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For Immediate Release

BANKERS PETROLEUM ANNOUNCES 2009 FINANCIAL RESULTS

Provides Outlook for 2010

CALGARY, March 22, 2010 – Bankers Petroleum Ltd. (“Bankers” or the “Company”) (TSX: BNK, AIM: BNK) is pleased to provide its 2009 Financial Results.

During 2009, Bankers continued to be committed to its strategic priorities of:

- Increasing reserves and production in the Patos Marinza oilfield in Albania;
- Maintaining a strong balance sheet by controlling debt and managing capital expenditures.

In response to volatility in commodity prices in 2009, Bankers adjusted its capital programs accordingly with minimal activities in the first half and a resumption to normalized levels in the second half. The capital spending adjustments and equity financing completed in 2009 kept the Company’s balance sheet strong.

Despite this reduced capital program, the Company continued to grow its Albanian reserves, production and acreage holdings and was successful in achieving the following results:

Results at a Glance (\$000, except as noted)

	2009	2008
Oil revenue	86,614	110,253
Net operating income	31,496	51,141
Net loss	150	1,587
Fund generated from operations	25,422	41,713
Capital expenditures	38,324	78,378
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	December 31	
	2009	2008
Cash and deposits	68,270	20,107
Working capital (deficiency)	75,414	(7,387)
Total assets	304,820	214,675
Bank loans	28,085	28,125
Shareholders' equity	213,960	125,358
Average production (bopd)	6,438	5,875
Average price (\$/barrel)	36.86	51.27
Netback (\$/barrel)	13.40	23.78

- Average production at Patos Marinza increased 10% to 6,438 bopd from 5,875 bopd in 2008. Exit production at year-end 2009 was 8,100 bopd as compared to 6,960 bopd at year-end 2008.
- Reserves in Albania increased at all levels: a 21% increase in Original-Oil-in-Place assessment to 6 billion barrels from 5 billion barrels, a 19% increase to 214 million barrels of proved plus probable reserves and a 36% increase to 422 million barrels of proved, probable and possible reserves. Additionally, the Company's independent reservoir engineers assigned contingent and prospective resource oil estimates of 838 million and 384 million barrels, respectively.
- In July 2009, Bankers resumed its horizontal drilling program to build on the success of its first horizontal well drilled in December 2008. A total of 10 horizontal wells were drilled and completed in 2009.
- Bankers marketing efforts in 2009 resulted in achieving an average sales price of 60% of the Brent oil price, as compared to 53% in 2008. The netback, after royalties, operating, sales and transportation costs, for the fourth quarter of 2009 represented 42% of the average sales price, a significant increase from 19% in the fourth quarter of 2008.
- Bankers exited 2009 with working capital of \$75 million, inclusive of a cash position of \$68 million. At December 31, 2009, the Company had drawn \$28 million of its \$141 million credit facilities.
- In July 2009, Bankers commenced export operations from the new Port of Vlore export terminal. This facility significantly enhances the Company's export operations, provides 80,000 barrels of storage capacity and plays a key role in Bankers' production growth and additional export capacity.
- In December 2009, the main terms and conditions for a petroleum agreement for the Block "F" exploration acreage application was accepted by the National Agency of Natural Resources ("AKBN"). The area contains several seismically defined structural and amplitude anomalies prospective for oil and natural gas.

OUTLOOK

For 2010, the Company will remain focused on achieving its priorities and implementation of its capital programs in Albania:

- In January 2010, a second drilling rig commenced drilling in the Patos Marinza oilfield and a third rig is being sourced to start drilling in the fourth quarter of 2010. The Company plans to drill 52 horizontal and 4 vertical wells in 2010.
- An additional 80,000 barrels storage capacity will be ready by year-end at the Vlore export terminal. Phase one, a 14 kilometre oil pipeline connecting the field by rail to the export terminal, is underway and is expected to supplement current truck transport capacity of 15,000 barrels per day with an additional 9,500 barrels per day through rail transport by early 2011. Phase two, a 30 kilometre, 70,000 barrels per day pipeline connecting the field to the export terminal, is planned for construction start in late 2011.
- Quantifying Contingent and Prospective resources at Patos Marinza validates the Company's plans for a thermal pilot proposed for the 2010 capital program. A water flood program is also planned for the Kuçova oil field. Success of such initiatives can lead to the conversion of significant volumes of these resources to recoverable reserves and the subsequent implementation of a commercial field expansion in 2012 and beyond.
- Bankers expects to fund the \$152 million 2010 capital program using funds generated from operations, existing cash resources and a portion of its unutilized \$110 million credit facilities.

- Current production is approximately 9,000 bopd and the Company expects to release its first quarter 2010 operations update on April 7, 2010. Bankers projects year-end production targets of 15,000 bopd for 2010 and 24,000 bopd for 2011.
- Standard & Poor's completed their quarterly review and announced that, effective March 22, 2010, Bankers Petroleum Ltd. will be included in the S&P/TSX Energy Index.

Caution Regarding Forward-looking Information

Information in this news release respecting matters such as the expected future production levels from wells, future prices and netback, work plans, anticipated total oil recovery of the Patos Marinza and Kuçova oil fields constitute forward-looking information. Statements containing forward-looking information express, as at the date of this news release, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and are believed to be reasonable based on information currently available to the Company.

Exploration for oil is a speculative business that involves a high degree of risk. The Company's expectations for its Albanian operations and plans are subject to a number of risks in addition to those inherent in oil production operations, including: that Brent oil prices could fall resulting in reduced returns and a change in the economics of the project; availability of financing; delays associated with equipment procurement, equipment failure and the lack of suitably qualified personnel; the inherent uncertainty in the estimation of reserves; exports from Albania being disrupted due to unplanned disruptions; and changes in the political or economic environment.

Production and netback forecasts are based on a number of assumptions including that the rate and cost of well takeovers, well reactivations and well recompletions of the past will continue and success rates will be similar to those rates experienced for previous well recompletions/reactivations/development; that further wells taken over and recompleted will produce at rates similar to the average rate of production achieved from wells recompletions/reactivations/development in the past; continued availability of the necessary equipment, personnel and financial resources to sustain the Company's planned work program; continued political and economic stability in Albania; approval of the Addendum to the Plan of Development; the existence of reserves as expected; the continued release by Albpetrol of areas and wells pursuant to the Plan of Development and Addendum; the absence of unplanned disruptions; the ability of the Company to successfully drill new wells and bring production to market; and general risks inherent in oil and gas operations.

Contingent resources disclosed herein represent those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Prospective resources disclosed herein represent those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations, by application of future development projects.

Forward-looking statements and information are based on assumptions that financing, equipment and personnel will be available when required and on reasonable terms, none of which are assured and are subject to a number of other risks and uncertainties described under "Risk Factors" in the Company's Annual Information Form and Management's Discussion and Analysis, which are available on SEDAR under the Company's profile at www.sedar.com.

There can be no assurance that forward-looking statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers should not place undue reliance on forward-looking information and forward looking statements.

Review by Qualified Person

This release was reviewed by Abdel F. (Abby) Badwi, President & CEO of Bankers Petroleum Ltd., who is a "qualified person" under the rules and policies of AIM in his role with the Company and due to his training as a professional petroleum geologist (member of APEGGA) with over 40 years experience in domestic and international oil and gas operations.

About Bankers Petroleum Ltd.

Bankers Petroleum Ltd. is a Canadian-based oil and gas exploration and production company focused on developing large oil and gas reserves. In Albania, Bankers operates and has the full rights to develop the Patos Marinza heavy oil field and has a 100% interest in the Kuçova oil field. Bankers' shares are traded on the Toronto Stock Exchange and the AIM Market in London, England under the stock symbol BNK.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis (MD&A) of Bankers Petroleum Ltd.'s (Bankers or the Company) operating and financial results for the year ended December 31, 2009, compared to the preceding year, as well as information and expectations concerning the Company's outlook based on currently available information. The MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2009 and 2008, together with the notes related thereto. Additional information relating to Bankers, including its Annual Information Form (AIF), is on SEDAR at www.sedar.com or on the Company's website at www.bankerspetroleum.com. *All dollar values are expressed in U.S. dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles (GAAP).* The Company reports its heavy oil production in barrels.

This MD&A is prepared as of March 22, 2010.

NON-GAAP MEASURES

Netback per barrel and its components are calculated by dividing revenue, royalties, operating and sales and transportation expenses by the gross production volume during the period. Netback per barrel is a non-GAAP measure but it is commonly used by oil and gas companies to illustrate the unit contribution of each barrel produced.

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

Funds generated from operations include all cash from operating activities and are calculated before change in non-cash working capital. Reconciliation to the GAAP measure is as follows:

<i>(\$000s)</i>	2009	2008
Cash provided by operating activities	10,931	49,032
Change in non-cash working capital	14,491	(7,319)
Funds generated from operations	25,422	41,713

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers our assessment of the Company's future plans and operations as of March 22, 2010 and contains forward-looking information. Such information is generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Statements relating to "reserves" or "resources" are also forward-looking statements, 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. All such statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be

Management's Discussion & Analysis

given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date hereof.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- performance characteristics of the Company's oil and natural gas properties;
- crude oil production estimates and targets;
- the size of the oil and natural gas reserves;
- capital expenditure programs and estimates;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- 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 and in the Company's Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* (NI 51-101 Report), availability of funds for capital expenditures, a consistent and improving success rate for well re-completions at Patos Marinza, increasing production as contemplated by the Plan of Development (PoD), stable costs, availability of equipment and personnel when required, continuing favourable relations with Albanian governmental agencies and continuing strong demand for oil and natural gas.

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

- volatility in market prices for oil and natural gas;
- risks inherent in oil and gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- the Company's ability to hold existing leases through drilling or lease extensions;
- 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 costs of labour and equipment;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry.

The Company from time to time, updates its forward-looking information based on the events and circumstances that occurred during the period. As a consequence of the volatility in commodity prices in 2009, the Company has adjusted its capital expenditure program accordingly to ensure that capital expenditures are funded by cash provided by operations, cash on hand and its available credit facility.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS PROFILE

Bankers Petroleum Ltd. 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 an experienced technical team. All revenue is currently generated from its operations in Albania, which is located northwest of Greece in South Eastern Europe.

In Albania, Bankers operates and has the full rights to develop the Patos Marinza and Kuçova oilfields pursuant to License Agreements with the Albanian National Agency for Natural Resources (AKBN) and Petroleum Agreements with Albpetrol Sh.A (Albpetrol), the state owned oil and gas corporation. The licenses became effective in March 2006 and September 2009, respectively, each having a 25 year term with an option to extend at the Company's election for further five year increments. The Patos Marinza oilfield is the largest onshore oilfield in continental Europe, holding approximately 6 billion barrels of original-oil-in-place (OOIP).

OVERVIEW & SELECTED ANNUAL INFORMATION

Results at a Glance (<i>\$000s, except as noted</i>)	Year ended December 31		
	2009	2008	2007
<i>Financial</i>			
Oil revenue	86,614	110,253	61,289
Net operating income	31,496	51,141	31,956
Net loss	150	1,587	1,134
Basic and diluted loss per share	0.001	0.009	0.008
Funds generated from operations	25,422	41,713	24,033
Additions to property, plant and equipment	38,324	78,378	45,810
<i>Operating</i>			
Average production (bopd)	6,438	5,875	4,724
Average price (\$/barrel)	36.86	51.27	35.54
Netback (\$/barrel)	13.40	23.78	18.53
December 31			
	2009	2008	2007
Cash and deposits	68,270	20,107	2,599
Working capital (deficiency)	75,414	(7,387)	(9,605)
Total assets	304,820	214,675	204,295
Bank loans	28,085	28,125	30,805
Shareholders' equity	213,960	125,358	139,036

In 2009, like most oil and gas companies, Bankers faced various challenges and managed to adopt a series of measures in its battles against the volatile market. During the retrenchment in oil prices that persisted in the first quarter of 2009, Bankers continued its initiative of capital expenditure reduction by suspending its drilling program and reducing the number of operating service rigs. With the improvements in commodity prices and the Company's cash position, Bankers resumed its horizontal drilling program in July 2009, and by the end of 2009, had completed drilling 10 horizontal wells.

