciate. In the event that any of the foregoing vary materially from those expected, the Company may require more funds for its Albania operations than are presently anticipated to be required to continue development as contemplated under the current PoD. The Raiffeisen Facility has fixed terms of repayment and is secured by, among other things, a pledge of all of the shares of Bankers Albania, an assignment of crude oil sales proceeds, and by a guarantee of the Company. If Bankers Albania were unable to repay the Raiffeisen Facilities when any portion became due and was not able to negotiate an extension or an alternate source of financing, the Company could become obligated to pay the difference, if any, between the amount owing by Bankers Albania and the amount recovered by Raiffeisen on a realization, or Bankers Albania could lose its entire interest in the Patos Marinza project.

The Company's future capital requirements will depend on numerous factors, including development and exploration drilling success, cost of lease extensions and renewals, the cost and success of re-completing or drilling wells, future production levels, the terms (including

price) and conditions that it is able to negotiate with purchasers of production from its properties, as well as the level of success in its exploration activities, none of which can be predicted with certainty. The Company may require additional funds in the future and may attempt to raise such funds through further equity or debt financings, collaborative arrangements with commercial partners or from other sources. Any additional equity financing may be dilutive to the holders of the common shares and any debt financing, if available, may restrict the Company's future financing and operating activities. The Company may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Company or investor sentiment are unfavourable. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations and prospects.

### **Patos Marinza Oilfield Production**

The Company's right to production from the Patos Marinza field is governed by the revised Patos Marinza Licence Agreement and the Patos Marinza Petroleum Agreement and is also subject to the PoD and Addendum. Risks related to development of the project, including but not limited to technical difficulties, increased costs, reduced sales price or demand for heavy oil produced from the project, are borne by Bankers Albania. If Bankers for any reason is unable to finance capital expenditures and it is unable to obtain the agreement of AKBN to a reduction in such expenditures in its annual plan, Bankers Albania could be forced to relinquish some or all of the Patos Marinza contract area. Depending on the size and location of the area, such relinquishment could have a material adverse effect on the Company's financial condition, results of operations and prospects. The Patos Marinza License Agreement and Patos Marinza Petroleum Agreement provide for the appointment of an independent expert, if necessary, to resolve any dispute that may arise in connection with the PoD. Should a dispute arise, there is no assurance that it would be resolved in a manner acceptable or favourable to the Company, and if a decision were made that had the effect of reducing the rate at which Bankers Albania is able to develop the field or increase production for any reason or that would necessitate a reduction in production from the field, such decision could have a material adverse effect on the Company's financial condition, results of operations and prospects.

### **Kuçova Oilfield**

The Company's right to production from the Kuçova field is governed by a licence agreement and petroleum agreement, each of which contain terms similar to, respectively, the Patos Marinza Licence Agreement and the Patos Marinza Petroleum Agreement. There is no guarantee that the Company's future efforts to exploit the Kuçova field will prove successful or that unanticipated difficulties will not arise that adversely impact the Company's efforts to do so.

### **Block "F"**

In December 2009, Bankers Albania entered into a petroleum agreement with AKBN with respect to the future exploration and development of a 740 km<sup>2</sup> area located immediately to

the west of the Patos Marinza oilfield. This area, named Block “F” excludes three gas fields currently operated by Albpetrol, and forms the basis of current negotiations between Bankers Albania and the Albanian government.

### **Oil Prices and Marketability**

Oil prices have a direct impact on the Company’s revenues and are subject to volatile price fluctuations. The marketability of oil discovered by the Company will be affected by numerous factors beyond its control including general demand for crude oil and demand for heavy oil by the refineries in the Mediterranean region. The profitability of the Company’s operations will be dependent upon, among other things, the market price of crude oil, which has fluctuated in the past. Prices for petroleum products are affected by numerous factors beyond the control of the Company including international economic and political conditions, weather, levels of supply and demand, pipeline capacity and currency exchange rates. Movements in market prices could render uneconomic any of the exploration and production activities undertaken or to be undertaken by the Company.

### **Competitive Conditions**

The petroleum industry is highly competitive. Bankers Albania exports a portion of its Albanian production to two refineries in Italy as well as to B.P. Oil International Ltd., UK and Vitol S.A., Geneva. There are a number of other oil refineries along the Mediterranean as well as in the Middle East that could accept the Company’s crude oil. The Company’s ability to sell to these refineries will depend on crude quality, logistics and pricing.

In addition, the Company competes with other industry participants for the sourcing and availability of equipment, raw materials and component parts necessary in petroleum exploration and development. In Albania, a majority of the Company’s specialized equipment is sourced from outside the country. While there has been little issue with obtaining necessary equipment, lead times can be lengthy when taking into account the petroleum industry level of activity and logistics.

The Company’s ability to increase reserves in the future will depend, not only on its ability to develop or continue to develop existing properties, but also on finding and acquiring suitable producing properties or prospects for development and exploratory drilling. Competitive factors in the distribution and marketing of petroleum products include price, methods, pipeline access and reliability of delivery and availability of imported products.

Competitive factors in the distribution and marketing of petroleum products include but are not limited to price, methods and reliability of delivery, all of which may be affected by factors beyond the Company’s control, and could adversely affect the Company’s financial condition and results of operations.

