BNK PETROLEUM

ANNUAL INFORMATION FORM

for the year ended December 31, 2010

dated March 31, 2011

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PRELIMINARY NOTES

This document is the Annual Information Form (the "**AIF**") of BNK Petroleum Inc. for the year ended December 31, 2010. All information contained herein is as at December 31, 2010, unless otherwise stated. Unless the context indicates otherwise, references in this AIF to "BNK" or the "Corporation" include, for reporting purposes only, the direct or indirect subsidiaries and significant investee corporations of BNK Petroleum Inc. Such use of "BNK" or the "Corporation" to refer to these other legal entities does not constitute a waiver by BNK Petroleum Inc. or such entities of their separate legal status, for any purpose.

This AIF should be read in conjunction with the Corporation's consolidated financial statements and management's discussion and analysis for the period ended December 31, 2010. The financial statements and management's discussion and analysis are available at www.bnkpetroleum.com and under the Corporation's profile on the SEDAR website at www.sedar.com. These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Glossary of Terms

"**Arrangement**" means the statutory plan of arrangement involving the Corporation, Bankers and the shareholders of Bankers at the applicable time, further described under "Corporate Structure";

"Atlas" means Atlas Pipeline Mid-Continent;

"**Bankers**" means Bankers Petroleum Ltd., the parent of the Corporation prior to the Arrangement;

"BNK" means BNK Petroleum Inc., a British Columbia corporation;

"BNK US" means BNK Petroleum (US) Inc., an indirect subsidiary of the Corporation incorporated under the laws of Texas, U.S.A.;

"BWB" means BWB Exploration, LLC, an arm's length party with which the Corporation has agreements relating to exploration and development of certain projects in the United States and Europe;

"Common Shares" means the common shares in the capital of the Corporation;

"**Corporation**" means BNK Petroleum Inc., a British Columbia corporation;

"**EU**" means European Union;

"Indiana" means Indiana Investments Sp. z o.o, an indirect, wholly-owned subsidiary of the Corporation incorporated under the laws of Poland;

"**MHA**" means MHA Petroleum Consultants, Inc., an independent petroleum engineering consultant firm of Lakewood, Colorado, U.S.A;

"**MHA Report**" means the report on reserves data titled **"**Evaluation of the Petroleum Reserves of BNK Petroleum Inc. in the Ardmore Basin, Oklahoma" prepared by MHA dated March 11, 2011 with an effective date of December 31, 2010;

"**NI 51-101**" means National Instrument 51-101 of the Canadian Securities Administrators entitled *Standards of Disclosure for Oil and Gas Activities*;

"Plan" refers to the Corporation's stock option plan that permits grants of stock options to directors, officers, employees and service providers as additional compensation and as an opportunity to participate in the success of the Corporation;

"RAG" means Rohöl-Aufsuchungs Aktiengesellschaft, an established oil and gas exploration and development entity based in Austria;

"Saponis" means Saponis Investments Sp. z o.o, an investee company incorporated under Polish laws in which the Corporation has an indirect 26.69% interest;

"Sorgenia" means Sorgenia E&P S.p.A;

"TSX" means TSX Inc.;

"**U.S.**" means the United States of America;

Conventions

This AIF contains references to Canadian dollars and United States dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. Canadian dollars are referred to as "C$".

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

	Year Ended December 31		
	2010	**2009**	**2008**
High(1)	1.0848	1.3066	1.2935
Low(1)	0.9931	1.0251	0.9765
Average(2)	1.0303	1.1420	1.0660
Closing(1)	0.9946	1.0510	1.2180

Notes:

(1) The exchange rates are nominal quotations – not buying or selling rates – published by the Bank of Canada and are intended for statistical purposes.

(2) The average rate means the average of the exchange rates on the last day of each month during the year.

Abbreviations

Oil and Natural Gas Liquids	
bbl	Barrel
bbls	Barrels
mbbls	Thousand barrels
NGL	Natural gas liquids
API	An indication of the specific gravity of crude oil measured on the American Petroleum Institute gravity scale. Liquid petroleum with a specified gravity of 28 °API or higher is generally referred to as light crude oil
bopd	Barrels of oil per day

Oil and Natural Gas Liquids	
boe	Barrel of oil equivalent of natural gas and crude oil on the basis of 1 boe for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
boepd	Barrels of oil equivalent per day
Mboe	1,000 barrels of oil equivalent
MMboe	Million barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

Natural Gas	
bcf	Billion cubic feet
mcf	Thousand cubic feet
mmcf	Million cubic feet
mcfpd	Thousand cubic feet per day
mmcfpd	Million cubic feet per day
mmbtu	Million British Thermal Units

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This AIF and the documents incorporated by reference herein contain "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995 (together, "**forward-looking information**") concerning the Corporation's plans for its projects, production, capital, operating and cash flow estimates, anticipated financial performance, business prospects and strategies and other general matters. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking information. The use of words such as "intend", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking information. Such statements are included, among other places, in this AIF under the headings "Development of the Business", "Description of the Business and Projects" and "Risk Factors" and in the documents incorporated by reference herein. Statements relating to "reserves" or "resources" are also forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, including that the resources and reserves described can be profitably produced in the future. These statements and information are only predictions based on current information and knowledge. Actual future events or results may differ materially. In addition, this AIF may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on such forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

In particular, this AIF and the documents incorporated by reference herein contain forward-looking information pertaining to the following:

- the Corporation's acquisition and exploratory activities and strategies in Europe;
- performance characteristics of the Corporation's producing property, the Tishomingo Field, Oklahoma;
- crude natural gas, natural gas liquids and oil production estimates and targets;
- the size of the Corporation's natural gas, natural gas liquids and oil reserves;
- planned capital expenditure programs and estimates;

- projections of market prices and costs;
- expectations regarding future 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.