Management's Discussion & Analysis

In Albania, the average oil sales price received by the Company during the year was \$36.86 per barrel, reduced from \$51.27 per barrel in 2008, but improved from \$35.54 per barrel in 2007. Despite fluctuations in commodity prices, in 2009 the average oil price received by the Company represented approximately 60% of the Brent oil price, a marked improvement to 53% in 2008. Oil exports increased in 2009, facilitated by construction of the new export terminal brought on stream in July enabling the Company to add new refinery customers in regions further afield, thereby improving the price differential.

The 2009 netback was \$13.40 per barrel, down from \$23.78 per barrel in 2008 and \$18.53 per barrel in 2007, primarily as a result of global oil price changes, and higher average royalties and sales and transportation costs.

Consolidated capital expenditures were \$38.3 million in 2009 as compared to \$78.4 million in 2008 and \$45.8 million in 2007.

Shareholders' equity increased to \$214.0 million in 2009 from \$125.4 million in 2008 and \$139.0 million in 2007. The increase in shareholders' equity in 2009 was due to the new equity issue in May 2009 and exercises of warrants and options throughout the year.

Highlights

Bankers accomplished several key achievements during 2009:

- Average production increased 10% to 6,438 bopd from 5,875 bopd in 2008. Exit production at year-end 2009 was 8,100 bopd as compared to 6,960 bopd at year-end 2008.
- On May 7, 2009, Bankers completed a bought-deal equity issue with a syndicate of underwriters whereby 25,143,800 common shares of the Company were issued at CAD\$1.75 per share, generating gross proceeds of CAD\$44.0 million.
- On May 8, 2009, Bankers announced it had finalized a \$110.0 million reserve-based long-term credit facility with the International Finance Corporation (IFC), a member of the World Bank Group, and the European Bank for Reconstruction and Development (EBRD) to supplement the Company's existing credit facility with Raiffeisen Bank.
- In conjunction with the credit facility, IFC and EBRD each received warrants to purchase 8 million common shares of the company at a price of CAD\$1.50 per share. The warrants were exercised in July 2009 generating proceeds of CAD\$24.0 million.
- In July 2009, Bankers commenced export operations from the new Port of Vlore export terminal. This facility significantly enhances the Company's export operations, provides 80,000 barrels of storage capacity and plays a key role in Bankers' production growth and additional export capacity.
- The Company continues to maintain a strong balance sheet with cash of \$68.3 million and working capital of \$75.4 million at December 31, 2009 as compared to cash of \$20.1 million and a working capital deficiency of \$7.4 million at December 31, 2008.
- In July 2009, Bankers resumed its horizontal drilling program to build on the success of its first horizontal well drilled in December 2008. A total of 10 horizontal wells were drilled and completed in 2009. In January 2010, a second drilling rig, with a capacity to reach 3,000 meters total depth, commenced drilling in the Patos Marinza oilfield.
- In December 2009, the main terms and conditions for a petroleum agreement for the Block "F" exploration acreage application was accepted by the National Agency of Natural Resources ("AKBN"). The area contains several seismically defined structural and amplitude anomalies prospective for oil and natural gas.

- Reserves in Albania increased at all levels: a 21% increase in OOIP assessment to 6 billion barrels from 5 billion barrels, a 19% increase to 214 million barrels of proved plus probable reserves and a 36% increase to 422 million barrels of proved, probable and possible reserves. Additionally, the Company's independent reservoir engineers assigned contingent and prospective resource oil estimates of 838 million and 384 million barrels, respectively. The corresponding net present value (NPV) after tax (discounted at 10%) of the proved plus probable reserves increased by 51% to \$1.5 billion from \$1.0 billion.

GROWTH STRATEGY

Bankers' strategy is focused on petroleum assets that have long-life reserves with production growth potential. Employing its knowledge base and technical expertise, the Company is working to optimize its existing assets from the application of primary, secondary and enhanced oil recovery (EOR) extraction technologies, creating long-term value for shareholders. This will be accomplished through the attainment of its main objectives: increasing production, reserves, cash provided by operations and net asset value.

Bankers' strategic priorities are to:

- Increase reserves and production;
- Maintain a strong balance sheet by controlling debt and managing capital expenditures;
- Control costs through efficient management of operations;
- Pursue new and proven technology applications to improve operations and assist exploration endeavours;
- Expand infrastructure (pipelines, storage, treating capacity) to increase production capacity in a cost-effective manner.
- Explore undeveloped acreage to identify and create development opportunities;
- Maintain a strong focus on employee, contractor and community health and safety; and
- Manage environmental and social performance to minimize negative ecological impacts and ensure continued stakeholder support.

In pursuing the long-term growth strategy, Bankers is primarily focused on accessing the heavy oil upside from its Albanian assets, which includes the effective implementation of the Patos Marinza development plan as well as applying EOR and secondary extraction techniques to increase the field's recoverable reserves.

In addition, the Company's strategy involves identifying and acquiring other potential petroleum opportunities in Albania to increase overall value. During the year, Bankers applied for a petroleum agreement for Block "F" exploration acreage and the application has been approved by AKBN. The area contains several seismically defined structure and amplitude anomalies prospective for oil and natural gas.

With recent volatility in commodity prices, Bankers adjusted its capital programs in 2009 with an objective to remain self funding from cash provided by operations, cash on hand and available credit facilities. Strategic allocation of the work program and budget is designated to provide additional recoverable reserves at the Patos Marinza and Kuçova oilfields and still achieve an appropriate growth in production.

Key Performance Indicators

Key performance indicators relate to those factors that Bankers can directly affect, and are indicators of the Company's ability to provide long-term value to its shareholders. They include optimizing the cost of operations over time, improving exploration and development and increasing operational performance through technology and best practices. Key measurements include operating costs, production volumes and safety performance. These key performance indicators are continuously reviewed and monitored.

Management's Discussion & Analysis

In addition, strengthening relationships with employees, governments, communities and other stakeholders are important aspects of the business for Bankers. The effective management of these relationships allows the Company to tap into new growth opportunities and efficiently develop operations for the future.

CAPABILITY TO DELIVER RESULTS

Activity in the oil industry is subject to a range of external factors that are difficult to actively manage, including commodity prices, resource demand, regulator and environmental regulations and climate conditions. Bankers gives significant consideration to these factors and backs-up its strategy by employing and positioning necessary resources to deliver on its goals and commitment to increase value for shareholders. The Company focuses its capital on opportunities that provide the potential for the best returns. Comprehensive insurance policies are in place to help safeguard its assets, operations and employees. Relationships with stakeholders and key partners are carefully cultivated to assist in the Company's future development and growth. The experience of management and its technical team ensure that the Company can fulfill its commitment to deliver maximum value to its shareholders.

INDUSTRY & ECONOMIC FACTORS

Commodity price and foreign exchange benchmarks for the past two years are as follows:

	2009	2008
Brent average oil price (\$/barrel)	61.67	97.02
U.S./ Canadian dollar year-end exchange rate	1.0466	1.2246
U.S./ Canadian dollar average exchange rate	1.1420	1.0671

World crude oil prices have fluctuated significantly in 2009, averaging as low as approximately \$43 per barrel in early 2009, but strengthened during the course of the year, averaging close to \$75 per barrel in the fourth quarter of 2009.

In 2009, Bankers generated 82% of its crude oil revenue from sales to international markets. The remaining was sold to ARMO, a petroleum refinery in Albania. Both the domestic and international selling prices are based on the Brent oil price. For every \$1.00 per barrel change in Brent crude oil during 2009, the Company's revenues were impacted by approximately \$1.4 million on an annualized basis.

The fluctuation in Canadian dollar mirrored that of oil prices in 2009. The appreciation of Canadian dollar against its U.S. counterpart was most significant in the second part of 2009. At the year end of 2009, Canadian dollar increased 15% in value compared to December 31, 2008.

The fluctuations in the foreign exchange currencies impacted cash and some short-term investments that are denominated in Canadian dollars. The strengthening of the Canadian dollar after the May equity financing was largely responsible for a foreign exchange gain of \$4.6 million in 2009.

Significant Developments in 2009

Bankers accomplished several key achievements in 2009 despite the volatile commodity market. These events included capital reduction and cost cutting measures during the first quarter of the year; finalization of a \$110.0 million reserved-based long-term credit facility; completion of a bought-deal equity issue in May; issuance of warrants to IFC and EBRD; commencement of new Port of Vlore export terminal operations and the resumption of the horizontal drilling programs in the 3rd and 4th quarters of 2009.

During the retrenchment in commodity prices that persisted during the first quarter of 2009, Bankers continued its initiative of capital reduction by suspending its drilling program and reducing the number of operating

Management's Discussion & Analysis

service rigs. The Company also shut down low productivity wells as part of cost cutting measures. Consequently, the Company succeeded in enduring a difficult economic period with minimal balance sheet risks and remained self funding from cash provided from operations, cash on hand and available credit facilities.

On May 7, Bankers completed a bought-deal equity issue via prospectus with a syndicate of underwriters whereby 25,143,800 common shares of the Company were issued at CAD\$1.75 per share, generating gross proceeds of CAD\$44.0 million.

On May 8, Bankers announced it had finalized a \$110.0 million reserve-based long-term credit facility with IFC and EBRD to supplement the Company's existing credit facility with Raiffeisen Bank. In conjunction with the credit facility, IFC and EBRD each received warrants to purchase 8 million common shares of the company at a price of CAD\$1.50 per share. The warrants were exercised in July 2009 generating proceeds of CAD\$24.0 million.

In July 2009, Bankers commenced export operations from the new Port of Vlore export terminal. This facility significantly enhances the Company's export operations, provides 80,000 barrels of storage capacity and plays a key role in Bankers' production growth and additional export capacity.

In July 2009, Bankers resumed its horizontal drilling program to carry on its first successful horizontal well drilled in December 2008. A total of 10 horizontal wells have been drilled and completed in 2009. Subsequent to 2009, a second drilling rig with a capacity to reach 3,000 meters total depth commenced drilling its first well in Patos Marinza oilfield.

Management's Discussion & Analysis

QUARTERLY SUMMARY

Below is a summary of Bankers' performance over the last eight quarters.