### **Exploration, Production and General Operational Risks**

The business of exploration for and production of oil, gas and other hydrocarbon resources involves a high degree of risk. In particular, the operations of the Company may be disrupted, curtailed or cancelled as a result of a variety of risks and hazards which are

beyond the control of the Company including technical failures, environmental hazards, industrial accidents, occupational and health hazards, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.

Delays in the construction and commissioning of projects or other technical difficulties may result in the Company's current or future projected target dates for production being delayed and capital expenditures in excess of those estimated being required.

Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though they yield some oil, are not sufficiently productive to justify commercial development or to cover operating and other costs.

### **Exploration, Production and Other Licences**

The Company's exploration, production, and processing activities are dependent upon the agreements with third parties and the grant and maintenance of appropriate licences, concessions, leases, permits and regulatory consents ("**Authorizations**") which may not be renewed, renewable, extended or granted, or may be withdrawn, or made subject to limitations. Although the Company believes that the Authorizations will be granted, extended or renewed (as the case may be), there can be no assurance that such Authorizations will be renewed or granted, or that the terms and costs of such grants, extensions or renewals will be economic or on terms that the Company can achieve.

The land areas covered by the Authorizations are or may be subject to agreements with the proprietors of the land. If such agreements are terminated, found void or otherwise challenged, the Company may suffer significant damage through the loss of opportunity to identify and extract oil on any property covered by such agreements.

### **Title to Properties**

Title to hydrocarbon interests is often not capable of conclusive determination without incurring substantial expense. The Company conducts such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties and conducts an extensive title review of a particular area prior to commencement of drilling. However, there can be no assurance of title. Title may be subject to unregistered liens and other defects which, if affecting a core area, could have a material adverse effect on the Company, its financial condition, results of operations and prospects.

### **Governmental Regulations and Processing Licences**

Governmental approvals, licences and permits are subject to the discretion of the applicable governments or governmental agencies and offices. The Company must comply with known standards, existing laws and regulations. New laws and regulations, amendments to existing

laws and regulations or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Company's results of operations, financial condition and prospects.

### **Reserve and Resource Estimates**

The reserves presented in the Company's RPS F1 and D&M F1 are derived from the calculations and estimates reported in the following NI 51-101 reports titled:

- Evaluation of Patos Marinza (Albania) Reserves and Resources as at December 31, 2009 by RPS and dated March 19, 2010, with an effective date of December 31, 2009; and
- "Appraisal Report as of December 31, 2009 on the Kuçova Property owned by Sherwood International Petroleum Ltd., a wholly owned subsidiary of Bankers Petroleum Ltd. in Albania" by D&M and dated February 12, 2010, with an effective date of December 31, 2009.

Actual production, revenues, expenditures and future cash flow with respect to such reserves will vary from these estimates, and those variances may be material. There are many factors, assumptions and variables involved in estimating reserves some of which are referred to in the RPS F1 and D&M F1 incorporated by reference herein, many of which are beyond the Company's control and over time, may prove to be incorrect. Any material variation could have an adverse effect on the Company's financial condition and results of operations.

### **Reserves Depletion**

The Company's future petroleum reserves, production and cash flow will depend upon the Company's success in acquiring additional reserves. Failure to add reserves by acquiring or developing them will result in reserves and production declining over time.

### **Foreign Operations**

All of the Company's current activities and assets are conducted and located in Albania. Albania commenced the transition from a communist regime to a modern open-market economy in 1992, with an extensive program of privatization in progress. While that transition has brought greater economic stability to the country, significant challenges still exist. Albania is not yet a member of the European Union or the North Atlantic Treaty Organization and the country is heavily dependent on foreign investment due to its large trade deficit. Albania's energy and transportation infrastructure is in need of significant investment, to add to the Albanian government's recent embarkation on a major program of road and rail rehabilitation and construction. While the government of Albania encourages direct financial investment to aid the country's economic development, it provides little by way of tax, financial or other incentives.

There is no assurance that future political and economic conditions in Albania will not result in the government adopting different policies in relation to foreign development and ownership of petroleum resources. Any such changes in policy may result in changes to

laws affecting the ownership of assets, cancellation or modification of contractual rights, foreign exchange restrictions, taxation, rates of exchange, environmental protection, labour relations, repatriation of income, return of capital, nationalization, expropriation, and other areas, any of which could adversely affect both the Company's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, and its ability to continue to explore and profitably develop those properties in respect of which it has obtained exploration and development rights to date.

### **Delays in Production, Marketing and Transportation**

Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Company's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify construction of the necessary transportation and production facilities. The Company's inability to complete wells in a timely manner would result in production delays. Because there is less developed infrastructure in some areas in which the Company holds its interests, the Company is subject to the risk that building of the necessary infrastructure will not be timely. In addition, marketing demands, which tend to be seasonal, may reduce or delay production from wells. The marketability and price of oil that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. The Company is also subject to deliverability uncertainties related to the proximity of its reserves to adequate pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and many other aspects of the petroleum business.

### **Environmental Protection**

While the Company considers the risk of environmental liability to be low based on its due diligence and on past operations on the properties, there is no assurance that a significant liability will not be discovered and such an event could have a material adverse effect on the Company's financial condition, results of operations and prospects.