This forward-looking information is based on a number of assumptions, including but not limited to those set out herein and in the Corporation's Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information incorporated by reference herein (the "**NI 51-101 Report**"), stability in the credit markets and continued willingness of lenders to lend capital to issuers such as the Corporation, continuing availability of funds for capital expenditures, stability of the political and fiscal regimes in the countries in which the Corporation has operations, ability of the Corporation to hold its projects and find suitable industry partners, stable costs, availability of equipment and personnel when required for operations and continuing strong demand for oil and natural gas.

Actual results could differ materially from those anticipated in this forward-looking information as a result of the risks and uncertainties set forth below and elsewhere in this AIF and the documents incorporated by reference herein:

- 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 ability of the Corporation and its subsidiaries 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;
- inherent uncertainties involved in the legal dispute resolution process, including in foreign jurisdictions;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;
- tightening of the credit markets, global economic uncertainty, counterparty risk; and
- other factors discussed under "Risk Factors", as well as those risk factors discussed or referred to in the Corporation's annual Management's Discussion and Analysis and Annual Information Form filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Manitoba and Ontario and available at www.sedar.com.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Corporation's expected financial and operating performance and the Corporation's plans and objectives in making an investment decision and may not be appropriate for other purposes. This forward-looking information is expressly qualified in its entirety by this cautionary statement. The Corporation disclaims any obligation to update this forward-looking information to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

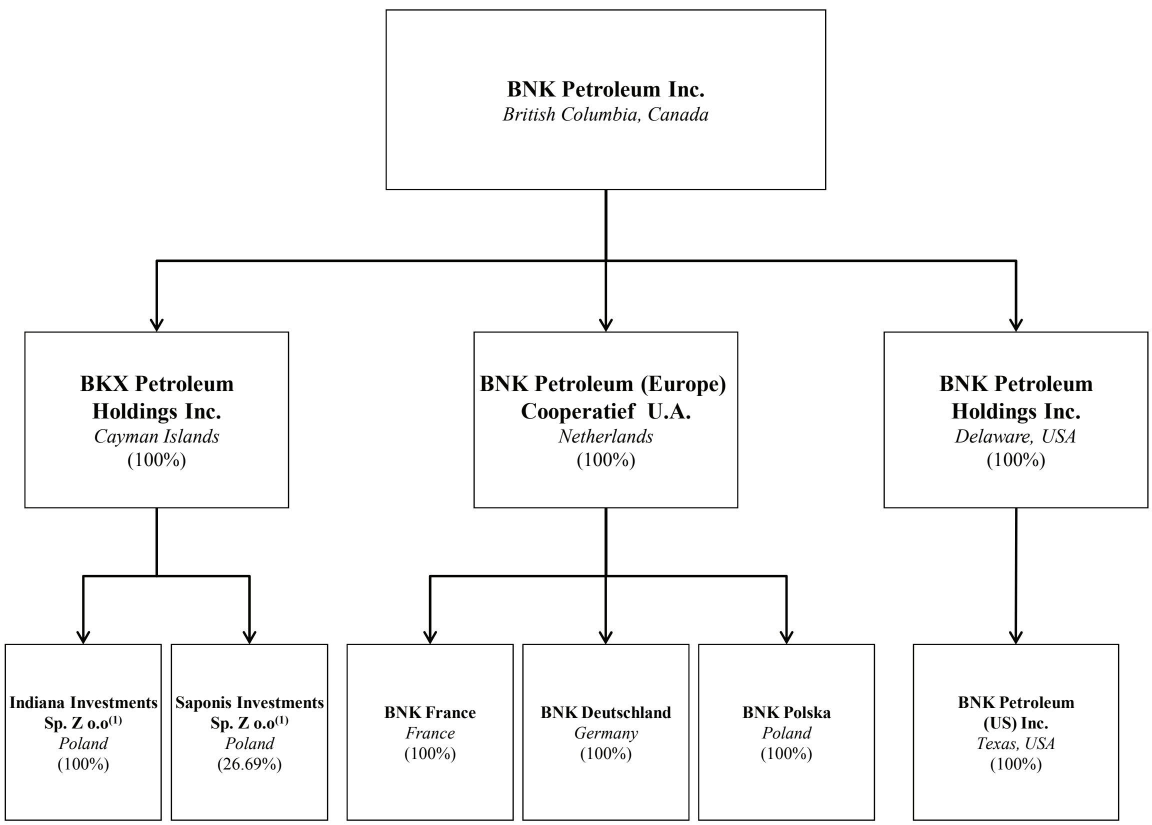
CORPORATE STRUCTURE

The Corporation was incorporated as "BNK Petroleum Inc." under the *Business Corporations Act* (British Columbia) on May 26, 2008. Pursuant to the Arrangement which was approved by the shareholders of Bankers, the Corporation's then parent, the Corporation issued to shareholders of Bankers one (1) Common Share for every ten (10) Bankers shares held by each such Bankers shareholder prior to consolidation of the outstanding common shares of Bankers that became effective post-Arrangement. The Corporation issued approximately 52,220,526 Common Shares to Bankers shareholders in connection with the Arrangement, which shares were then listed and commenced trading on the TSX on July 10, 2008 under the symbol "BKX".

The registered and records office of the Corporation is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5, and its head office is located at 760 Paseo Camarillo, Suite 350, Camarillo, California, 93010, U.S.A.

Intercorporate Relationships

The Corporation has the following subsidiaries and significant investee corporations:



(1) *The Corporation is in the process of reorganizing its investments in these two entities so that they are held by BNK Petroleum (Europe) Cooperatief U.A.*

DEVELOPMENT OF THE BUSINESS

Business Profile and Strategy

BNK Petroleum Inc. is a U.S.-based international oil and gas exploration and production company focused on finding and exploiting large, predominately unconventional, oil and gas resource plays. The Corporation holds and operates shale gas wells in the United States through its U.S. subsidiaries.