(\$000s, except as noted)	2009									
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year	
	\$/bbl		\$/bbl		\$/bbl		\$/bbl		\$/bbl	
Average production (bopd)	5,864		6,383		6,258		7,234		6,438	
Oil revenue	13,052	24.73	20,107	34.63	23,441	40.71	30,014	45.10	86,614	36.86
Royalties	3,486	6.61	5,389	9.28	5,368	9.32	6,225	9.35	20,468	8.71
Sales and transportation	1,426	2.70	2,003	3.45	2,739	4.76	3,701	5.56	9,869	4.20
Operating expenses	5,512	10.44	5,748	9.90	6,083	10.56	7,438	11.18	24,781	10.55
Net operating income	2,628	4.98	6,967	12.00	9,251	16.07	12,650	19.01	31,496	13.40

(\$000s, except as noted)	2008									
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year	
	\$/bbl		\$/bbl		\$/bbl		\$/bbl		\$/bbl	
Average production (bopd)	5,218		5,826		5,880		6,561		5,875	
Oil revenue	24,676	51.96	34,157	64.36	33,543	62.08	17,877	29.63	110,253	51.27
Royalties	4,298	9.05	6,601	12.43	7,790	14.40	4,163	6.69	22,852	10.63
Sales and transportation	1,664	3.50	1,727	3.27	1,932	3.57	2,192	3.63	7,515	3.49
Operating expenses	5,706	12.02	7,693	14.03	7,503	13.32	7,843	13.54	28,745	13.37
Net operating income	13,008	27.39	18,136	34.63	16,318	30.79	3,679	5.77	51,141	23.78

(\$000s, except as noted)	2009					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	
	Financial					
Funds generated from operations		1,265	5,998	7,371	10,788	25,422
Net income (loss)		(2,492)	(1,679)	1,708	2,313	(150)
Basic and diluted earnings (loss) per share ⁽¹⁾		(0.014)	(0.009)	0.008	0.010	(0.001)
General and administrative		1,204	2,079	1,410	1,757	6,450
Total assets		210,674	257,689	292,212	304,820	304,820
Capital expenditures		2,835	6,126	12,104	17,259	38,324
Bank loans		26,948	32,651	31,355	28,085	28,085

(\$000s, except as noted)	2008					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	
	Financial					
Funds generated from operations		9,488	17,091	14,795	339	41,713
Net income (loss)		539	1,005	4,876	(8,007)	(1,587)
Basic and diluted earnings (loss) per share ⁽¹⁾		0.003	0.006	0.027/0.026	(0.044)	(0.009)
General and administrative		2,091	2,034	2,157	1,089	7,371
Total assets		272,469	315,631	216,978	214,675	214,675
Capital expenditures		13,764	17,101	25,502	22,011	78,378
Bank loans		30,218	29,004	27,583	28,125	28,125

⁽¹⁾ On July 30, 2008, the Company completed the consolidation of its shares on the basis of one (1) new post-consolidation share for each three (3) pre-consolidation shares. The computations of basic and diluted earnings (loss) per share for all the periods presented are based on the new number of shares after giving effect to the share consolidation.

DISCUSSION OF OPERATING RESULTS**Production, Revenue and Netback**

	2009	2008	%
Average production (bopd)	6,438	5,875	10
Oil revenue (\$000s)	86,614	110,253	(21)
<i>Netback (\$/barrel)</i>			
Average price	36.86	51.27	(28)
Royalties	8.71	10.63	(18)
Sales and transportation	4.20	3.49	20
Operating	10.55	13.37	(21)
Netback	13.40	23.78	(44)

During 2009, average production increased 10% to 6,438 bopd from 5,875 bopd for 2008. The exit production rate was 8,100 bopd at 2009 year-end compared to 6,960 at the preceding year-end.

The increase in production was due to success of the 10 well horizontal drilling program, continued well reactivation program and well recompletion program focused on bringing high productivity wells on stream.

As of December 2009, the Company had 572 wells in inventory, an increase of 90 wells compared to 482 at the end of 2008. Of these 90 wells, 10 were new horizontal wells drilled in the second half of the year and 80 were taken-over from Albpetrol as the area of development was expanded. The majority of the wells taken-over during the year were part of a consolidation effort to reduce Albpetrol activities in the primary focus areas for future Bankers' development; as such, the majority of these wells were not reactivated with progressing cavity pumping systems in 2009. Of the total 572 well inventory, 310 are producing wells, 13 are water disposal wells expanded by 5 wells during the year and 249 are non-active wells at year-end. The producing well count includes 24 wells waiting to be re-activated at the end of the year and 79 wells that have demonstrated oil production potential, but require further service work to bring them back on stream. The non-active well count includes 13 wells that were taken over for surface lease use only, 45 wells as part of the consolidation initiative, and 34 wells for observation purposes to monitor reservoir pressure and temperature; these wells were not attempted as reactivation candidates.

During the year, the Company expanded its international marketing and completed two new contracts for crude oil export with BP Oil International Ltd., UK, and Vitol S.A., Geneva. The Company also renegotiated its current agreements with the two Italian refineries. In 2009, Bankers exported 82% of its crude at an average price of \$39.10 per barrel. The remaining oil was sold to ARMO, a domestic petroleum refinery.

During 2009, commodity prices fluctuated significantly but remained in retrenchment from an all time high of \$140 per barrel in July 2008. The Company received an average of \$36.86 per barrel for the year, a reduction of 28% from \$51.27 per barrel for the preceding year. This reduction was largely due to the sharp decrease in annual average commodity prices, despite the improvement in the second half of the year. The average Brent oil price for 2009 was \$61.67 per barrel, compared to \$97.02 per barrel in 2008, a reduction of 36%. Oil revenue for the year was \$86.6 million in 2009 compared to \$110.3 million in 2008.

Average production reached a Company record of 7,234 bopd during the fourth quarter of 2009 compared to 6,258 bopd during the preceding quarter and 6,561 bopd during the fourth quarter of 2008. In the fourth quarter of 2009, revenue increased 28% and 68%, respectively, compared to the preceding quarter and the same period in 2008. The increase was mainly due to the improvement of oil prices and increased production.

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The Company received an average sales price of \$45.10 per barrel during the fourth quarter compared to \$40.71 per barrel in the third quarter and \$29.63 per barrel over the same period in 2008, an increase of 11% and 52%, respectively. The Company exported 100% of its crude oil during the fourth quarter compared to 97% during the preceding quarter and 48% during the same period in 2008.

The netback during the fourth quarter of 2009 was \$19.01 per barrel compared to \$16.07 per barrel for the preceding quarter and \$5.77 per barrel for the fourth quarter in 2008, an increase of 18% and 229% respectively.

Royalties

Royalties in Albania are calculated pursuant to the Petroleum Agreement with Albpetrol and consist of a royalty based on Albpetrol's pre-existing production (PEP), a 1% gross overriding royalty (ORR) on new production and a 10% royalty tax (RT) on net production. Overall royalties for the year represented 24% of oil revenue, as compared to 21% for the preceding year. The increase was due to implementation of the royalty tax during 2008 which was effective for the entire year in 2009. As a percent of revenue, the various royalty components currently represent 15% from PEP, 1% for the ORR and 8% for the RT. Fluctuations in royalty on a per barrel basis are due to changes in the underlying oil prices.

Royalties for the fourth quarter were \$9.35 per barrel (21% of revenue) compared to \$9.32 per barrel (23% of revenue) during the preceding quarter and \$6.69 per barrel (23% of revenue) for the same period in 2008. The average royalty rate declined during the quarter as more oil was produced from new production compared to the preceding quarter and the same period in 2008. In addition, the increased capital program during the fourth quarter of 2009 resulted in a higher capitalization level for the corresponding PEP royalty.

Operating Expenses

Operating expenses for the year decreased to \$10.55 per barrel from \$13.37 per barrel for the same period in 2008, an improvement of 21%. The reduction in operating expenses was mainly a result of lower prices for fuel costs and the Company's cost efficiency measures. Sales and transportation costs for the year increased to \$4.20 per barrel from \$3.49 per barrel for 2008, mainly due to the increase in export sales and facility fees during the year and increased use of diesel in blending to alleviate diluent supply limitations.

Operating expenses during the fourth quarter were \$11.18 per barrel compared to \$10.56 per barrel during the third quarter and \$13.54 per barrel during the same period in 2008. The improvement over the same period in 2008 was mainly due to the Company's initiatives in efficiency on fuel utilization and focus of well servicing activity on higher impact wells. The moderate increase in operating expenses compared to the preceding quarter was a result of increased fuel costs and higher personnel expenses.

Sales and transportation expenses during the fourth quarter were \$5.56 per barrel compared to \$4.76 per barrel during the preceding quarter and \$3.63 per barrel in the fourth quarter of 2008. The increase primarily reflects costs associated with the new export facility, increased blending costs and higher trucking costs. All crude sales were sold internationally during the fourth quarter of 2009. The export sales were 97% and 48% of total sales for the preceding quarter and the same period in 2008, respectively.

General and Administrative Expenses

General and administrative expenses (G&A) for the year were \$6.5 million, net of capitalization, compared to \$7.4 million in 2008, a reduction of 12%. The reduction in G&A resulted from the absence of employee restructuring costs incurred in 2008 and the favourable impact due to the softening of the Canadian dollar against the U.S. dollar during 2009.

Management's Discussion & Analysis

The 2009 G&A costs represented \$2.74 per barrel, a 20% reduction from \$3.43 per barrel in 2008. The reduction in G&A on a per barrel basis was attributed to the production increase and overall reduction in G&A in 2009.

During the year, the Company capitalized \$3.9 million of G&A and stock based compensation compared to \$3.4 million for the preceding year. These expenses were directly related to acquisition, exploration and development activities.

Non-cash stock-based compensation expense pertaining to stock options vested and/or granted to officers, directors, employees and service providers were \$6.5 million (2008 – \$8.8 million). Of this amount, \$4.5 million (2008 – \$7.3 million) was charged to earnings and \$2.0 million (2008 – \$1.5 million) was capitalized.

G&A expenses for the fourth quarter of 2009 were \$1.8 million compared to \$1.4 million in the preceding quarter and \$1.1 million for the same period in 2008. The increase was mainly due to the strengthening of the Canadian dollar against the U.S. dollar compared to the preceding quarter and the same period in 2008.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expenses (DD&A) for the year were \$16.2 million (\$6.90 per barrel) compared to \$13.7 million (\$6.35 per barrel) for 2008. The increase in DD&A expenses reflects higher production in Albania and an increase in depletable assets, inclusive of future capital requirements. The Company's independent reserve evaluation prepared in accordance with the National Instrument NI 51-101 assessed proved gross reserves of 92.8 million barrels at December 31, 2009, compared to 69.4 million barrels at December 31, 2008.

DD&A costs for the quarter ended December 31, 2009 were \$4.4 million, compared to \$3.9 million for the preceding quarter and \$4.3 million for the same period in 2008. The increase in DD&A reflects the higher depletion base and the increase in production during the quarter. Depletion expenses represented \$6.21 per barrel for the quarter compared to \$6.79 per barrel and \$6.67 per barrel for the preceding quarter and the same period in 2008, respectively.

Future Income Tax Expense

Future income tax liabilities result from the temporary differences between the carrying value and tax values of Albanian assets and liabilities. As of December 31, 2009, the net book value of the Albania property, plant and equipment exceeded their tax value by \$78.8 million, compared to \$63.0 million on December 31, 2008. Applying a tax rate of 50%, the Company recorded a \$39.4 million future income tax liability, compared to \$31.5 million at the end of 2008. The Company incurred a future income tax expense of \$5.9 million for the year compared to \$18.1 million for 2008. The reduction was mainly due to the reduction in earnings. On a quarterly basis, the Company recorded a future income tax expense of \$2.7 million compared to \$2.6 million for the preceding quarter and \$80,000 for the same period in 2008. The increase in future income taxes is attributable to an increase in earnings in Albania.

Bankers is presently not required to pay cash taxes in any jurisdiction. The Company's cost recovery pool in Albania is \$101.5 million. In Canada, the Company has non-capital losses of approximately \$19.3 million, the benefit of which has not been recognized in the financial statements.

Net Loss and Cash Provided by Continuing Operations

The Company recorded a net loss of \$0.2 million (\$0.001 per share) during the year ended December 31, 2009 and a net loss of \$1.6 million (\$0.009 per share) for the year ended December 31, 2008.

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The Company realized net income of \$2.3 million for the fourth quarter compared to net income of \$1.7 million in the preceding quarter and a net loss of \$8.0 million for the same period in 2008.

Funds generated from operations amounted to \$25.4 million for the year ended December 31, 2009 compared to \$41.7 million in 2008. The reduction in funds generated from operations was mainly due to lower average commodity prices obtained during in the year.

Funds generated from operations were \$10.8 million for the fourth quarter compared to \$7.4 million in the third quarter and \$339,000 for the same period in 2008.