### **Decommissioning Costs**

The Company may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it may use for production of oil. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as "decommissioning". There are no immediate plans to establish a cash reserve account for these potential costs. Rather, the costs of decommissioning are expected to be paid from the proceeds of production in accordance with the practice generally employed in onshore and offshore oilfield operations. Bankers makes a provision for asset retirement obligations in the financial statements in accordance with Canadian generally accepted accounting principles; however, there is no requirement to set up cash reserves. Should decommissioning be required, the costs of decommissioning may exceed the value of hydrocarbon reserves remaining at any particular time to cover such decommissioning costs. The Company may have to draw on funds from other sources to satisfy such costs. The use

of other funds to satisfy such decommissioning costs could have a materially adverse effect on the Company's financial position and future results of operations.

### **Litigation**

Legal proceedings, claims or alleged claims may arise from time to time in the course of the Company's business and operations. There have been a number of cases where the rights and privileges of petroleum companies have been the subject of litigation. The Company cannot predict whether such litigation may be brought against the Company in the future from time to time or that it may be subject to any other form of litigation or claim.

### **Labour**

The Company is dependent on local labour to carry out site work in its licensed areas in Albania. The Company has directly employed local workers and is subject to local labour laws. While the Company has not been materially adversely affected by any labour related developments or industrial action in the past, there can be no assurance that such developments or actions may not occur in the future. Such occurrences may have a material adverse impact on the business, operations, prospects and financial performance of the Company.

### **Uninsured Risks**

The Company, as a participant in hydrocarbon extraction projects, may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other commercial reasons. The Company may incur liabilities to third parties (in excess of any insurance coverage) arising from pollution or other damage or injury. There can be no assurance that the Company will be able to obtain insurance at reasonable rates (or at all) or that any coverage it obtains will be adequate and available to cover any such claims.

### **Reliance on Third Party Operators and Key Personnel**

To the extent that the Company is not the operator of its properties, the Company will be dependent upon other guarantors or third parties' operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, the Company's success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel will assist in the expansion of the Company's business. The Company faces significant competition for skilled personnel. There is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

### **Cost of New Technologies**

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other petroleum companies may have greater financial, technical and personnel resources that allow them to

enjoy technological advantages and may in the future allow them to implement new technologies before the Company does. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, the Company's business, financial condition and results of operations could be materially adversely affected.

### **Conflicts of Interest**

Certain of the directors of the Company may have associations with other petroleum companies or with other industry participants with whom the Company does business. The directors of the Company are required by applicable corporate law to act honestly and in good faith with a view to the Company's best interests and to disclose any interest which they may have in any project or opportunity to the Company. However, their interests in the other companies may affect their judgment and cause such directors to act in a manner that is not necessarily in the best interests of the Company.

## **DIVIDENDS**

The Company has not paid any dividends on its common shares. Any decision to pay dividends on common shares in the future will be made by the board of directors on the basis of the earnings, financial requirements and other conditions existing at such time.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Common Shares**

The authorized share structure of the Company consists of an unlimited number of common shares without par value. The holders of the common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each common share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the common shares, subject to the prior rights, if any, of the holders of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

On July 30, 2008, the common shares began trading on the TSX on a one (1) for three (3) consolidated basis pursuant to the Arrangement.

As at December 31, 2009 and March 22, 2010 there were 228 million and 230 million common shares in the capital of the Company issued and outstanding, respectively.

### **Share Purchase Warrants - Listed**

An aggregate of 6,007,143 (on a post-Consolidation basis) common share purchase warrants (the “**2012 Warrants**”) were issued pursuant to the terms of an indenture dated effective March 1, 2007 (the “**2012 Warrant Indenture**”). Each 2012 Warrant entitles the holder to acquire one previously unissued common share at a subscription price of CAD\$2.37 per common share (on a post-Consolidation basis) at any time prior to 4:30 p.m. (local time in Calgary) on March 1, 2012. The 2012 Warrants are listed for trading on the TSX under the symbol “BNK.WT.A”. At December 31, 2009 and March 22, 2010, there were approximately 5 million 2012 Warrants outstanding.

All rights under the 2012 Warrants in respect of which the right of exercise and purchase has not been exercised, cease and terminate after 4:30 p.m. (local time in the city of Calgary) on March 1, 2012. The 2012 Warrants can be transferred in the form of a transfer endorsement on the warrant certificate or by any form of transfer approved by the Trustee under the 2012 Warrant Indenture. The Company is entitled and may direct the Trustee to refuse to recognize any transfer, or enter the name of any transferee of any 2012 Warrant on the register of holders if such transfer would constitute a violation of the securities laws of any jurisdiction or rules, regulations or policies of any regulatory authority having jurisdiction. The subscription rights in respect of the 2012 Warrants are subject to adjustment as set out in the 2012 Warrant Indenture in certain circumstances, including a subdivision, redivision or change of outstanding common shares into a greater number of shares, a reduction, combination or consolidation of the outstanding common shares into a smaller number of shares; and the issue of common shares or securities exchangeable for or convertible into common shares at no additional cost to the holders of all or substantially all of the outstanding common shares by way of a stock dividend or other distribution. The 2012 Warrants do not confer on the holder any rights to vote at meetings of the shareholders of the Company.