In 2008 the Corporation made a strategic decision to explore for natural gas in shale formations in Europe and began applying, through its European subsidiaries, for concessions in basins which, based on analysis conducted by the Corporation's geological team, it considers to be prospective for shale gas.

In North America, the Corporation's focus is on maximizing the value of its existing shale gas assets, while in Europe the Corporation is targeting growth in production and reserves through exploration and application of new and proven technologies by its experienced technical team. The Corporation believes that Europe's large market, established pipeline infrastructure, increasing demand and current dependence on gas imports, make it particularly well-suited to shale gas exploitation plays and for that reason, the Corporation has made this region a focus of its acquisition and exploration activities.

Three Year History

The following describes the general development of the Corporation's business over the last three completed financial years. More detailed information on the Corporation's projects is provided under "Description of the Business and Projects" and in the Corporation's *Statement of Reserves Data and Other Oil and Gas Information*, which is incorporated by reference herein.

Development of the Corporation's business prior to the Arrangement in July 2008 was financed by advances from Bankers. Since the Arrangement, development of its business has been financed through a combination of debt financings undertaken BNK Petroleum (US) Inc. ("**BNK US**"), and equity financings undertaken by the Corporation.

United States

Through BNK US the Corporation has approximately 14,900 net acres of oil and gas leases in the Ardmore basin of Oklahoma. In addition BNK still has some acreage in the states of Alabama, Oklahoma, Texas and New York. See "*Description of the Business and Projects – United States*".

During the past three years U.S. operations have been primarily focused on developing the leases in which BNK US has interests in the Tishomingo Field, Oklahoma, where the Corporation commenced production in 2007 of oil, natural gas and natural gas liquids and has discovered reserves through the successful drilling of and participation in ten (10) vertical and twenty-nine (29) horizontal wells. BNK US is the operator of 26 of the wells. By drilling and participating in thirty-nine (39) wells, the Corporation has earned the right to hold by production over 90 percent of its acreage in the Tishomingo Field. See "*Description of the Business and Projects – United States – Tishomingo Field*".

Future development of the Corporation's reserves in the Tishomingo Field as contemplated in the Corporation's NI 51-101 Report will require additional debt and/or equity financing if development proceeds within the time frames contemplated in the NI 51-101 Report. However, the Corporation monitors commodity prices and from time to time adjusts the timing of future development plans and expenditures in respect of its Tishomingo Field if the proposed schedule of development contemplated in the NI 51-101 Report is not warranted based on expected returns. On that basis a down-spacing pilot well test program initially planned for the latter part of 2010 and early 2011 has been deferred until 2012 due to weak natural gas and natural gas liquids prices.

During 2007 and 2008 the Corporation and its co-venturer on some of the Tishomingo Field leases built a gas gathering system for the Tishomingo Field. Each company owns and operates part of the system. Gathering fee rates reflect the relative investment of each party in the system.

In December 2008, the Corporation sold to BWB for $10 million its interests in certain oil and gas leases that were not part of the Tishomingo Field development in Carter County, Oklahoma and in the Black Warrior Basin of Mississippi and Alabama. Under the sale agreement BNK US retained the right to earn up to a 50% working interest in a portion or all of the Black Warrior acreage sold to BWB by drilling and paying BWB's share of costs of a series of test wells on identified prospects. See "*Description of the Business and Projects – Black Warrior Basin, Mississippi/Alabama*"

Europe

Since June 2009, the Corporation has acquired concessions covering approximately 3.9 million gross (3.5 million net) acres in four different basins in Poland and Germany and has applied for concessions in other West European countries that it has identified as prospective for shale gas. The Corporation believes that the areas in Europe in which it has applied for or acquired concessions are under-explored. To mitigate the potential financial impact of the exploration risk associated with these concessions the Corporation intends to review industry farm-outs for early-stage drilling and development of some of its acreage.

In October 2009, the Corporation entered into a farm-out agreement with RAG and Sorgenia in respect of the Corporation's 80% interest in the Starogard, Slupsk and Slawno concessions in Poland. Under the farm-out agreement the Corporation will retain a 26.69% interest in the concessions and will be carried for all but 6.69% of its costs on the first $25 million to be spent on the project. The Corporation commenced drilling the first exploratory well on the Slawno and Slupsk concessions in the fourth quarter, 2010 and the first quarter, 2011, respectively. See "*Description of the Business and Projects – European Projects*".

The concessions acquired or which the Corporation is seeking to acquire in Europe are exploration concessions. While concession terms vary from country to country, exploration concessions in EU countries are typically granted initially for a period of three to five years with term extensions possible. The area covered by a concession may be reduced upon extensions, upon converting into production licenses or otherwise. Typically, a concession holder will request areas be converted to production licenses after establishing that its discovery/ies cover the area. While there is no guarantee that the concession holder will be granted a production concession, most countries give preferential rights to the exploration concession holder. The concessions have minimum financial and work commitments and are subject to forfeiture if such obligations are not met. Production licences will likewise be subject to various financial and work commitments in addition to royalties, as determined by each country.

Debt Financings

In July 2008, BNK US arranged a $23 million loan facility with a U.S. bank and obtained a $23 million subordinated loan from Bankers. Subsequently, a $7 million revolving credit facility was added to the bank facility, bringing the total facility to $30 million. In November 2008, the original $23 million bank facility was cancelled, and in 2009, the remaining indebtedness to the U.S. bank was repaid and the facility terminated.

In April 2009, BNK US obtained a senior secured line of credit facility with an initial borrowing base of $29.5 million from Wells Fargo (the "**former facility**"). In connection with the former facility the lender was assigned a 3% overriding royalty interest in the first 40 wells on the Tishomingo Field, Oklahoma, declining to a 2% overriding royalty interest thereafter on each additional well and a 20% net profits interest on the same wells declining to 10% on all wells drilled thereafter. These royalty interests were re-acquired by BNK US in May 2010 for US$12 million. In May 2010, the balance outstanding on the subordinated debt payable to Bankers was repaid. See "*Development of the Business – Equity Financings*".