OIL RESERVES

Annually, the Company obtains independent reserves evaluations of its Albanian properties by RPS Energy Canada Ltd. (Patos Marinza oilfield) and by DeGolyer and MacNaughton Canada Ltd. (Kuçova oilfield). At December 31, 2009, the reserves have increased in all three categories (proved, probable and possible), along with the corresponding valuations, as shown below. The 2009 finding and development costs for the Albanian properties, inclusive of the 2009 expenditures and change in future capital, represented \$7.32 per barrel on a proved basis (1P), \$8.43 per barrel on a proved plus probable basis (2P) and \$2.14 per barrel on a proved, probable and possible basis (3P).

Gross Oil Reserves (Mbbls) – using Forecast Prices

	2009			2008	
	Patos Marinza	Kuçova	Total Albania	Total Albania	%
Proved					
Developed Producing	22,900	0	22,900	21,314	7
Developed Non-Producing	0	0	0	-	-
Undeveloped	66,700	3,239	69,939	48,084	45
Total Proved	89,600	3,239	92,839	69,398	34
Probable	112,900	8,177	121,077	110,593	9
Total Proved Plus Probable	202,500	11,416	213,916	179,991	19
Possible	187,800	20,587	208,387	130,894	59
Total Proved, Probable & Possible	390,300	32,003	422,303	310,885	36

Net Present Value at 10% - After Tax Using Forecast Prices (\$millions)

	2009			2008	
	Patos Marinza	Kuçova	Total Albania	Total Albania	%
Proved					
Developed Producing	149.0	0.0	149.0	133.1	12
Developed Non-Producing	0.0	0.0	0.0	-	-
Undeveloped	361.0	15.8	376.8	146.7	157
Total Proved	510.0	15.8	525.8	279.8	88
Probable	885.0	108.1	993.1	727.0	37
Total Proved Plus Probable	1,395.0	123.9	1,518.9	1,006.8	51
Possible	1,230.0	283.7	1,513.7	716.4	111
Total Proved, Probable & Possible	2,625.0	407.6	3,032.6	1,723.2	76

In the Patos Marinza oilfield, the OOIP at the end of 2009 increased 23% to 5.7 billion barrels from 4.7 billion at the end of 2008. Additionally, the Company's independent reserves engineers assigned contingent and prospective resource oil estimates of 838 million and 384 million barrels, respectively. This represents the initial assessment of such resources attributed to future thermal recovery technologies and secondary water flood recovery methods at the Patos Marinza oilfield.

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The reserves growth is primarily attributable to increased resource levels, improved well performance, the Company's 2009 horizontal development drilling success and increased commodity prices with improved pricing differentials. This is reflected in the upgrade of 2P and 3P reserves into the 1P and 2P reserves categories, respectively, and the expansion of 3P reserves. All of Patos Marinza's 2009 reserves estimates are from primary recovery methods.

The Company acquired the Kuçova asset in 2008 and the OOIP resource estimate is 300 million barrels. This property is currently in the evaluation stage; there was no Company production from the Kuçova field in 2009 and only minor field activities were performed. Bankers expects to commence activity in this area in 2010 utilizing a variety of extraction techniques that will lead to creation of a development plan.

CAPITAL EXPENDITURES

(\$000s)	2009	2008
Well re-activations	6,704	35,344
Drilling programs	16,451	20,472
Property acquisitions	331	5,617
Central treatment facilities	1,277	416
Port facilities	711	2,458
Base program	12,294	6,204
Inventory change	556	7,867
	38,324	78,378

During the year, Bankers spent \$6.7 million on well re-activations compared to \$35.3 million in the previous year. The decrease in well-reactivation costs was a direct result of reduction in wells taken over from Albpetrol and the focus on high efficiency wells. In 2009, a total of 80 wells were taken over from Albpetrol, compared to 136 in 2008. Focusing on high efficiency wells for re-activation also decreased cost per well compared to 2008. In July 2009, the Company resumed its drilling program and a total of 10 horizontal oil wells were drilled in the last half of 2009. Base program expenditures doubled during the year due to water control/disposal initiatives (\$4.8 million) and environmental stewardship (\$1.3 million). Included in the year-end property, plant and equipment amounts are casing, tubing and capital equipment inventories of \$15.2 million at December 31, 2009 (2008 – \$14.6 million) to be used for future drilling and re-activation programs in Albania.

During the fourth quarter of 2009, Bankers incurred \$17.3 million in capital expenditures; \$6.7 million on drilling operations, \$2.7 million on well reactivations and \$6.3 million related to the base program. By comparison, in the 2008 fourth quarter, the Company incurred \$22.0 million in capital expenditures; \$9.4 million on drilling operations, \$5.8 million on well reactivations and \$1.2 million on export infrastructure. The balance of the expenditures was incurred on miscellaneous expenses and capitalized G&A.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009, Bankers had working capital of \$75.4 million (including cash and deposits totalling \$68.3 million) and long-term debt of \$23.4 million. As of December 31, 2008, the Company had a working capital deficiency of \$7.4 million and a long-term debt of \$6.9 million. The improvement in working capital compared to the same period in 2008 was mainly due to the equity issuances, the exercises of warrants and

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options throughout the year and the reduction in the current portion of long-term debt resulting from refinancing of the operating loan.

During the year, the Company received approval from Raiffeisen bank for an \$8.0 million increase to its existing credit facility. The existing \$16 million operating loan facility was increased by \$4.0 million and a new \$4.0 million five-year term facility was obtained. The \$20 million operating loan is a revolving facility having no scheduled repayments until its maturity on March 31, 2012.

On May 7, Bankers completed a bought-deal equity issue via prospectus with a syndicate of underwriters whereby 25,143,800 common shares of the Company were issued at CAD\$1.75 per share, generating gross proceeds of CAD\$44.0 million.

On May 8, Bankers finalized a \$110.0 million reserve-based long-term credit facility with IFC and EBRD to supplement the Company's existing credit facility with Raiffeisen Bank. In conjunction with the credit facility, IFC and EBRD each received warrants to purchase 8 million common shares of the Company at a price of CAD\$1.50 per share. The warrants were exercised in July 2009 generating proceeds of CAD\$24.0 million.

Consequently, the Company's total credit facilities increased to \$140.7 million on December 31, 2009, compared to \$28.1 million as at the same period in 2008. This amount includes a revolving operating loan of \$20.0 million, a two-year term loan of \$6.88 million and a five-year term loan of \$3.85 million and the \$110.0 million reserved-based facility, of which no amount has been drawn. Repayments of \$3.9 million were made on the two term loans during 2009. Subsequent to 2009 year-end, the operating loan was renewed and the final repayment date for the loan will be March 31, 2012.

The Company's approach to managing liquidity is to ensure a balance between capital expenditure requirements and cash provided by operations, available credit facilities and working capital.

On November 10, 2009, warrants to purchase common shares of the Company at a price of CAD \$2.49 expired. A total of 3.1 million of these warrants were exercised prior to their expiration date, generating proceeds of \$7.4 million.

With respect to the note receivable from a former subsidiary, BNK Petroleum Inc. (BKN), total repayments of \$10.3 million were collected in 2009, reducing the outstanding balance to \$2.7 million as of December 31, 2009, compared to \$13.0 million a year ago. BKN is considered a related party as BKN and the Company have common directors. The Company has credit risk with respect to this note receivable and regularly monitors the operations and financial condition of the borrower.

There were approximately 228 million and 230 million shares outstanding as of December 31, 2009 and March 22, 2010, respectively. In addition, the Company had approximately 13 million stock options and 6 million warrants outstanding as of December 31, 2009. Subsequent to 2009 year-end, 0.9 million stock options and 1.0 million of warrants were exercised, generating proceeds of \$4.0 million. On March 22, 2010, Bankers has approximately 15 million stock options and 5 million warrants outstanding.

Officers and executives of the Company represent approximately 8 percent ownership in the Company on a fully diluted basis. This creates an alignment with shareholders and a team that is dedicated to activities that support future value creation.

In Albania, the Company considers any amounts greater than 60 days as past due. Of the total receivables of \$23.1 million in Albania, \$12.8 million is due from one domestic customer of which the entire amount is considered past due. Corresponding to these receivables, the Company has royalty obligations of approximately \$7.0 million recorded as accounts payable and accrued liabilities. These royalty payments will be made when the related receivables are collected. In an effort to collect these receivables, the Company has reached an agreement with this customer and a detailed payment plan has been formally approved by both

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parties. Subsequent to year-end, a total payment of \$1.0 million has been paid by this customer. The Albanian government continues to own 15% of this customer; the remainder was privatized in December 2008. The two refineries owned by this customer are the only ones in Albania and are strategically important to the country. Bankers, as the largest supplier of crude oil to these refineries, continues to deliver some oil to this customer and maintains a good working relationship with them and the Albanian government. Bankers' management has confidence that these amounts will be collected and has not recorded a loss provision.

Plan of Development

Bankers has no capital expenditure commitment for the Patos Marinza oilfield under the Petroleum Agreement. Bankers annually submits a work program to AKBN which includes the nature and the amount of capital expenditures to be incurred during that year. Significant deviations in this annual program from the Plan of Development will be subject to AKBN approval. The Petroleum Agreement provides that disagreements between the parties will be referred to an independent expert whose decision will be binding. The Company has the right to relinquish a portion or all of the contract area. If only a portion of the contract area is relinquished then the Company will continue to conduct petroleum operations on the portion it retains and the future capital expenditures will be adjusted accordingly.

Commitments

The Company has long-term lease commitments in Canada and Albania. The minimum lease payments for the next three years are \$640,000 as follows:

<i>(\$000s)</i>	Canada	Albania	Total
2010	227	172	399
2011	227	5	232
2012	9	-	9
	<u>463</u>	<u>177</u>	<u>640</u>

The Company has two term loans totalling \$10.7 million with a European financial institution that is repayable in equal monthly instalments of \$0.4 million until November 30, 2011 and \$74,100 until April 2014. Of the amount outstanding, \$4.6 million is classified as current and \$6.1 million as long-term. Principal repayments of the term loan over the next five years are as follows:

<i>(\$000s)</i>	
2010	4,639
2011	4,014
2012	889
2013	889
2014	296
	<u>10,727</u>

Quarterly Variability

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

- Seasonality of winter operating conditions combined with the timing of transfer of wells from Albpetrol results in production increases that are typically higher in the second and third quarters. As new wells come on stream, there is a build-up period in production, higher sand production and higher well servicing costs, which is typical for heavy oil wells in the first year of production. In addition, production levels can be affected by water disposal constraints, mechanical wellbore and isolation

failures, increased water production coming from shallower and deeper zones, and a shortage of rig workover capacity and specialised well servicing equipment.

- The increase in royalties is related to higher oil prices and the greater number of wells being taken over from Alpetrol, which results in higher pre-existing production.
- Fluctuations of operating expenses is part of a continuing trend that results from operating efficiencies gained through greater experience in field operations and economies of scale as the proportionate share of fixed operating expenses declines with production increases.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Significant accounting policies are disclosed in Note 2 to the Audited Consolidated Financial Statements. Preparation of financial statements in accordance with GAAP requires that management make estimates that affect the reported amount of assets, liabilities, revenues and expenses. The estimates used in applying these critical accounting policies for property, plant and equipment are as follows:

Capitalized Costs

The Company follows the full cost method of accounting for oil and gas operations whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, production equipment, overhead charges directly related to acquisition, exploration and development activities and asset retirement costs.

Depletion and Depreciation

Capitalized costs within each country are depleted and depreciated on the unit-of-production method based on the estimated gross reserves determined by independent petroleum engineers. Depletion and depreciation is calculated using the capitalized costs, plus the estimated future costs to be incurred in developing proved reserves, net of estimated salvage value. Costs of acquiring and evaluating unproved properties are initially excluded from the depletion and depreciation calculation until it is determined whether or not proved reserves can be assigned to such properties.