### **Share Purchase Warrants – Unlisted**

An aggregate of 1,466,667 (on a post-Consolidation basis) common share purchase warrants (the “**2010 Warrants**”) were issued on November 14, 2007. Each 2010 Warrant entitles the holder to acquire one previously unissued common share at a subscription price of CAD\$2.63 per common share (on a post-Consolidation basis) at any time prior to 5:00 pm (local time in Calgary) on November 14, 2010. The 2010 Warrants are not listed for trading on the TSX. As at December 31, 2009 and March 22, 2010, there were 1,266,667 and 233,333 2010 Warrants outstanding, respectively. The 2010 Warrants are not transferable.

The Company is entitled to refuse to recognize any transfer, or enter the name of any transferee of any 2010 Warrant on the register of holders if such transfer would constitute a violation of the securities laws of any jurisdiction or rules, regulations or policies of any regulatory authority having jurisdiction. The subscription rights in respect of the 2010 Warrants are subject to adjustment as set out in the certificates representing those Warrants in certain circumstances, including a subdivision, redivision or change of outstanding common shares into a greater number of shares, a reduction, combination or consolidation of the outstanding common shares into a smaller number of shares and the issue of common

shares or securities exchangeable for or convertible into common shares at no additional cost to the holders of all or substantially all of the outstanding common shares by way of a stock dividend or other distribution. The 2010 Warrants do not confer on the holder any rights to vote at meetings of the shareholders of the Company.

### **Stock Options**

The Company's stock option plan (the "**Plan**") permits grants of stock options to directors, officers, employees and service providers as additional compensation and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options do not confer on the holder any rights to vote at a meeting of the shareholders of the Company. The number of shares subject to each stock option is determined by the Board of Directors (or Compensation Committee) provided that the Plan, together with all other previously established or amended and restated share compensation arrangements, may not result in:

- (a) the number of common shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the issued and outstanding common shares;
- (b) the issuance, to insiders of the Company, of a number of common shares of the Company exceeding, within a one year period, 10% of the issued and outstanding common shares; or
- (c) the issuance, to any one insider of the Company and such insider's associates, of a number of common shares of the Company exceeding, within a one year period, 5% of the issued and outstanding common shares.

The maximum number of common shares that may be issued pursuant to stock options granted under the Plan, unless otherwise approved by shareholders, is 10% of the issued and outstanding common shares at the time of the grant. Any increase in the issued and outstanding common shares, including as a result of exercises of stock options, will result in an increase in the available number of common shares issuable under the Plan.

The exercise price of an option may not be set at less than the closing market price of the common shares of the Company on the TSX on the trading day immediately preceding the date of grant of the option. The options may be exercisable for a period of up to ten years, such period and any vesting schedule to be determined by the Board of Directors (or Compensation Committee) of the Company, and are non assignable, other than pursuant to a will or by the laws of descent and distribution. Unvested options shall be immediately exercisable in the event of a take over bid or change of control, as defined in the Plan. As at December 31, 2009 and March 22, 2010, there were an aggregate of 13 million and 15 million stock options outstanding, respectively.

## MARKET FOR SECURITIES

### Market

The common shares are listed and trade on the TSX and AIM, under the symbols “BNK”. The 2012 Warrants are listed on the TSX under the symbol “BNK.WT.A” but are not admitted to trading on AIM. The 2010 Warrants are not listed for trading on any stock exchange.

### Trading Prices and Volumes

The following table sets forth the trading price and volume of the common shares, on a monthly basis, on the TSX during the most recently completed financial year:

Month	High	Low	Close	Volume
December 2009	\$6.67	\$5.07	\$6.22	32,191,251
November 2009	\$5.24	\$4.65	\$5.24	26,013,391
October 2009	\$5.43	\$4.27	\$4.74	44,920,478
September 2009	\$4.76	\$3.76	\$4.73	74,167,105
August 2009	\$4.10	\$2.92	\$3.95	72,893,828
July 2009 <sup>(1)</sup>	\$3.11	\$1.57	\$3.01	72,483,509
June 2009	\$2.43	\$1.86	\$1.99	47,821,007
May 2009	\$2.25	\$1.70	\$2.22	65,694,861
April 2009	\$2.07	\$1.60	\$1.68	72,660,384
March 2009	\$2.04	\$1.27	\$1.76	49,234,175
February 2009	\$1.65	\$0.86	\$1.41	40,350,794
January 2009	\$0.97	\$0.63	\$0.93	23,825,334

The following table sets forth the trading price and volume, on a monthly basis, of the 2012 Warrants on the TSX for the most recently completed financial year:

Month	High	Low	Close	Volume
December 2009	\$4.25	\$2.95	\$4.10	108,472
November 2009	\$3.07	\$2.62	\$3.07	314,431
October 2009	\$3.30	\$2.30	\$2.60	344,489
September 2009	\$2.63	\$1.75	\$2.56	1,418,159
August 2009	\$2.15	\$1.11	\$1.92	310,828
July 2009	\$1.35	\$0.54	\$1.25	217,949
June 2009	\$0.91	\$0.59	\$0.70	103,900

Month	High	Low	Close	Volume
May 2009	\$0.79	\$0.46	\$0.77	203,107
April 2009	\$0.68	\$0.45	\$0.59	415,932
March 2009	\$0.74	\$0.40	\$0.55	2,072,481
February 2009	\$0.65	\$0.40	\$0.50	39,399
January 2009	\$0.55	\$0.35	\$0.55	5,333

### PRIOR SALES

During April and May 2009, a total of 25,143,800 common shares were issued pursuant to an underwritten prospectus offering and during fiscal 2009 an aggregate of 3,680,000 stock options were granted. In addition, an aggregate of 16.0 million common share purchase warrants were issued to IFC and EBRD in May 2009 and exercised on a one-for-one basis for common shares in July 2009 at an exercise price of \$1.50 per share.