On October 27, 2010 BNK US obtained a $100 million reserve-based credit facility ("**new facility**) from a U.S. financial institution ("**new lender**"). The new facility has an initial borrowing base of US$23.8 million of which credit of US$20 million was extended by the new lender. On October 27, 2010 BNK US borrowed US$20 million from the new lender to partially pay off the former facility, and the balance of the former facility was paid out of cash on hand. On November 10, 2010 a second U.S. financial institution granted BNK US additional credit of $3.8 million ("**additional facility**") under the same terms as the new lender. The new and additional facilities ("**facilities**") will expire on October 27, 2013 and bear interest at LIBOR or base rate pricing plus an applicable margin subject to an all-in minimum monthly payments interest rate floor of 4.25%. The facilities are secured by a first lien on the assets of BNK US and the Corporation has guaranteed the obligations of BNK US under the credit agreement pursuant to which the facilities are provided. The facilities can be used only to fund US operations and require monthly payments of interest only, absent any reduction in the borrowing base, as compared to the former credit facility which required monthly repayments of principal based on a percentage of BNK US operating income.

Equity Financings

In August 2008, the Corporation issued 13,600,000 Common Shares at a price of C$1.85 per share pursuant to an underwritten private placement to raise net proceeds of C$22.1 million, of which C$10 million was applied to reduce the subordinated indebtedness owed to Bankers.

On July 15, 2009, the Corporation issued 17,000,000 Common Shares at C$0.30 per share pursuant to a non-brokered private placement, for gross proceeds of C$5.1 million. Proceeds were used for working capital and debt retirement.

On November 13, 2009, the Corporation issued 16,000,000 Common Shares at C$1.25 per share under a short form prospectus to a syndicate of underwriters to raise gross proceeds of C$20 million. C$9.2 million of the net proceeds of the offering were used to reduce the balance of the subordinated loan owed to Bankers and the remaining proceeds were used to fund the Corporation's exploration and development programs in Europe and the United States and for general corporate purposes.

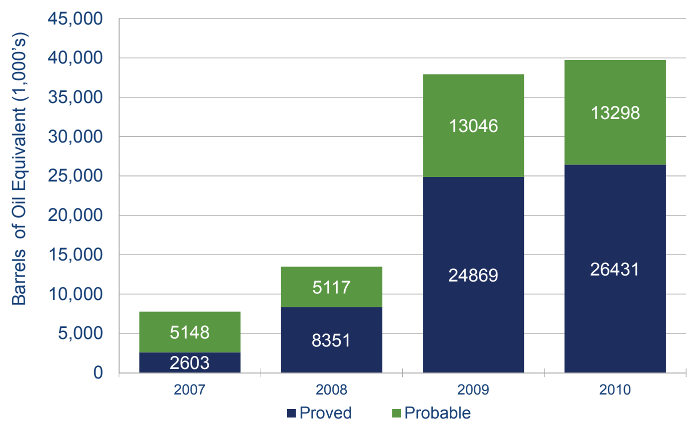
On May 18, 2010, the Corporation issued 15,800,000 Common Shares at a price of C$2.85 per share under a short form prospectus to a syndicate of underwriters for aggregate gross proceeds to the Corporation of C$45,030,000. Proceeds were used to re-acquire royalty interests granted to a former lender, to payout the subordinated debt owed to Bankers, and for working capital.

In October and November 2010, the Corporation issued an aggregate of 26,000,000 Common Shares at C$2.54 per share on a private placement basis to a single arm's length purchaser, Quantum Partners LP, in two tranches for aggregate gross proceeds of C$66,040,000. Upon completion of the private placement Quantum Partners LP reported that it held approximately 19.5% of the issued and outstanding share capital of the Corporation. Proceeds of the private placement will be used for general corporate purposes, including the Corporation's share of work commitments on its concessions in Europe.

DESCRIPTION OF THE BUSINESS AND PROJECTS

Business Profile

The Corporation's main business activities include exploration, development, production and marketing of crude oil, natural gas and natural gas liquids. The Corporation is currently expanding its concession acquisition and exploration activities in European basins that it considers prospective for shale gas, and continuing to develop its leases in the Tishomingo Field in the Ardmore Basin, Oklahoma, USA. The Corporation is also reviewing other geographical areas that its expert technical team has identified as prospective for oil and gas and under-explored. All of the Corporation's current production is from the Tishomingo Field, where the Corporation's proved plus probable reserves have increased more than five-fold since production commenced in 2007. 2010 year-end proved and probable Tishomingo Field reserves attributable to BNK US were 39.7 million boe, up 5% from year-end 2009. The following table shows changes in reserves:



Products

The Company's Tishomingo Field in Oklahoma, USA, produces oil, gas and natural gas liquids. Oil is sold to a single purchaser and transported by road. Natural gas is sold after it is shipped via pipeline and processed by Atlas at the Velma cryogenic plant, to various purchasers. Natural Gas liquids are sold by Atlas after the liquids are stripped out at the Velma plant, to various purchasers. During each of the two most recently completed financial years revenues from sales to arm's length customers for each category of product that accounted for fifteen (15%) percent or more of total consolidated revenues were: Oil – 2010 - $7,396,000, or 40% (2009 - $3,869,000 or 38%); Natural Gas – 2010 - $3,949,000, or 22% (2009 - $2,577,000 or 22%), and Natural Gas Liquids – 2010 - $7,033,000, or 38% (2009 - $3,869,000 or 38%).

Specialized Skills and Knowledge

Exploration for and development of petroleum and natural gas resources requires specialized skills and knowledge including in the areas of petroleum engineering, geophysics, geology and title. The Corporation has been successful in engaging personnel with the required specialized skills and knowledge to carry out its activities. While the current labour market in the industry is highly competitive, the Corporation expects to continue to be able to attract and retain appropriately qualified employees for fiscal 2011.