Proceeds from the sale of oil properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion and depreciation by more than 20 per cent in a particular country cost centre, in which case a gain or loss on disposal is recorded.

Office and computer equipment are depreciated on the declining balance method at rates of 20 to 30 percent.

Income Taxes

The determination of income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. The estimation of future tax liabilities includes uncertainty around the reversal of temporary differences. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Ceiling Test

The Company uses Canadian standards for full cost accounting and for the ceiling test calculation pertaining to the measurement of impairment of petroleum properties. In applying the full cost method, the Company evaluates petroleum assets to determine that the carrying amount in each cost centre is recoverable and does

not exceed the fair value of the properties in the cost centre. The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, and the lower of cost and the market of unproved properties exceeds the carrying amount of the cost centre. When the carrying amount is not recoverable, an impairment loss is recognized to the extent the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties of the cost centre.

Asset Retirement Obligations

The fair value of estimated asset retirement obligations is capitalized to property, plant and equipment when the liability is incurred. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and facilities. Asset retirement costs for oil and gas properties are amortized as part of depletion and depreciation using the unit-of-production method. Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion expense. Actual remediation expenditures incurred are charged against the accumulated obligation.

RELATED PARTY TRANSACTIONS

The Company has a note receivable from BKX in an amount of \$2.7 million. BKX is considered a related party as BKX and the Company have common directors. The above transaction is considered to be in the normal course of business and has been measured at the exchange amount being the amounts agreed to by both the parties.

The note, which is due in October 2012, accrues interest at LIBOR plus 5.5% and is secured by a floating charge debenture and a general security agreement. At December 31, 2009, no principal or interest amounts were due. The Company is entitled to receive up to 50% of any future equity financing by BKX and 90% of any increase in BKX's borrowing base as repayment of this note. The Company has no further obligation to increase the note.

NEW ACCOUNTING STANDARDS

Financial Instruments - Disclosures

Effective December 31, 2009, The Company adopted CICA issued amendments to Handbook Section 3862, Financial Instruments – Disclosures. The amendments include enhanced disclosures relating to the fair value of financial instruments and the liquidity risk associated with financial instruments. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Refer to Note 14 Financial Instruments and Risk Management for enhanced fair value disclosures and liquidity risk disclosures.

Goodwill and Intangibles

Effective January 1, 2009, The Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) accounting standard “Goodwill and Intangible Assets”, Section 3064 which replaced Section 3062 “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of intangible assets and goodwill subsequent to its initial recognition. The adoption of this standard had no impact on the consolidated financial statements.

Business combinations

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

Transition to International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date for IFRS of January 1, 2011 will require the restatement of Bankers' consolidated financial statements, for comparative purposes, for the year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010.

In preparation for the requirement to convert from GAAP to IFRS, management has undertaken a phased approach to conversion with a three step project plan. At a high level the three major steps will include:

Phase One:

- Identification of a project work plan that outlines potential conversion issues unique to the industry. This phase assigns ownership responsibility for each of those issues, estimates the time, duration and costs associated with each major deliverable within the plan, and presents an overall project timeline and in-progress reporting from key deliverable owners and assigned employees.

Phase Two:

- Identification of the significant accounting policies that relate to each of the major conversion items. This phase identifies the changes to the accounting policies that will be required with IFRS, and adjusts the plan identified in Phase One accordingly.

Phase Three:

- Management of dual reporting under GAAP and IFRS as required. This phase determines the mapping between the different accounts identified in our chart of accounts and applies this mapping to generate the IFRS reporting.

To date, management has assigned considerable priority to the conversion project and adopted a structured approach to change management. Executive sponsorship and the assignment of key resources to manage the conversion project internally were also completed. Management has adopted a solution to assist in the development of a project plan specific to our industry, the Energy industry, to identify key steps within the project and to assign key resource responsibility for each of those steps. Hallmarks of the Phase One conversion plan include:

- Primary conversion requirements
- Dependent and subsidiary conversion requirement
- Requirements leaders
- Subtask owners and responsibilities
- Task start and end dates

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- Estimates as to effort, duration and costs
- Measurement and presentation of completion status including Gantt Charting

From an organization change management perspective, management has thus far:

- Identified technology changes and tools required to ensure successful project management.
- Identified external resources needed to act in an advisory capacity to management in throughout the project.
- Consulted with business unit leaders and department heads to educate, identify changes required and assign responsibilities within the project.
- Anticipated the phased nature of the conversion required and adopted a tiered approach consistent with the phases.

Key personnel engaged in the conversion project plan include members of the finance and accounting group. Where necessary, other areas of the Company as well as external advisors are engaged to assist in the IFRS conversion project. The Company has also supported staff training programs on IFRS transition. Regular reports on the IFRS transition status will be made to Management and the Audit Committee on a quarterly basis.

Detailed analysis of the differences for certain major elements of our financial statements has been completed and the Company is currently working with representatives from the various operational areas to select accounting policies and assess the impact of the differences on the data requirements, business processes, financial systems and internal controls. At this stage in the project, the full impact of adopting IFRS on the Company's financial position and future results cannot be determined; however, the most significantly impacted areas are expected to be property, plant and equipment.

INTERNAL CONTROLS

The Company's President and Chief Executive Officer (CEO) and Executive Vice President, Finance and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in NI 52-109.

Disclosure controls and procedures have been designed to ensure that information to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's CEO and CFO have evaluated the effectiveness of the disclosure controls and procedures as at December 31, 2009 and have concluded that they provide reasonable assurance that all material information relating to the Company is disclosed in a timely manner.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with generally accepted accounting principles. The CEO and CFO have evaluated the Company's internal controls over financial reporting as at December 31, 2009 based on the framework in "Internal Control Over Financial Reporting – Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and have concluded they are designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. During 2009, there have been no changes to the Company's internal controls over financial reporting that have materially, or are reasonably likely to, materially affect the internal controls over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

OUTLOOK

For 2010, the Company will remain focused on achieving its priorities and implementation of its capital programs in Albania:

- In January 2010, a second drilling rig commenced drilling in the Patos Marinza oilfield and a third rig is being sourced to start drilling in the fourth quarter of 2010. The Company plans to drill 52 horizontal and 4 vertical wells in 2010.
- An additional 80,000 barrels storage capacity will be ready by year-end at the Vlore export terminal. Phase one, a 14 kilometre oil pipeline connecting the field by rail to the export terminal, is underway and is expected to supplement current truck transport capacity of 15,000 barrels per day with an additional 9,500 barrels per day through rail transport by early 2011. Phase two, a 30 kilometre, 70,000 barrels per day pipeline connecting the field to the export terminal, is planned for construction start in late 2011.
- Quantifying Contingent and Prospective resources at Patos Marinza validates the Company's plans for a thermal pilot proposed for the 2010 capital program. A water flood program is also planned for the Kuçova oil field. Success of such initiatives can lead to the conversion of significant volumes of these resources to recoverable reserves and the subsequent implementation of a commercial field expansion in 2012 and beyond.
- Bankers expects to fund the \$152 million 2010 capital program using funds generated from operations, existing cash resources and a portion of its unutilized \$110 million credit facilities.
- Current production is approximately 9,000 bopd and the Company expects to release its first quarter 2010 operations update on April 7, 2010. Bankers projects year-end production targets of 15,000 bopd for 2010 and 24,000 bopd for 2011.
- Standard & Poor's completed their quarterly review and announced that, effective March 22, 2010, Bankers Petroleum Ltd. will be included in the S&P/TSX Energy Index.

BANKERS PETROLEUM LTD.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
(Expressed in thousands of U.S. dollars)

ASSETS	2009	2008
Current assets		
Cash and cash equivalents (Note 13)	\$ 59,495	\$ 15,607
Short-term deposits	7,275	3,000
Restricted cash	1,500	1,500
Investments (Note 4)	-	134
Accounts receivable	23,358	17,591
Inventory	2,031	1,588
Deposits and prepaid expenses	5,899	1,231
	99,558	40,651
Note receivable (Note 5)	2,749	13,000
Deferred financing costs (Note 7)	14,383	-
Property, plant and equipment (Note 6)	188,130	161,024
	\$ 304,820	\$ 214,675
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,505	\$ 26,788
Current portion of long-term debt (Note 7)	4,639	21,250
	24,144	48,038
Long-term debt (Note 7)	23,446	6,875
Asset retirement obligations (Note 8)	3,856	2,896
Future income tax liability (Note 11)	39,414	31,508
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	206,058	121,907
Warrants (Note 9)	1,739	2,088
Contributed surplus (Note 9)	16,812	11,862
Deficit	(10,649)	(10,499)
	213,960	125,358
	\$ 304,820	\$ 214,675

Commitments (Note 12)
Subsequent events (Note 7 and 9)

See accompanying notes to consolidated financial statements.

APPROVED BY THE BOARD

"Robert Cross" Director

"Eric Brown" Director

BANKERS PETROLEUM LTD.
CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND
DEFICIT
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of U.S. dollars, except per share amounts)

	2009	2008
<i>Revenue</i>		
Oil revenue	\$ 86,614	\$ 110,253
Royalties	(20,468)	(22,852)
Interest	824	1,501
	66,970	88,902
<i>Expenses</i>		
Operating	24,781	28,745
Sales and transportation	9,869	7,515
General and administrative	6,450	7,371
Interest and bank charges	648	1,105
Interest on long-term debt	1,858	1,148
Gain on disposal of investments (Note 4)	(347)	-
Foreign exchange (gain) loss	(4,586)	4,573
Write down of investments (Note 4)	-	986
Stock-based compensation (Note 9)	4,545	7,283
Amortization of deferred financing costs (Note 7)	1,803	-
Depletion, depreciation and accretion	16,208	13,655
	61,229	72,381
<i>Income from continuing operations before income tax</i>	5,741	16,521
Future income tax expense (Note 11)	(5,891)	(18,108)
<i>Loss from continuing operations</i>	(150)	(1,587)
Discontinued operations (Note 15)	-	(188)
<i>Net loss and comprehensive loss for the year</i>	(150)	(1,775)
Deficit, beginning of year	(10,499)	(8,324)
Discontinued operations	-	2,396
Restructuring costs (Note 15)	-	(2,796)
Deficit, end of year	\$ (10,649)	\$ (10,499)
Basic and diluted loss per share – continuing operations	\$ (0.001)	\$ (0.009)
Basic and diluted loss per share – discontinued operations	\$ -	\$ (0.001)

See accompanying notes to consolidated financial statements.

BANKERS PETROLEUM LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of U.S. dollars)

	2009	2008
<i>Cash provided by (used in):</i>		
<i>Continuing operations:</i>		
Net loss for the year from continuing operations	\$ (150)	\$ (1,587)
Items not involving cash:		
Depletion, depreciation and accretion	16,208	13,655
Amortization of deferred financing costs	1,803	-
Future income tax expense	5,891	18,108
Stock-based compensation	4,545	7,283
Unrealized foreign exchange (gain) loss	(2,528)	3,268
Gain on disposal of investments	(347)	-
Write down of investments	-	986
	25,422	41,713
Change in non-cash working capital (Note 13)	(14,491)	7,319
	10,931	49,032
<i>Cash provided by operating activities of discontinued operations</i>	-	10,470
<i>Investing activities</i>		
Additions to property, plant and equipment	(38,324)	(78,378)
Proceeds from disposal of investments	481	-
Additions to property, plant and equipment of discontinued operations	-	(25,465)
Increase in restricted cash	-	(1,500)
Change in non-cash working capital (Note 13)	(3,670)	5,169
	(41,513)	(100,174)
<i>Financing activities</i>		
Issue of shares for cash	70,276	79,914
Share issue costs	(2,220)	(1,490)
Note receivable	10,251	(13,000)
Short-term deposits	(4,275)	(3,000)
Restructuring costs	-	(2,796)
Financing costs	(2,050)	-
Decrease in long-term debt	(40)	(2,680)
	71,942	56,948
<i>Foreign exchange gain (loss) on cash and cash equivalents held in foreign currencies</i>	2,528	(3,268)
<i>Increase in cash and cash equivalents</i>	43,888	13,008
Cash and cash equivalents, beginning of year	15,607	2,599
<i>Cash and cash equivalents, end of year (Note 13)</i>	\$ 59,495	\$ 15,607

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

1. NATURE OF OPERATIONS

Bankers Petroleum Ltd. (Company) is engaged in the exploration for and development and production of oil in Albania. The Company is listed on the Toronto Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange under the symbol BNK.