Details of the options granted in the last fiscal year are as follows:

Number of Options	Exercise Price	Expiry Date
3,000,000	\$1.83	May 28, 2009 – May 27, 2014
680,000	\$5.10	November 17, 2009 – November 16, 2014

### DIRECTORS AND OFFICERS

#### Name, Occupation and Security Holding

The following table sets forth information with respect to all current directors and “executive officers” of the Company (as that term is defined in National Instrument 51-102) as of the date of this AIF, with each position and office held in the Company, and the period of service as a director of the Company (if applicable). Each director’s term of office expires at the next annual general meeting of shareholders.

Name, Position and Country of Residence	Principal Occupation During the Past 5 Years	Director Since
<b>Robert Cross</b> <sup>(1)(2)(3)(4)</sup> British Columbia, Canada Chairman (non executive), Director	Serves as independent director and, in some cases, non-executive Chairman of public companies principally in the resource sector; Non-Executive Chairman, Northern Orion Resources Inc. from July 2002 to October 2007.	June 4, 2004
<b>Abdel F. (Abby) Badwi</b> Alberta, Canada Director, President & Chief Executive Officer	Chief Executive Officer (“CEO”) of the Company since February 2008; President, CEO and Director of Rally Energy Corp. July 2005 to October 2007; self employed as consultant from January 2003 to	November 2, 2007

Name, Position and Country of Residence	Principal Occupation During the Past 5 Years	Director Since
	July 2005.	
<b>Jonathan Harris</b> <sup>(1)(2)(3)</sup> London, UK Director	Business Consultant, Genet Consulting Ltd. since February 2005. Chief Operating Officer, Tribeka Limited, a software distribution and retail company based in London, England, May 2000 to January 2005	June 4, 2004
<b>John B. Zaozirny</b> <sup>(3)</sup> Alberta, Canada Director	Corporate Director and Vice Chairman, Canaccord Financial Inc. since 1996. Counsel, McCarthy Tétrault LLP from 1987 to 2008.	August 4, 2004
<b>Eric Brown</b> <sup>(1)(2)(4)</sup> British Columbia, Canada Director	President, E.M.Brown Consulting Corporation, June 2007 to present; Senior Vice President, Tamarack Capital Advisors Inc. and Partner, Meyers Norris Penny LLP, 2002 to June 2007; Regional Managing Partner, Alberta Advisory Services, Meyers Norris Penny LLP, March 2002 to May 2006.	February 16, 2006
<b>General Wesley Clark (retired)</b> <sup>(3)</sup> Little Rock, Arkansas, United States of America	Chief Executive Officer of Wesley K. Clark and Associates since 2004; General in the United States Army prior to June 2000.	June 27, 2008
<b>Phillip Knoll</b> <sup>(1)(4)</sup> Nova Scotia, Canada	President, Knoll Energy since 2005; Executive Vice President, Duke Energy from March 2002 to July 2005.	June 27, 2008
<b>Douglas C. Urch</b> Alberta, Canada Executive Vice President, Finance & Chief Financial Officer	Vice President, Finance and Chief Financial Officer of the Company since February 2008. Vice President, Finance and Chief Financial Officer, Rally Energy Corp., September 2000 to January 2008; President of Perpetual Ventures Inc., May 2004 to present.	Not Applicable
<b>Ian McMurtrie</b> Alberta, Canada Executive Vice President, Exploration & Development	Vice President, Exploration & Development of the Company since February 2008. Vice President, Exploration, Rally Energy Corp., July 2004 to January 2008; President, Cawdor Investments, January 1991 to present; President, Raptor Capital Corporation, March 1998 to July 2004.	Not Applicable
<b>Eugene Christensen</b> Alberta, Canada Vice President, Engineering	Vice President Engineering of the Company since September 2006; Vice President Engineering, Flagship Energy Inc., April 2005 to May 2006; President, Blue Raven Consulting Inc., June 1996 to May 2006.	Not Applicable
<b>Suneel Gupta</b> Alberta, Canada Vice President, Production & Operations	Vice President, Production & Operations since October 2007; President & General Director Bankers Albania, March 2006 to September 2007; Acting Project Director and Technical Director Bankers Albania, June 2004 to February 2006. Production Operations Manager, Anglo Albanian Petroleum Ltd., April 2003 to March 2004.	Not Applicable
<b>Leonidha Çoba</b> Albania	Vice President & Deputy General Director, Albania since July 2009. Vice President, Vice	Not Applicable

Name, Position and Country of Residence	Principal Occupation During the Past 5 Years	Director Since
Vice President & Deputy General Director, Albania	President & Deputy General Director of Bankers Albania since July 2009. Production and Operations Director of Bankers Albania from March 2006 to June 2009. Deputy Technical Director of Bankers Albania from June 2004 to February 2006.	
<b>Richard Walter Pawluk</b> Alberta, Canada Corporate Secretary	Partner of the law firm McCarthy Tétrault LLP since January 2003.	Not Applicable

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance and Nomination Committee.
- (4) Member of the Reserves and HSE Committee.