Competitive Conditions

The Corporation competes for leases in the shale gas basins in which it is active in the U.S. and in Europe with a number of private and public companies which may have greater financial resources, staff and facilities than the Corporation. Competition in European shale basins has increased as the prospects for shale gas exploration have become better known. Many medium and large companies with greater financial resources are entering the market. The Corporation's ability to increase reserves in the future will depend not only on its ability to develop or continue to develop existing properties, but also on finding and acquiring suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and gas include price, methods, pipeline access and reliability of delivery and availability of imported products.

The Corporation also competes with other industry participants for raw materials, drilling rigs and other equipment, component parts and services required for petroleum and natural gas exploration and development. Although to date the Corporation has had little difficulty obtaining the materials it requires for its activities, rig and service availability and pricings can vary materially with demand and can cause unexpected delays and increased costs.

Cycles

The Corporation's operations are generally not materially affected by seasonal weather cycles. However, construction of and access to drilling sites can be delayed and production operations may be curtailed during heavy spring rains, snow or other extreme weather phenomena. Demand for and the price of oil, gas and natural gas liquids is volatile and can be affected by seasonal weather variations.

Economic Dependence

Oil, gas and natural gas liquids can be readily sold to numerous purchasers and it is not difficult to ascertain its market price at any particular time. Because of the large number of available purchasers, the Corporation does not consider itself dependent on sales to any one purchaser, the loss of which would have a material adverse effect on the business of the Corporation.

Employees

At the end of 2010, the Corporation had a total of 21 employees.

Social or Environmental Policies

The health and safety of employees, contractors and the public, as well as the protection of the environment, is of utmost importance to BNK. To this end the Corporation has instituted comprehensive environmental, health and safety policies and procedures to which it, as well as its employees are required to adhere. Prior to commencing operations in Poland the Corporation engaged consultants with expertise on country-specific health, safety and environmental regulations and practices. The Corporation endeavours to conduct its operations in a manner that will minimize both adverse effects and consequences of emergency situations by:

- complying with government regulations and standards, particularly relating to the environment, health and safety;
- operations consistent with industry codes, practises and guidelines;
- ensuring prompt, effective response and repair to emergency situations and environmental incidents;

- providing training to employees and contractors to ensure compliance with corporate safety and environmental rules and procedures; and
- communicating openly with members of the public regarding its activities.

The Corporation believes that all employees have a vital role in achieving excellence in environmental, health and safety performance. This is best achieved through careful planning and the support and active participation of everyone involved. To further ensure that the Corporation achieves excellence in health and safety performance an emergency response plan and a corporate safety policy have been implemented. Furthermore, the Corporation aligns itself with the best industry practices to ensure positive results.

Environmental Protection

The Corporation's operations are subject to environmental regulations (including regular environmental impact assessments and permitting) in the jurisdictions in which it operates. Such regulations cover a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. While the Corporation does not currently expect the impact of costs and other effects related to compliance with environmental, health and safety regulations to have a material adverse effect on the Corporation's financial condition or results of operations, such regulations are evolving in a manner which is likely to result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Such stricter standards could impact the Corporation's costs and have an adverse effect on results of operations. Furthermore, an environmental, safety or security incident could impact the Corporation's reputation in such a way that the result could have a material adverse effect on its business and on the value of its securities.

Foreign Operations

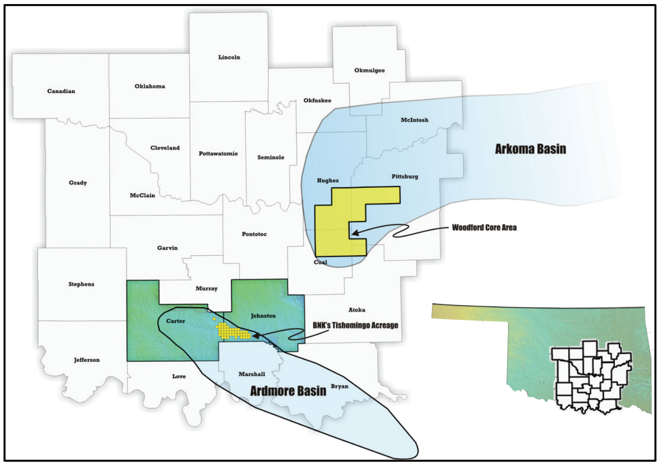
All of the Corporation's operations are in jurisdictions other than Canada. As at the date of this AIF, all of the Corporation's reserves and production are attributable to the Tishomingo Field in Oklahoma, USA. See also "Risk Factors – Foreign Operations and Enforcement of Laws".

Statement of Reserves Data and Other Oil and Gas Information

The information contained in the Corporation's National Instrument 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* as at December 31, 2010, the report of MHA Petroleum Consultants Inc. in the form of Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor,* and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure,* each filed under the Corporation's profile at www.sedar.com are incorporated by reference into this AIF.

United States Projects

Tishomingo Field, Ardmore Basin, Oklahoma



In Oklahoma, the Corporation has working interests in approximately 14,778 net acres of shale gas acreage in its Tishomingo Field to which proved and probable reserves of 39.7 million boes have been attributed. The Corporation plans to continue with its fracture stimulation program and development drilling in this field with the objective of increasing production and reserves. Below is a map that outlines the Corporation's areas of activity in the Ardmore Basin and shows its relation to the Arkoma Basin:

BNK US commenced drilling in the Tishomingo Field in December 2006. The first well, Nickel Hill #1-26, drilled vertically, was successfully completed and put on production in February 2007. The Corporation has now drilled and participated in twenty-nine (29) horizontal and ten (10) vertical wells and has earned the right to hold by production over 90% of its acreage in the Tishomingo Field. At year end 2010, all but three wells had been fracture-stimulated.