The Company operates in the Albanian oilfields pursuant to petroleum agreements with Albpetrol Sh.A (Albpetrol), the state owned oil company, under Albpetrol's existing license with the Albanian National Agency for Natural Resources (AKBN). The Patos Marinza agreement and Kuçova agreement became effective in March 2006 and September 2007 respectively and have a 25 year term with an option to extend at the Company's election for further five year increments.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The principal accounting policies are outlined below:

(a) Basis of Consolidation

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

(b) Financial instruments

All financial instruments including all derivatives are recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available-for-sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when impaired.

Cash and cash equivalents and short-term deposits are held-for-trading investments and the fair values approximate their carrying value due to their short-term nature. Accounts receivable is classified as loans and receivables and the fair value approximates their carrying value due to the short-term nature of these instruments. The note receivable is classified as other financial assets and its fair value approximates the carrying value as it bears interest at market rate. The accounts payable and accrued liabilities are classified as other financial liabilities and the fair value approximates their carrying value due to the short-term nature of these instruments. The operating and term loans are classified as other financial liabilities and their fair value approximates their carrying value, as they bear interest at market rates.

The Company has elected to expense transaction costs as incurred.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Foreign currency translation

The Company and its wholly-owned subsidiaries have a United States dollar functional currency. Transactions denominated in foreign currencies are translated into United States dollar equivalents at exchange rates approximating those in effect at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated at the year-end exchange rate. Gains and losses arising from foreign currency translation are recognized in the statement of operations and deficit.

(d) Use of Estimates

Timely preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Amounts recorded for depletion, depreciation, asset retirement obligations, future income taxes, and amounts used for asset impairment calculations are based on estimates of oil reserves, future commodity prices and future costs required to develop these reserves.

(e) Revenue recognition

Revenue associated with the sales of the Company's oil is recognized in income when title and risk pass to the buyer, collection is reasonably assured and the price is determinable.

(f) Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Per share amounts

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

(h) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less.

(i) Inventory

Inventory comprises of crude oil, solar and diesel stock. Inventory is valued at the lower of average cost of production and net realizable value.

(j) Property, plant and equipment

Capitalized Costs

The Company follows the full cost method of accounting for its oil operations whereby all costs associated with the exploration for and development of oil reserves are capitalized on a country basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, production equipment, overhead charges directly related to acquisition, exploration and development activities and asset retirement costs.

Depletion and Depreciation

Capitalized costs within each country are depleted and depreciated on the unit-of-production method based on the estimated gross proved reserves determined by independent petroleum engineers. Depletion and depreciation is calculated using the capitalized costs, plus the estimated future costs to be incurred in developing proved reserves, net of estimated salvage value. Costs of acquiring and evaluating unproved properties are initially excluded from the depletion and depreciation calculation until it is determined whether or not proved reserves can be assigned to such properties.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Property, plant and equipment (cont'd)

Proceeds from the sale of oil properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion and depreciation by more than 20 per cent in a particular country cost centre, in which case a gain or loss on disposal is recorded.

Office and computer equipment are depreciated on the declining balance method at rates of 20 to 30 percent.

Ceiling test

The Company uses Canadian standards for full cost accounting and for the ceiling test calculation pertaining to the recognition and measurement of impairment of petroleum properties. In applying the full cost method, the Company evaluates its petroleum assets to determine that the carrying amount in each cost centre is recoverable and does not exceed the fair value of the properties in the cost centre. The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and the market of unproved properties exceeds the carrying amount of the cost centre. When the carrying amount is not recoverable, an impairment loss is recognized to the extent the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties of the cost centre.

Asset retirement obligations

The fair value of estimated asset retirement obligations is capitalized to property, plant and equipment in the period in which the liability is incurred. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and facilities. Asset retirement costs for oil properties are amortized as part of depletion and depreciation using the unit-of-production method.

Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion expense. Actual abandonment expenditures incurred are charged against the accumulated obligation.

(k) Stock-based compensation

Compensation costs attributable to all stock options granted to employees, directors and service providers are measured at fair value at the date of grant using the Black Scholes option pricing model and expensed over the vesting period with a corresponding increase to contributed surplus. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Comparative figures

The consolidated financial statements include the accounts of the Company and its wholly-owned operating subsidiary - BPAL. Effective July 1, 2008, the operations of Bankers Petroleum (U.S.) Inc., a former wholly-owned subsidiary of the Company, were transferred into a new, independent company, BNK Petroleum Inc. (BKX). As a result, certain prior period figures have been re-classified as discontinued operations to conform to the current period's presentation.

Unless otherwise noted, the consolidated financial statements and their accompanying notes are presented in United States dollars.

3. ACCOUNTING CHANGES

(a) Current Year Accounting Changes

Financial Instruments - Disclosures

Effective December 31, 2009, the Company adopted CICA issued amendments to Handbook Section 3862, Financial Instruments – Disclosures. The amendments include enhanced disclosures relating to the fair value of financial instruments and the liquidity risk associated with financial instruments. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Refer to note 14 for enhanced fair value disclosures and liquidity risk disclosures.

Goodwill and Intangibles

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) accounting standard “Goodwill and Intangible Assets”, Section 3064 which replaced Section 3062 “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of intangible assets and goodwill subsequent to its initial recognition. The adoption of this standard had no impact on the consolidated financial statements.

(b) Future Accounting Changes

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

3. NEW ACCOUNTING POLICIES (cont'd)

(b) Future Accounting Changes (cont'd)

The changes resulting from adopting Section 1582 will be applied prospectively and the changes from adopting Sections 1601 and 1602 will be applied retrospectively.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("ASB") announced that Canadian public reporting issuers will be required to report under International Financial Reporting Standards ("IFRS") commencing January 1, 2011 which will require comparative IFRS information for the 2010 year end. We will begin reporting under IFRS as of January 1, 2011, but given the current stage of the Company's IFRS project the full impact of adopting IFRS on The Company's financial position and future results cannot be determined.

4. INVESTMENTS

	2009	2008
Marketable securities	\$ -	\$ 134

During the year, the Company disposed certain marketable securities which were designated as available-for-sale financial instruments and realized a gain on the disposal of investments of \$0.3 million (2008 – nil).

As at December 31, 2008, the fair value of these investments was \$0.1 million and the decline in the value of the investments was determined to be "other-than-temporary". Accordingly, the investments were written down to their market value with the unrealized loss charged to earnings.

5. NOTE RECEIVABLE

The note receivable of \$2.7 million (2008 – \$13.0 million) represents the residual amount due from BKX. The note, which is due on October 2012, accrues interest at LIBOR plus 5.5% and is secured by a floating charge debenture and a general security agreement. At December 31, 2009, no principal or interest amounts were due. The Company is entitled to receive up to 50% of any future equity financing by BKX and 90% of any increase in BKX's borrowing base as repayment of this note. The Company has no further obligation to increase the note. BKX is considered a related party as BKX and the Company have common directors. The above transaction is considered to be in the normal course of business and has been measured at the exchange amount being the amounts agreed to by both the parties.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

6. PROPERTY, PLANT AND EQUIPMENT

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

	2009		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil properties	\$ 229,230	\$ 43,217	\$ 186,013
Equipment, furniture and fixtures	3,830	1,713	2,117
	\$ 233,060	\$ 44,930	\$ 188,130

	2008		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil properties	\$ 186,650	\$ 27,812	\$ 158,838
Equipment, furniture and fixtures	3,400	1,214	2,186
	\$ 190,050	\$ 29,026	\$ 161,024

Depletion for the year ended December 31, 2009 included \$382.0 million (2008 - \$294.0 million) for estimated future development costs associated with proved reserves in Albania.

The depletion expense calculation for the year ended December 31, 2009 excluded nil (2008 - \$3.9 million) relating to unproved properties in Albania.

The Company capitalized general and administrative expenses and stock-based compensation of \$3.9 million (2008 - \$3.4 million) that were directly related to exploration and development activities in Albania.

The Company's ceiling test calculation for the Albania cost centre, as at December 31, 2009 resulted in no impairment loss. The future prices used by the Company in estimating cash flows were based on forecasts by independent reserves evaluators, adjusted for the Company's quality and transportation differentials. The following table summarizes the benchmark prices used in the calculation:

Year	Brent Price (US\$/barrel)
2010	78.00
2011	83.00
2012	86.00
2013	88.00
2014	90.65
Average annual increase, thereafter	2%

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Bankers has no capital commitments for the Patos Marinza oilfield under the Petroleum Agreement. The Petroleum Agreement stipulates that the Company annually submit to AKBN a work program which includes the nature and the amount of capital expenditures to be incurred in that year. Significant deviations in this annual program from the Plan of Development will be subject to AKBN approval. Disagreements between the parties will be referred to an independent expert whose decision will be binding. The Company has the right to relinquish a portion or all of the contract area. If only a portion of the contract area is relinquished, the Company will continue to conduct petroleum operations on the portion retained and the future capital expenditures will be adjusted accordingly.

The Company has secured \$1.5 million (2008 - \$1.5 million) for certain capital projects in the Kucova field. These projects are expected to be completed in 2010.

7. LONG-TERM DEBT

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

(\$000s)	Facility Amount	Outstanding Amount	
		December 31, 2009	December 31, 2008
<i><u>Raiffeisen Bank</u></i>			
Operating loan (a)	\$ 20,000	\$ 17,358	\$ 17,500
Term loan – 2006 (b)	6,875	6,875	10,625
Term loan – 2009 (c)	3,852	3,852	-
<i><u>EBRD and IFC*</u></i>			
Environmental term loan (d)	10,000	-	-
Revolving loan – Tranche 1 (e)	50,000	-	-
Revolving loan – Tranche 2 (e)	50,000	-	-
	<u>\$ 140,727</u>	<u>\$ 28,085</u>	<u>\$ 28,125</u>

* all facilities are equally funded

These facilities are secured by all of the assets of BPAL, assignment of proceeds from the Albanian domestic and export crude oil sales contracts, a pledge of the common shares of BPAL and a guarantee by the Company. The credit facilities are subject to certain covenants requiring the maintenance of certain financial ratios, all of which were met as at December 31, 2009.