**Control of Securities**

As at December 31, 2009, the directors and executive officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 9.2 million common shares of the Company, representing approximately 4% of the issued and outstanding common shares of the Company. On a fully diluted basis, the ownership of the Company from the directors and executive officers accounted for 8% as of December 31, 2009.

**Committees of the Board of Directors**

The committees of the board of directors of the Company and the directors serving on each of the committees are described below:

***Audit Committee***

The Audit Committee consists of Eric Brown (Chair), Robert Cross, Jonathan Harris and Phillip Knoll. The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on, and for reviewing reports from the Company’s auditors relating to the Company’s accounting and internal controls. See also “Audit Committee Information”.

***Compensation Committee***

The Compensation Committee consists of Robert Cross (Chair), Eric Brown and Jonathan Harris. The compensation committee determines overall compensation policies as well as the terms and conditions of service of (including the remuneration) for the President and other executive, and makes recommendations to the Board concerning the grant of options to officers.

### ***Corporate Governance and Nomination Committee***

The Company has established a Corporate Governance Committee which consists of Jonathan Harris (Chair), John Zaozirny, Wesley Clark and Robert Cross. The corporate governance committee is responsible for reviewing the procedures in place for ensuring compliance with appropriate standards of corporate governance by the Company. The committee is also responsible for reviewing the size and composition of the Board and for reviewing candidates nominated as directors.

### ***Reserves and HSE Committee***

The Reserves and Health, Safety & Environmental (“HSE”) Committee consists of Phillip Knoll (Chair), Eric Brown and Robert Cross. The purpose of the reserves committee is to assist the Board in carrying out its responsibilities with respect to annual and interim reviews of the Company’s oil reserves. The Committee will also assist the Board in carrying its responsibilities with respect to the development and implementation of an effective HSE Management System and ensure that the Company’s activities are planned and executed in a safe and responsible manner.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Ian McMurtrie was President of Raptor Capital Corporation, a company that had not maintained tier maintenance requirements for a TSX Venture Tier 2 issuer so the listing was transferred to the NEX Board of the TSX Venture Exchange. An order for suspending trading in that company’s shares was issued on May 8, 2007 as a result of a cease trade order by the Alberta Securities Commission for failing to file year end December 31, 2006 statements. A cease trade order was also issued by the British Columbia Securities Commission on May 17, 2007. The company was required to meet the tier requirements on or before August 8, 2007; the cease trade order was subsequently lifted and trading resumed once the company meet the requirements.

Mr. McMurtrie was director of Nickel Petroleum Resources, a company that on December 16, 2005 was subject to a Cease Trade Order in British Columbia and an interim Cease Trade Order in Alberta for failing to file financial statements. On December 16, 2005, the Alberta interim Cease Trade Order became final.

Other than as disclosed above, to the knowledge of the Company none of the Company’s directors or executive officers is, as at the date of this AIF, or has been, within ten years before the date of this AIF, a director, CEO or CFO of any company (including the Company) that:

- (a) was subject to an Order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and

which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

“**Order**” means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation and, in each case, that was in effect for a period of more than 30 consecutive days.

Abdel Badwi was a director of Carmanah Resources Ltd. (“**Carmanah**”) from April 1994 to May 2000 and President and Chief Operating Officer from April 1994 to December 1999. Subsequent to both his resignation as President and Chief Operating Officer in December 1999 and from the board in May 2000, Carmanah went into receivership.

General Wesley Clark (retired) was a director of Summit Logistics International, Inc. (“**SLI**”) from February 12, 2007 to December 14, 2007. On January 29, 2008, following General Clark’s resignation, SLI filed for Chapter 11 bankruptcy protection in the United States.

General Wesley Clark (retired) was a director of Nutracea, Inc. (“**Nutracea**”) from June 1, 2007 to October 19, 2009. On November 10, 2009, following General Clark’s resignation, Nutracea filed a voluntary petition for bankruptcy under Chapter 11 in the United States.

General Wesley Clark (retired) was a director of Adam Aircraft Industries (“**AAI**”) from January 2006 to October 2007. AAI ceased operations on February 11, 2008, subsequent to General Clark’s resignation and, on February 15, 2008, filed for Chapter 7 bankruptcy protection in the United States.

Other than as disclosed above, none of the Company’s directors or executive officers or, to the Company’s knowledge, any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, or
- (c) has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting and private companies or have significant shareholdings in other reporting and private companies and, to the extent that such other companies may participate in ventures in which Bankers may participate, or contract with Bankers such directors and officers of the Company may have a conflict of interest in negotiating and concluding terms of such ventures or contracts. From time to time, several such companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program.

It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In such circumstances, directors and officers of the Company who are also directors and officers of other companies involved in such a transaction may experience a conflict or potential conflict that could detract from their efforts on behalf of the Company. In the event of an actual or potential conflict of interest, a director who has such a conflict will abstain from voting on the matter and such director will not participate in negotiating and concluding terms of any proposed transaction.

Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company and to disclose any conflict of interest. The Company's Code of Ethics imposes similar obligations on officers and employees. See also "Risk Factors" and "Interest of Management in Material Transactions".