The Corporation's exit production from the Tishomingo Field at December 31, 2010 was approximately 1,674 boepd. At 2010 year-end BNK US had approximately 78 gross (27.3 net) stages of untreated Woodford Shale formation behind pipe from 6 horizontal wells. A net stage of treatable Woodford Shale represents the average treated interval length multiplied by BNK US working interest in each well. Plans for the Tishomingo Field in 2011 include correction of mechanical problems in two wells, continuation of the fracture stimulation program on the remaining available stages and participation in some additional non-operated wells. In 2012 BNK US plans to continue its development drilling program.

Black Warrior Basin, Mississippi/Alabama

Under its agreement with BWB, BNK US is entitled to earn up to a 50% working interest in approximately 72,000 net acres in the Black Warrior Basin of Mississippi and Alabama by drilling and paying for 100% of the costs of a series of test wells on identified prospects until it has spent $10 million. This basin targets Pennsylvanian-age Pottsville tight gas sands as well as the Mississippian-age Floyd shale. The first well, Hickman Farms 30-15, was drilled to a depth of 5,475 feet and cased. Completion problems were encountered and the well was ultimately abandoned. A second well, the WS Lee well was drilled during 2010 and has been plugged and abandoned as testing did not result in production of economic quantities of gas. To date as a result of drilling the initial two wells BNK US has earned a 50% interest in 6,800 net acres. BNK US is required to spud each test well within 90 days of the completion rig release of the previous well. During 2010 BNK US elected to pay liquidated damages of $500,000 in lieu of drilling a third well and is currently evaluating whether to drill any more wells in this project.

Palo Duro Basin, Texas

BNK US holds approximately 27,000 net acres of land in the Palo Duro Basin, Texas, located approximately 260 miles northwest of the Fort Worth Basin which is home to the Barnett Shale play. The Palo Duro Basin Shale gas play encompasses the counties of Floyd and Motley and targets Pennsylvanian-aged shales that exist at depths between 7,000 and 10,500 feet in the Bend group. The Corporation's working interests range from 25% to 73%. There are no current plans to conduct work on this project during the current fiscal year.

Appalachian Basin, New York

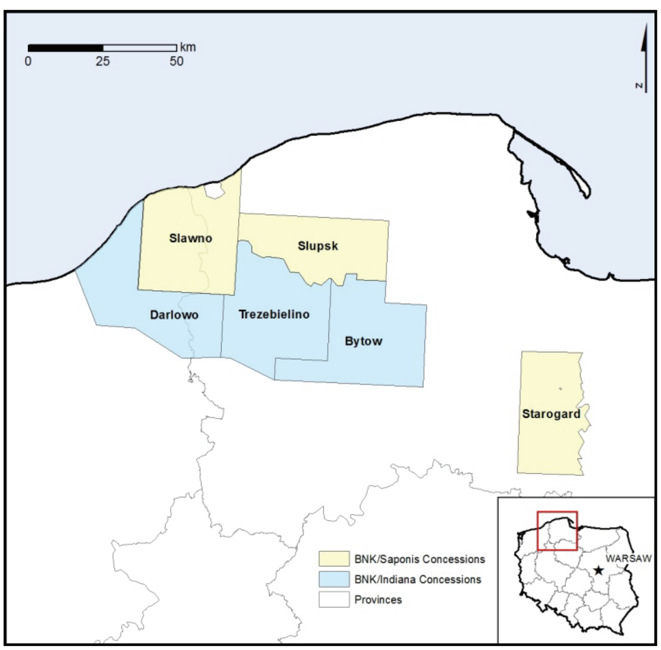
This area targets the early Ordovician age, Trenton-Black River limestone-shale sequence with secondary potential in the Late Ordovician age, Utica Shale. The Corporation believes that its 15,000 acre block has good potential for a hydrothermal dolomite play based on the aeromagnetic data. There are no current plans for work on this project in the current fiscal year.

European Projects

Overview

The Corporation has acquired concessions totalling 3.9 million gross (3.5 million net) acres in four basins, including six concessions in Poland and six concessions in Germany, and is continuing to apply for concessions in other European basins that it considers to be prospective for shale gas. Time from initial application to decision or award is typically five to twelve months. After obtaining a concession the Corporation generally spends the next six to twelve months further high-grading the plays and may seek industry partners to fund the exploration phase of each project.

Poland



The Corporation's net acreage interest in six concessions in Poland totals approximately 1,074,000 acres. Generally, the work commitments under these concessions include additional core analysis, geological work and spudding of one well during the first 18 months from the date of grant of each concession, unless extended. The estimated drilling and completion cost of each well is approximately $8 to $8.5 million.

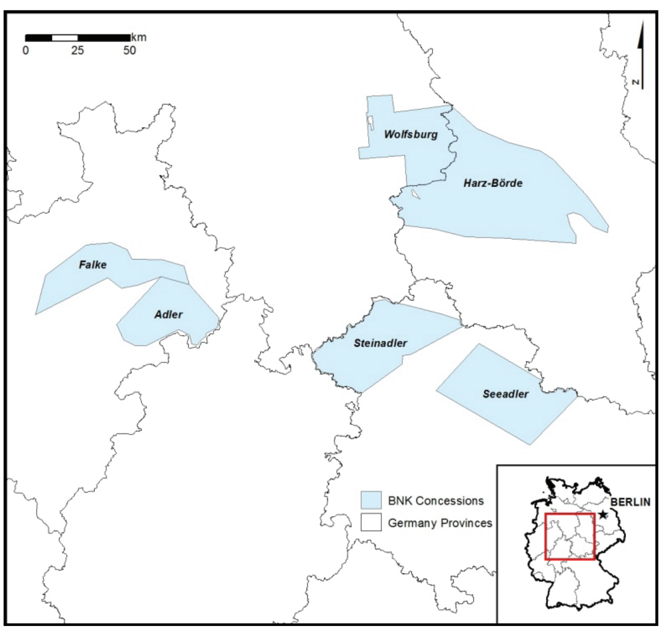
In June 2009, Saponis was awarded the Starogard, Slupsk and Slawno concessions in the Baltic Basin, Northern Poland. These three concessions total approximately 730,000 gross acres. The Corporation initially held an indirect 80% interest in these concessions. In October 2009, the Corporation farmed out its 80% interest in the concessions to RAG and Sorgenia. Under the farm-out agreement BNK is carried for all but 6.69% of its costs on the first $25 million to be spent on the project. Once the farmout terms are met the Corporation's indirect interest will be 26.69%, which equates to approximately 195,000 net acres of the Starogard, Slupsk and Slawno concessions.