(a) Operating Loan

The operating loan is a revolving facility, has no scheduled repayments and bears interest at a rate relative to the bank's refinancing rate plus 3.5%. Subsequent to year end, this facility was renewed and the repayment date for the loan will be March 31, 2012.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

7. LONG-TERM DEBT (cont'd)

(b) Term Loan - 2006

This term loan bears interest at the bank's financing rate plus 4.5% and is repayable in equal monthly instalments of \$0.3 million ending on October 31, 2011. As at December 31, 2009 the entire term loan was utilized. Of the amount outstanding, \$3.8 million is classified as current and \$3.1 million as long-term. Principal repayments of the term loan over the next two years are:

(\$000s)	
2010	\$ 3,750
2011	3,125
	<u>\$ 6,875</u>

(c) Term Loan - 2009

In March 2009, the Company obtained a new \$4.0 million five-year term facility bearing interest at the bank's refinancing rate plus 4.65%. Principal repayments commenced in November 2009 in equal monthly instalments of \$74,100 for a 54-month period. As at December 31, 2009, the entire facility was utilized. Of the amount outstanding, \$0.9 million is classified as current and \$3.0 million as long-term. Principal repayments of the term loan over the next five years are:

(\$000s)	
2010	\$ 889
2011	889
2012	889
2013	889
2014	296
	<u>\$ 3,852</u>

(d) Environmental Term Loan

An eight-year \$10.0 million term loan was finalized in May 2009, funded equally by IFC and EBRD and is available for environmental and social programs pertinent to the Company's activities in Albania. The interest rate is based on London Inter-Bank Offer Rate (LIBOR) plus 4.5%. A standby fee of 0.5% is charged on the unutilized portion. At December 31, 2009 none of the facility was drawn. Principal repayments commence in April 2013 in bi-annual instalments of \$0.5 million with maturity on October 15, 2017.

(e) Revolving loans

In May 2009, the Company finalized a six-year revolving facility, funded equally by EBRD and IFC, that consists of two \$50.0 million tranches. Tranche I is currently available to the Company and Tranche II becomes available subject to mutual agreement among the Company, IFC and EBRD, when production exceeds 10,000 barrels of oil per day and the Brent oil price exceeds \$62 per barrel for twenty consecutive trading days. The interest rate is based on LIBOR plus 4.5%. A standby fee of 2.0% is charged on the unutilized Tranche I portion and Tranche II portion, when it becomes available. At December 31, 2009 none of the facility was drawn. For each of Tranche I and Tranche II, the amounts decline to \$16.5 million on October 15, 2013, \$8.3 million on October 14, 2014 with final repayment due on October 15, 2015. Setup costs of \$16.2 million (December 31, 2008 – nil) pertaining to these facilities, including the value attributed to the share purchase warrants (note 9(b)), have been recorded as deferred financing costs and are amortized over the life of the revolving facilities.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

8. ASSET RETIREMENT OBLIGATIONS

In Albania, the Company estimated the total undiscounted amount required to settle the asset retirement obligations at \$24.7 million (2008 – \$15.1 million). These obligations will be settled at the end of the Company's 25-year license of which 21 years are remaining. The liability has been discounted using a credit-adjusted risk-free interest rate of 10% (2008 – 10%) and an inflation rate of 2.5% to arrive at asset retirement obligations of \$3.9 million as at December 31, 2009.

(\$000s)	2009	2008
Asset retirement obligation, beginning of year	\$ 2,896	\$ 2,177
Liabilities incurred during the year	656	481
Accretion	304	238
Asset retirement obligation, end of year	\$ 3,856	\$ 2,896

9. SHAREHOLDERS' EQUITY

(a) Share capital

Authorized

Unlimited number of common shares with no par value.

Issued

	Number of Common Shares	Amount (\$000)
Balance, December 31, 2007	452,509,492	\$ 136,513
Consolidation adjustment *	(301,672,997)	-
Discontinued operations (Note 15)	-	(97,472)
Private placement	22,222,222	59,749
Stock options exercised	6,179,624	15,038
Warrants exercised	3,301,838	9,569
Share issue costs	-	(1,490)
Balance, December 31, 2008	182,540,179	121,907
Prospectus issue	25,143,800	38,349
Warrants exercised	19,144,502	43,731
Stock options exercised	1,443,684	4,291
Share issue costs	-	(2,220)
Balance, December 31, 2009	228,272,165	\$ 206,058

* On July 30, 2008, the Company's shares, warrants and options were consolidated on a one-for-three (1:3) basis, as approved by the shareholders.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

9. SHAREHOLDERS' EQUITY (cont'd)

(a) Share capital (cont'd)

In May 2009, the Company completed an equity offering with a syndicate of underwriters and issued an aggregate of 25,143,800 common shares at a price of CAD\$1.75 per common share on a bought-deal basis, resulting in proceeds of \$36.1 million, net of commissions and share issue expenses.

In July 2009, EBRD and IFC exercised warrants to purchase 16 million common shares of the Company at a price of CAD\$1.50 per share, for proceeds of approximately \$21.9 million. On November 10, 2009, warrants to purchase common shares of the Company at a price of CAD \$2.49 were expired. A total of 3.1 million such warrants were exercised prior to their expiration date, generating proceeds of \$7.4 million.

The weighted average number of common shares used in the calculation of basic and diluted loss per share was 206,999,279 in 2009 (2008 – 176,334,158). In computing diluted loss per share for the year ended December 31, 2009, 4,965,300 common shares were excluded as the effect would be anti-dilutive (2008 – 232,422).

Subsequent to year end, approximately 0.9 million of stock options and 1.0 million of warrants were exercised, generating proceeds of \$4.0 million.

(b) Warrants

A summary of the changes in warrants is presented below:

	Number of Warrants	Amount (\$000)
Balance, December 31, 2007	38,323,452	\$ 2,539
Consolidation adjustment *	(25,548,968)	-
	12,774,484	2,539
Issued	240,729	255
Transferred to share capital on exercise	(3,301,838)	(706)
Balance, December 31, 2008	9,713,375	2,088
Issued	16,000,000	14,136
Transferred to share capital on exercise	(19,144,502)	(14,485)
Forfeited	(428,540)	-
Balance, December 31, 2009	6,140,333	\$ 1,739

* On July 30, 2008, the Company's shares, warrants and options were consolidated on a one-for-three (1:3) basis, as approved by the shareholders

In May 2009, the Company reserved for issuance 16 million common share purchase warrants, 8 million for each of EBRD and IFC in relation to the long-term facility described in note 7(e). Each warrant entitled the holder to purchase one common share of the Company at a price of CAD\$1.50 when the Brent oil price is above \$55 per barrel for ten consecutive trading days until the earlier of i) one year from such date or ii) 45 days after the date on which the Company has notified that its common shares close at or above the exercise price for twenty consecutive trading days. The Company determined the fair value of the warrants as CAD\$1.01 per warrant using the Black-Scholes option pricing model. As a result, a value of \$14.1 million was allocated to warrants. All the above warrants were exercised during the year.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

9. SHAREHOLDERS' EQUITY (cont'd)

(b) Warrants (cont'd)

The following table summarizes the outstanding and exercisable warrants at December 31, 2009:

Expiry Date	Number of Warrants Outstanding and Exercisable	Weighted Average Exercise Price (CAD \$)
November 15, 2010	1,266,667	2.63
March 1, 2012	4,873,666	2.37
	6,140,333	2.42

(c) Stock Options

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

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

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

	Number of Options	Weighted Average Exercise Price (CAD \$)
Balance, December 31, 2008	11,936,128	2.26
Granted	3,710,000	2.43
Exercised	(1,443,684)	2.02
Forfeited	(1,372,442)	2.77
Balance, December 31, 2009	12,830,002	2.39

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

9. SHAREHOLDERS' EQUITY (cont'd)

(c) Stock Options (cont'd)

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

Range of Exercise Price (CAD\$)	2009			2008		
	Outstanding	Exercisable	Weighted Average Remaining Contractual Life (years)	Outstanding	Exercisable	Weighted Average Remaining Contractual Life (years)
0.50 - 1.00	-	-	-	46,291	46,291	0.4
1.01 - 1.50	3,144,444	2,210,930	3.7	3,737,500	1,502,777	4.6
1.51 - 2.00	4,577,390	2,557,391	3.8	1,939,612	1,365,298	3.4
2.01 - 3.00	903,168	630,939	2.8	1,218,390	538,686	3.7
3.01 - 3.50	1,300,000	1,300,000	1.1	2,649,334	2,649,334	2.1
3.51 - 4.00	150,000	116,666	2.3	166,667	100,000	3.4
4.01 - 4.50	1,775,000	1,183,331	3.3	1,878,333	626,111	4.3
4.51 - 5.00	300,000	200,000	3.5	300,000	100,000	4.5
5.01 - 5.50	680,000	226,669	4.9	-	-	-
	<u>12,830,002</u>	<u>8,425,926</u>		<u>11,936,128</u>	<u>6,928,498</u>	

(d) Stock-based Compensation

Using the fair value method for stock-based compensation, the Company calculated stock-based compensation expense for the year ended December 31, 2009 as \$6.5 million (2008 - \$8.8 million) for the stock options vested and/or granted to officers, directors, employees and service providers. Of this amount \$4.5 million (2008 - \$7.3 million) was charged to earnings and \$2.0 million (2008 - \$1.5 million) was capitalized. The Company determined these amounts using the Black-Scholes option pricing model assuming a risk free interest rate range of 1.80% - 2.59% (2008 - 2.67% to 3.50%), a dividend yield of 0% (2008 - 0%), a forfeiture rate of 0% (2008 - 0%), an expected volatility range of 103% - 126% (2008 - 69% to 101%) and expected lives of the stock options of five years (2008 - five) from the date of grant.

(e) Contributed Surplus

The following table summarizes the change in contributed surplus as of December 31:

(\$000s)	2009		2008	
Balance, beginning of year	\$	11,862	\$	8,308
Stock-based compensation		6,560		9,136
Discontinued operations (Note 15)		-		(1,591)
Transferred to share capital on exercise		(1,610)		(3,991)
Balance, end of year	\$	16,812	\$	11,862

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

10. SEGMENTED INFORMATION

The Company defines its reportable segments based on geographic locations.

Year ended December 31, 2009 (\$000s)	Albania	Canada	Total
Revenue			
Oil revenue	\$ 86,614	\$ -	\$ 86,614
Royalties	(20,468)	-	(20,468)
Interest	1	823	824
	<u>66,147</u>	<u>823</u>	<u>66,970</u>
Expenses			
Operating	24,781	-	24,781
Sales and transportation	9,869	-	9,869
General and administrative	3,055	3,395	6,450
Interest and bank charges	648	-	648
Interest on long-term debt	1,858	-	1,858
Gain on disposal of investments	-	(347)	(347)
Foreign exchange gain	(5)	(4,581)	(4,586)
Stock-based compensation	831	3,714	4,545
Amortization of deferred financing costs	1,803	-	1,803
Depletion, depreciation and accretion	16,083	125	16,208
	<u>58,923</u>	<u>2,306</u>	<u>61,229</u>
Net income (loss) for the year before income taxes	7,224	(1,483)	5,741
Future income tax expense	(5,891)	-	(5,891)
Net income (loss) for the year	<u>\$ 1,333</u>	<u>\$ (1,483)</u>	<u>\$ (150)</u>
Assets, December 31, 2009	<u>\$ 221,503</u>	<u>\$ 83,317</u>	<u>\$ 304,820</u>
Additions to property, plant and equipment	<u>\$ 38,190</u>	<u>\$ 134</u>	<u>\$ 38,324</u>

During the year, the Albania segment recorded domestic sales of \$15.5 million (2008 - \$54.4 million) and export sales of \$71.1 million (2008 - \$55.9 million).