## **AUDIT COMMITTEE INFORMATION**

### **Audit Committee Charter**

The Company's Audit Committee has a charter in the form attached to this AIF as Schedule "A".

### **Composition of the Audit Committee**

The Audit Committee consists of four directors, namely Eric Brown (Chair), Robert Cross, Jonathan Harris and Phillip Knoll. All of the members of the Audit Committee are

independent and financially literate within the meaning of National Instrument 52-110 (“NI 52-110”).

### **Relevant Education and Experience**

The following is a description of the education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member:

#### ***Eric Brown (Chair)***

Mr. Brown is a Chartered Accountant with several years experience as a director of both private and public Canadian companies. He has served on public company audit committees in the past. Eric possesses over 27 years experience in the financial services industry.

#### ***Robert Cross***

Mr. Cross has more than 20 years of experience as a financier in the mining and oil & gas sectors. He is a co-founder and Non-Executive Chairman of Bankers Petroleum Ltd., Non-Executive Chairman of B2Gold Corp., co-founder and Chairman of Petrodorado Ltd., and until October 2007, was the Non-Executive Chairman of Northern Orion Resources Inc. Between 1996 and 1998, Mr. Cross was Chairman and Chief Executive Officer of Yorkton Securities Inc. From 1987 to 1994, he was a Partner, Investment Banking with Gordon Capital Corporation in Toronto. He has an Engineering Degree from the University of Waterloo, and received his MBA from Harvard Business School in 1987.

#### ***Jonathan Harris***

Mr. Harris has over 20 years of international experience in a senior management capacity with various companies and currently runs his own consulting business in London, UK. As well as being a director of a number of privately held companies he has served on the boards of Eastern Platinum Ltd and Hard Assets Inc. Mr Harris holds a degree in Chemical Engineering from the University of Natal (1983) and an MBA from the London Business School (1992).

#### ***Phillip Knoll***

Mr. Knoll has over 30 years of varied experience in the energy sector, primarily related to energy infrastructure businesses. Mr. Knoll has held leadership roles in the development, acquisition, implementation and operation of businesses across the natural gas value chain. He is a graduate of St. Francis Xavier University and the Technical University of Nova Scotia (P.Eng).

### **Reliance on Certain Exemptions**

At no time since the commencement of the year ended December 31, 2009 has the Company relied on any of the following exemptions in NI 52-110: in Section 2.4 (De Minimis Non audit Services), Section 3.2 (Initial Public Offerings); Section 3.3(2) (Controlled

Companies); Section 3.4 (Events Outside Control of Member); Section 3.5 (Death, Disability or Resignation of Audit Committee Member); Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances); or Section 3.8 (Acquisition of Financial Literacy). At no time since the commencement of the year ended December 31, 2009 has the Company relied on an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (Exemptions).

### **Audit Committee Oversight**

At no time since the commencement of the year ended December 31, 2009 was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the board of directors of the Issuer.

### **Pre Approval Policies and Procedure**

The Audit Committee has adopted specific policies and procedures for the engagement of non audit services as set out in section 11 of the Audit Committee Charter.

### **External Auditor Services Fees (By Category)**

The aggregate fees billed by the Company's external auditors in the 12 months ended December 31, 2009 and 2008 are as follows:

<b>Fiscal Year</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2009	\$172,000	\$35,000	\$12,800	\$Nil
2008	\$183,000 <sup>(1)</sup>	\$25,000 <sup>(2)</sup>	\$25,000 <sup>(3)</sup>	\$Nil

#### **Notes:**

- (1) Quarterly Review - \$36,000 (2008), Audit of the consolidated financial statements of BNK (Plan of Arrangement – June/July 2008)- \$37,000
- (2) Testing of internal control over financial reporting - \$25,000
- (3) US spin off, foreign tax credit and withholding tax - \$9,750

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

The Company and its properties are not subject to any legal proceedings, nor are any proceedings known to be contemplated that involves a claim for damages that exceeds 10% of the current assets of the Company.

### **Regulatory Actions**

There are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year and up to the date of this AIF; (b) other penalties or

sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year and up to the date of this AIF.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

John Zaozirny, a director of the Company, is also a director of Canaccord Capital Inc., the parent of Canaccord Capital Corporation (“**Canaccord**”) which acted as co agent in connection with a brokered private placement of units completed by the Company in November, 2004, as lead underwriter in connection with a further private placement of common shares by the Company in March, 2005, as lead underwriter in connection with the public offering of common shares by the Company in March 2006, a public offering of units of the Company in March 2007, a private placement offering of units of the Company in February 2008 and a public offering of common shares in May 2009. Canaccord received a cash commission on the gross proceeds it raised in connection with each private placement, public offering and compensation options in connection with the November 2004 private placement. Mr. Zaozirny did not receive any direct benefit from the compensation paid to Canaccord, did not participate in any negotiations in respect of the financings and abstained from all discussion and voting on the transactions.

Except as disclosed in this AIF, to the knowledge of the Company no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company.

### **TRANSFER AGENTS AND REGISTRARS**

The transfer agent and registrar for the common shares is Alliance Trust Company located at 450, 407-2<sup>nd</sup> Street SW, Calgary, Alberta T2P 2Y3 and the trustee and warrant agent for the 2012 Warrants is Computershare Trust Company of Canada, located at 600, 530 – 8th Avenue SW, Calgary, Alberta T2P 3S8.