The partners in Saponis decided to shoot two 10 kilometres of 2D seismic lines through the planned well locations on each of the three concessions in order to avoid faults and ensure the targeted intervals will be encountered in the first test well on each concession. The additional work program was approved by the Polish Ministry of Environment in late June, 2010 and the three seismic shoots were completed in July and August, 2010. The concession amendments also included an extension of the spudding deadline on the first well (Lebork S-1) in the Slupsk concession to June 2, 2011 and on the first well (Starogard S-1) in the Starogard concession to December 2, 2011 to allow the Company to utilize both the new seismic data and the information gathered on the Wytowno #1 well on the Slawno Concession. The amendments also extended the deadline of drilling the second well on the Slupsk concession to December 2012 and on the Starogard concession to June 2013 whereas the second well in the Slawno concession must still be drilled by June 2012.

The first exploratory well on the Slawno concession, the Wytowno #1, began drilling in the fourth quarter of 2010 and has been drilled to 3,580 metres. Drilling costs for the well, including the running and cementing of casing were within the budget estimate. Completion activity will not commence until the core analysis and log interpretations are completed. On March 11, 2011, the first exploratory well on the Slupsk concession, the Lebork #1, began drilling.

The Corporation's wholly owned subsidiary, Indiana Investments Sp. z o.o was awarded three oil and gas concessions in the Baltic Basin of Poland in March 2010. The three concessions, Darlowo, Bytow and Trzebielino total approximately 880,000 acres net to BNK. Core analysis and geological work on these concessions are still ongoing. In order to hold the acreage, the work commitment requires the spudding of one well on each concession block within the first 18 months from the date of grant on each concession and a second well within the first three years of the date of grant. The Corporation is currently obtaining approval from the Polish Ministry of Environment to expand its 2D seismic program for acquisition.

Germany



The Corporation also holds concessions totalling approximately 2.4 million acres in the Saxony-Anhalt, North Rhine-Westphalia, Thuringia and Lower Saxony regions of Germany. The concessions were acquired in 2009 and 2010 for their multiple prospective shale gas targets as well as, in some instances, for secondary targets of coal bed methane and tight gas sands. Minimum work commitments to retain each of the oil and gas concessions in Germany include a requirement to complete geological work in the first year, acquiring seismic in the second year, drilling one vertical well in each of the third and fourth year, and the drilling of one horizontal well in the fifth year of the concession award date, within each concession area. During 2010, field work including outcrop sampling was conducted. Results of the analysis of the samples show mineralogy, total organic carbon (TOC) and thermal maturity (Ro) values similar to those found in successful US shale plays. While these are not the only parameters required for a successful shale play, the Corporation is encouraged that the parameters obtained from the outcrop samples compare well to major US shale plays. Seismic operations are planned for the second half of 2011. It is expected that between 30 and 50 kilometres of 2D seismic will be acquired on a number of the concession blocks.

RISK FACTORS

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

Financing Risks

The Corporation has a limited operating history. It achieved its first net profit during the first fiscal quarter of 2010 but did not have a net profit in the second and third quarters of 2010. To achieve its business objectives in Europe and continue development of its US reserves, the Corporation will require substantial amounts of capital, most of which will not be funded from cash flow from operations. As a consequence, the Corporation will need to raise additional capital through the issuance of equity, debt collaborative arrangements with commercial partners, or from other sources or a combination of the foregoing.

The Corporation's future capital requirements will depend on numerous factors, including the success of its acquisition activities in Europe and its ability to obtain farm-in partners on its European concessions, development and exploration drilling success, cost of lease extensions and renewals, the cost and rates of success of re-completing or drilling wells, future production levels, the terms (including price) and conditions that it is able to negotiate with purchasers of production from its properties, and the results of exploration activities. None of these factors can be predicted with certainty. Any additional equity financing will be dilutive to the holders of the Common Shares and any debt financing, if available, may restrict the Corporation's future financing and operating activities. The Corporation may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Corporation or investor sentiment are unfavourable. If sufficient funds are not obtained, the Corporation may have to reduce its acquisition, exploration and development programs, which would have a material adverse effect on the Corporation's results of operations and could result in a loss of some projects. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Nature of the Oil and Gas Business

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

The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Most of the properties in which the Corporation has an interest are prospects in which the presence of oil and natural gas reserves in commercial quantities has not been established. There is no certain way to know in advance whether such prospects will yield oil and/or gas in commercial quantities.

Exploration for oil and natural gas is a speculative business that involves a high degree of risk. Few exploration shale natural gas wells that are drilled are ultimately developed commercially. There is no assurance that expenditures made by the Corporation on its U.S. or European properties will result in the discovery of commercial quantities of oil, natural gas or natural gas liquids.

Reserve and Resource Estimates

The reserves estimates presented in and incorporated by reference into this AIF are derived from the calculations and estimates made by the Corporation's personnel and independent petroleum engineering consultants. These estimates are imprecise and depend upon geological interpretation and statistical inferences and comparables that may prove to be unreliable. Actual production, revenues, expenditures and future cash flow with respect to such reserves will vary from these estimates, and those variances may be material. The Corporation may choose not to or be unable to fund the future development costs to produce some or all of the estimated reserves and there is no assurance that the Corporation will achieve production estimates or realize the revenues reflected in such estimates. There are many factors, assumptions and variables involved in estimating reserves, many of which are beyond the Corporation's control and which, over time, may prove to be incorrect. Any material variation could have an adverse effect on the Corporation's financial condition and results of operations.