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

10. SEGMENTED INFORMATION (cont'd)

Year ended December 31, 2008 (\$000s)	Albania	Canada	Total
Revenue			
Oil revenue	\$ 110,253	\$ -	\$ 110,253
Royalties	(22,852)	-	(22,852)
Interest	-	1,501	1,501
	<u>87,401</u>	<u>1,501</u>	<u>88,902</u>
Expenses			
Operating	28,745	-	28,745
Sales and transportation	7,515	-	7,515
General and administrative	3,036	4,335	7,371
Interest and bank charges	1,105	-	1,105
Interest on long-term debt	1,148	-	1,148
Foreign exchange (gain) loss	(649)	5,222	4,573
Write down of investments	-	986	986
Stock-based compensation	784	6,499	7,283
Depletion, depreciation and accretion	13,507	148	13,655
	<u>55,191</u>	<u>17,190</u>	<u>72,381</u>
Income (loss) from continuing operations before income taxes	32,210	(15,689)	16,521
Future income tax expense	(18,108)	-	(18,108)
	<u>14,102</u>	<u>(15,689)</u>	<u>(1,587)</u>
Income (loss) from continuing operations	\$ 14,102	\$ (15,689)	(1,587)
Discontinued operations			(188)
Net loss for the year		<u>\$</u>	<u>(1,775)</u>
Assets, December 31, 2008	\$ 181,505	\$ 33,170	\$ 214,675
Additions to property, plant and equipment	\$ 78,315	\$ 63	\$ 78,378

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

11. INCOME TAXES

Future income tax expense relates to the Albanian operations and results from the following as of December 31:

(\$000s)	2009	2008
Net book value of property, plant and equipment, net of asset retirement obligations	\$ 180,280	\$ 151,972
Cost recovery pool	<u>(101,452)</u>	<u>(88,956)</u>
Timing difference	\$ 78,828	\$ 63,016
Future income tax liability at 50%	<u>\$ 39,414</u>	<u>\$ 31,508</u>

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

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

(\$000s)	2009	2008
Earnings before income taxes	\$ 5,741	\$ 16,521
Statutory tax rate	<u>29.00%</u>	<u>29.50%</u>
	1,665	4,874
Difference in tax rates between Albania and Canada	2,453	6,603
Non-deductible expenses	595	3,092
Taxable gain on discontinued operations	-	1,857
Foreign exchange differences	(1,890)	3,619
Valuation allowance and other	<u>3,068</u>	<u>(1,937)</u>
Future income tax expense	<u>\$ 5,891</u>	<u>\$ 18,108</u>

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

(\$000s)	2009	2008
Future income tax assets:		
Non-capital loss carry forwards	\$ 4,456	\$ 2,633
Capital loss	1,124	(22)
Share issue costs	392	766
Property, plant and equipment	(771)	(855)
Less: valuation allowances	<u>(5,201)</u>	<u>(2,522)</u>
Future income tax assets	<u>\$ -</u>	<u>\$ -</u>
Future income tax liabilities:		
Property, plant and equipment – Albania	\$ 39,414	\$ 31,508
Future income tax liability	<u>\$ 39,414</u>	<u>\$ 31,508</u>

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

11. INCOME TAXES (cont'd)

The Company has available for deduction against future Canadian taxable income non-capital losses of approximately \$19.3 million. These losses, if not utilized, will expire commencing in 2010 as follows:

(\$000s)	
2010	\$ 251
2011	1,475
2015	3,959
2026	2,195
2027	5,555
2028	183
2029	5,698
	<u>\$ 19,316</u>

The potential income tax benefits of these future income tax assets have been offset by a valuation allowance and have not been recorded in these financial statements.

Future income tax liabilities result from the temporary differences between the carrying value and tax values of its Albanian assets and liabilities.

12. COMMITMENTS

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

(\$000s)	Canada	Albania	Total
2010	\$ 227	\$ 172	\$ 399
2011	227	5	232
2012	9	-	9
	<u>\$ 463</u>	<u>\$ 177</u>	<u>\$ 640</u>

The Company has debt repayment commitments as disclosed in note 7(a), 7(b) and 7(c).

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

13. SUPPLEMENTAL CASH FLOW INFORMATION

<i>(\$000s)</i>	2009	2008
<i>Operating activities</i>		
Increase in current assets		
Accounts receivable	\$ (5,767)	\$ (2,213)
Inventory	(443)	(603)
Deposits and prepaid expenses	(4,668)	(381)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(3,613)	10,516
	<u>\$ (14,491)</u>	<u>\$ 7,319</u>
<i>Investing activities</i>		
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	\$ (3,670)	\$ 5,169
<i>Cash and cash equivalents</i>		
Cash	\$ 3,895	\$ 933
Fixed income investments	55,600	14,674
	<u>\$ 59,495</u>	<u>\$ 15,607</u>
<i>Interest paid</i>	<u>\$ 2,506</u>	<u>\$ 2,253</u>
<i>Interest received</i>	<u>\$ 1,210</u>	<u>\$ 1,047</u>

14. FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Company has exposure to credit, liquidity and market risk. This note presents information about the Company's exposure to each risk, the Company's objectives, policies and processes for measuring and managing risk, and management of capital.

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

14. FINANCIAL INSTRUMENTS (cont'd)

Fair Value Measurement

The Company adopted a new fair value measurement standard which define fair value, establish a framework for measuring fair value under the existing accounting pronouncements that require fair value measurements and expands fair value measurement disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The standard characterizes inputs used in determining fair value according to a hierarchy that prioritizes inputs based upon the degree to which they are observable. The Company's financial assets and liabilities recorded at fair value have been classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

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

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

The Company's cash and cash equivalents and short-term deposits have been assessed on the fair value hierarchy described above and have been classified as Level 1.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from petroleum refineries relating to accounts receivable. As at December 31, 2009, the Company's receivables consisted of \$23.1 million (2008 – \$16.9 million) of receivables from petroleum refineries and \$0.2 million (2008 – \$0.7 million) of other trade receivables, as summarized below:

<i>(\$000s)</i>	Current	30 – 60 days	61 – 90 days	Over 90 days	Total
Albania	\$ 10,294	\$ -	\$ -	\$ 12,838	\$ 23,132
Canada	226	-	-	-	226
	<u>\$ 10,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,838</u>	<u>\$ 23,358</u>

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

14. FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

In Albania, the Company considers any amounts greater than 60 days as past due. The accounts receivable, included in the table, past due or not past due are not impaired. They are from counterparties with whom the Company has a history of timely collection and the Company considers the accounts receivable collectible. Domestic receivables are due by the end of the month following production and export receivables are collected within 30 days from the date of the shipment. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with a variety of purchasers. Of the total receivables of \$23.1 million (2008 – 16.9 million) in Albania, approximately \$12.8 million (2008 – \$13.6 million) is due from one domestic customer of which the entire amount is past due. A payment of \$1.0 million was received from this customer subsequent to year end. The customer has confirmed the outstanding amount and the Company is in the process of finalizing a repayment plan.

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

The carrying amount of accounts receivable represents the maximum credit exposure. As of December 31, 2009 and December 31, 2008, the Company does not have an allowance for doubtful accounts and did not provide for any doubtful accounts nor was it required to write-off any receivables.

The Company also has credit risk with respect to the \$2.7 million note receivable from BKX and regularly monitors the operations and financial condition of the borrower (See note 5). At December 31, 2009, no principal or interest amounts were due.

Cash and cash equivalents consist of cash and bank balances. The Company manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to plan that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The timing of cash flows relating to financial liabilities as at December 31, 2009, is as follows:

(\$000s)	2010	2011	2012	2013	2014
Accounts payable and accrued liabilities	\$ 19,505	\$ -	\$ -	\$ -	\$ -
Operating loan	-	-	17,358	-	-
Term loans	4,639	4,014	889	889	296
Total	\$ 24,144	\$ 4,014	\$ 18,247	\$ 889	\$ 296

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

14. FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

The Company prepares annual capital expenditure budgets, which are regularly monitored and modified as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has a revolving credit facility with a European financial institution based in Albania, as disclosed in note 7, which is reviewed annually by the lender. The Company also attempts to match its payment cycle with collection of petroleum revenues. The Company maintains a close working relationship with the European bank that provides its credit facility and the increase in the existing credit facility has been approved during the year (note 7(d) and note 7(e)).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 2009, a 10% change in the foreign exchange rate of the Canadian dollar against the United States dollar, with all other variables held constant, would affect after tax net income for the year by \$3.8 million (2008 - \$1.5 million). The sensitivity is higher in 2009 as compared to 2008 because of an increase in Canadian dollar cash and cash equivalents outstanding.

As at December 31, 2009, a 10% change in the foreign exchange rate of the Albanian Lek against the United States dollar, with all other variables held constant, would affect after tax net income for the year by \$2,000 (2008 - \$14,000). The sensitivity is lower in 2009 compared to 2008 because of a decrease in Albania Lek cash and cash equivalents outstanding.

The Company had no forward foreign exchange rate contracts in place as at or during the year ended December 31.

Commodity price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand. The Company's primary revenues are from heavy oil sales in Albania, priced on a quality differential basis, to the US dollar-based Brent oil price. As at December 31, 2009, a \$1 per barrel change in the Brent oil price, with all other variables held constant, would affect after tax net income for the year by \$0.5 million (2008 - \$0.5 million).

Notes to the Consolidated Financial Statements

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December 31, 2009 and 2008

14. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest. As at December 31, 2009, a 10% change in the interest rate, with all other variables held constant, would affect after tax net income for the year by \$0.3 million (2008 - \$0.3 million).

Capital management

The Company's policy is to maintain a strong capital base thereby establishing investor, creditor and market confidence and to sustain future business development. The Company manages its capital structure and makes necessary adjustments in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company's capital structure included shareholders' equity, bank debt and working capital. In order to maintain the capital structure, the Company may from time to time issue shares and adjust capital spending to manage current and projected debt levels.

The Company monitors capital based on the ratio of debt to annualized cash flow. This ratio is calculated as net debt (outstanding bank debt plus or minus working capital) divided by cash provided by operating activities before changes in non-cash working capital for the most recent quarter, annualized. The Company's strategy is to maintain a debt/cash flow ratio of no more than 1.5 to 1. This ratio may increase at certain times as a result of acquisitions. In order to monitor this ratio, the Company prepares annual capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The debt-to-annualized cash flow ratios as at December 31, 2009 and December 31, 2008 were as follows:

<i>(\$000s)</i>	2009	2008
Total Debt	\$ 28,085	\$ 28,125
Less: working capital before debt	<u>(80,053)</u>	<u>(13,863)</u>
Net debt (surplus)	(51,968)	14,262
Annualized cash flow	\$ 10,931	\$ 49,032
Debt (surplus)-to-annualized cash flow ratio	(4.75)	0.29

The improvement in the debt-to-annualized cash flow during 2009 resulted primarily from the reduction in net debt. The Company's share capital is not subject to external restrictions; however, the bank debt facility is based on certain covenants, all of which were met as at December 31, 2009. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

Notes to the Consolidated Financial Statements

(Expressed in U.S. dollars)

December 31, 2009 and 2008

15. DISCONTINUED OPERATIONS

Pursuant to shareholders' approval at the Annual and Special General Meeting on June 27, 2008, the Company completed a plan of arrangement, effective July 1, 2008, which resulted in all of the Company's US operations and assets being transferred into a new, independent company: BNK Petroleum Inc. (BKX). Accordingly, the operations of BKX have been classified as discontinued operations. Total restructuring costs amounted to \$2,796 for the year ended December 31, 2008.

The following table provides additional information with respect to amounts included in the results of discontinued operations:

	2009	2008
Revenue	\$ -	\$ 3,144
Expenses	-	3,332
Discontinued operations	\$ -	\$ (188)

The following table summarizes the assets, liabilities and shareholders' equity transferred to BKX effective July 1, 2008 as a result of the discontinued operations:

Current assets	
Cash and cash equivalents	\$ 351
Accounts receivable	16,451
Deposits and prepaid expenses	2,441
	<u>19,243</u>
Property, plant and equipment	105,830
	<u>\$ 125,073</u>
Current liabilities	
Notes payable	\$ 10,535
Accounts payable and accrued liabilities	17,262
	<u>27,797</u>
Asset retirement obligations	609
Share capital	97,472
Contributed surplus	1,591
Deficit	(2,396)
	<u>96,667</u>
	<u>\$ 125,073</u>