### **MATERIAL CONTRACTS**

The following list sets forth each material contract of the Company that was entered into within the last financial year of the Company or before the last financial year but is still in effect, and that is required to be filed under section 12.2 of NI 51-102 or would be required to be filed under section 12.2 of NI 51-102 but for the fact that it was previously filed:

2. Patos Marinza License Agreement described under “Summary Description of Business” and “Narrative Description of Business – Description of Properties – Albania”.

3. Patos Marinza Petroleum Agreement described under “Summary Description of Business” and “Narrative Description of Business – Description of Properties – Albania”.
4. Crude Oil Marketing Agreement between Bankers Albania and ARMO Sh.A. described under “Narrative Description of Business – Description of Properties – Albania”.
5. Amended and Restated Facility Agreement between Bankers Albania and Raiffeisen Bank Sh.A. – November 19, 2009
6. Kuçova License Agreement described under “Summary Description of Business” and “Narrative Description of Business – Description of Properties – Albania”.
7. Kuçova Petroleum Agreement described under “Summary Description of Business” and “Narrative Description of Business – Description of Properties – Albania”.
8. \$60 million Loan and Guarantee Agreement between Bankers Jersey as borrower, Bankers and Bankers Albania as guarantors and European Bank for Reconstruction and Development – November 19, 2009.
9. \$60 million Loan and Guarantee Agreement between Bankers Jersey as borrower, Bankers and Bankers Albania as guarantors and International Finance Corporation – November 19, 2009.

## **INTERESTS OF EXPERTS**

### **Names of Experts**

RPS prepared the report entitled “Evaluation of Patos Marinza (Albania) Reserves and Resources as at December 31, 2009, dated March 19, 2010, with an effective date of December 31, 2009.

D&M prepared the report entitled “Appraisal Report as of December 31, 2009 on the Kuçova Property owned by Sherwood International Petroleum Ltd., a wholly owned subsidiary of Bankers Petroleum Ltd. in Albania”, dated February 12, 2010, with an effective date of December 31, 2009.

### **Interests of Experts**

To the knowledge of the Company, none of the experts named under “Names of Experts”, at the time of preparing the applicable statement or report, held or has received or will receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company’s associates or affiliates in connection with the preparation or certification of any statement, report or valuation prepared by such person.

## **Auditors**

KPMG LLP Chartered Accountants, of 2700, 205 – 5th Avenue SW, Calgary, AB T2P 4B9, is the independent auditor of the Company. KPMG LLP has advised the Company that it is independent with respect to the Company within the meaning of the rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Information Circular for its most recent annual general meeting of security holders that involved the election of directors.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2009.

## SCHEDULE “A” - AUDIT COMMITTEE CHARTER

### I. Mandate

The primary function of the audit committee (the “**Committee**”) is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting, and the Company’s auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s financial reporting and internal control system and review the Company’s financial statements.
- Review and appraise the performance of the Company’s external auditors.
- Provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board of Directors.

### II. Composition

The Committee shall be comprised of three directors as determined by the Board of Directors, all of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

### III. Meetings

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

### IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

#### Documents/Reports Review

1. Review and update this Charter annually.
2. Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### **External Auditors**

3. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
4. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.
5. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
6. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
7. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
8. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

9. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
10. Review with management and the external auditors the audit plan for the year end financial statements and intended template for such statements.
11. Review and pre approve all audit and audit related services and the fees and other compensation related thereto, and any non audit services, provided by the Company's external auditors. The pre approval requirement is waived with respect to the provision of non audit services if:
  - i) the aggregate amount of all such non audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non audit services are provided;
  - ii) such services were not recognized by the Company at the time of the engagement to be non audit services; and
  - iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre approval of the non audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

### **Financial Reporting Processes**

12. In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
13. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
14. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
15. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

16. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
17. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
18. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
19. Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
20. Review certification process.
21. Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
22. Become familiar with International Financial Reporting Standards (IFRS).

**Other**

23. Review any related party transactions.

V. Annual Work Plan

	<u>Spring</u>	<u>Fall</u>
Review audit plan and year end statements template	<input type="checkbox"/>	<input type="checkbox"/>
Review accounting systems and procedures	<input type="checkbox"/>	<input type="checkbox"/>
Review auditors' letter of recommendation	<input type="checkbox"/>	<input type="checkbox"/>
Review financial and accounting human resources	<input type="checkbox"/>	<input type="checkbox"/>
Review Committee's charter and membership	<input type="checkbox"/>	<input type="checkbox"/>
Review and recommend year end financial statements	<input type="checkbox"/>	<input type="checkbox"/>
Review MD&A	<input type="checkbox"/>	<input type="checkbox"/>
Review external auditors' work, independence and fees	<input type="checkbox"/>	<input type="checkbox"/>
Recommend auditors for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>

- |   |                          |                          |
|---|--------------------------|--------------------------|
| Review and reassess the adequacy of the Code of Ethics for Financial Reporting Officers | <input type="checkbox"/> | <input type="checkbox"/> |
| Review any proposed prospectus filings or similar filings                               | <input type="checkbox"/> | <input type="checkbox"/> |

This Audit Committee Charter was adopted by the Board of Directors of the Company on the 29th day of June, 2005.

By order of the Board of Directors

**BANKERS PETROLEUM LTD.**