Future Development Costs and Reserves

The Corporation expects to fund development costs through a combination of internally generated cash flow and equity and/or debt financing. Timing and amount of future development costs may be revised and plans for development may be placed on hold if future development as contemplated in the NI 51-101 Report is determined by management not to be warranted for sound business reasons, including as a result of low commodity prices. There is no guarantee that funds will be available or that available funds will be allocated to develop all of the reserves requiring development as contemplated in the NI 51-101 Report. Failure to develop such reserves as contemplated in the NI 51-101 Report could negatively impact future net revenues. Further, actual production, revenues, expenditures and future cash flows with respect to reserves will vary from the estimates presented in the NI 51-101 Report, and those variances may be material. There are many factors, assumptions (including forecast pricing assumptions) and variables involved in estimating reserves, many of which are beyond the Corporation's control and over time may prove to be incorrect. Any material variation could have an adverse effect on the Corporation's financial condition and results of operations and influence the Corporation's development plans.

Exploration, Production and General Operational Risks

The business of exploration for and production of oil, gas and other hydrocarbon resources involves a high degree of risk. In particular, the operations of the Corporation may be disrupted, curtailed or cancelled as a result of a variety of risks and hazards which are beyond the control of the Corporation including but not limited to technical failures, environmental hazards, industrial accidents, occupational and health hazards, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with and changes in governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.

Delays in the construction and commissioning of or obtaining access gathering and processing facilities, other projects or various other technical difficulties may result in the Corporation's current or future projected target dates for production being delayed and the requirement for capital expenditures in excess of those estimated.

It is still very early in the life cycle of the various projects in which the Corporation has an interest. While the Corporation believes that certain of its projects have geological similarities to other productive projects in the U.S., there is no assurance that additional reserves or resources will be discovered or, if discovered it will be commercially viable to produce any portion of them and drilling costs may also be higher than anticipated. Completion activities across its properties may vary and will need to be continually refined with attendant increased costs.

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

Competitive Conditions

The oil and gas industry is highly competitive. The Corporation competes for leases in shale gas basins in which it is active in the U.S. and now in Europe with a number of private and public companies some of which have greater financial resources, staff and facilities than the Corporation.

The Corporation competes with other industry participants for the sourcing and availability of equipment, raw materials and component parts necessary in petroleum and natural gas exploration and development. To date, the Corporation has had little difficulty obtaining the equipment, services and materials it requires for its activities. However, as demand for drilling rigs and related equipment and services increase, delays and increased pricing may occur, either of which could result in delays in the Corporation’s planned work programs which could, in turn, have an adverse effect in its ability to maintain project Authorizations.

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

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

Availability of Equipment and Access Restrictions

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

It is anticipated that additional processing facilities may need to be constructed as production increases with the drilling of new wells. Should difficulties arise due to lack of financial resources or facility capacity, the Corporation's growth could be adversely affected.

Title, Third Party Agreements and Authorizations

The Corporation's exploration, production, and processing activities are dependent upon agreements with third parties and the grant and maintenance of appropriate licenses, concessions, leases, permits and governmental and regulatory consents (collectively referred to herein as "**Authorizations**") which may not be renewed, renewable, extended or granted, or may be withdrawn, or made subject to limitations. Many of the Corporation’s projects are subject to minimum work commitments which, if not met or extended, could result in a loss of some or all of such project areas. Although the Corporation believes that the Authorizations will be granted, extended or renewed (as the case may be), there can be no assurance that such Authorizations will be renewed or granted, or that the terms and costs of such grants, extensions or renewals will be economic or on terms that the Corporation can achieve.

The land areas covered by the Authorizations are or may be subject to agreements with the proprietors of the land. If such agreements are terminated, found void or otherwise challenged, the Corporation may suffer significant damage through the loss of opportunity to identify and extract oil or gas on any property covered by such agreements. Furthermore, certain licenses, permits and leases and rights to extension of such licenses, permits and leases are held by drilling commitments and could be lost if for any reason such drilling commitments are not met as a result of a lack of financial resources or unavailability of drilling rigs when required.

Title to oil and gas interests is often not capable of conclusive determination without incurring substantial expense. Vintage Petroleum LLC did not warranty title to the assets acquired from it by the Corporation. The nature of the oil and gas leasing and title regime in the U.S. basins in which the Corporation holds an interest is such that interests in large tracts of acreage may be represented by hundreds or thousands of leases and obtaining absolute confirmation of chain of title would be time consuming and expensive. The Corporation conducts such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties and conducts an extensive title review of a particular area prior to commencement of drilling. However, there can be no assurance of title. Title may be subject to unregistered liens and other defects which, if affecting a core area, could have a material adverse effect on the Corporation, its financial condition, results of operations and prospects.

Reserves Depletion

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

Production

Risks related to development of the Corporation's properties with assigned reserves including, but not limited to, technical difficulties, increased costs, reduced sales price or demand for natural gas produced from the project, are borne by the Corporation, and if realized could have a material adverse effect on the Corporation's financial condition and results of operations. The Corporation's operations at its Tishomingo Field accounted for all of the Corporation's oil and gas production in 2010 and to date in 2011. Any adverse condition affecting production, transportation or processing of oil and gas produced from the Tishomingo Field would have a material adverse effect on the Corporation's financial performance or results of operations until such condition is remedied.

Oil and Gas Prices and Marketability

The Corporation's results of operations and financial condition are dependent on the prices received for the oil, natural gas and natural gas liquids it produces. Oil, natural gas and natural gas liquids prices have fluctuated widely during recent years and are determined by factors beyond the Corporation's control, including global supply and demand, international economic and political conditions, weather, gas processing capacity, pipeline capacity and currency exchange rates. Future price fluctuations in world oil, natural gas and natural gas liquids prices will have a significant impact upon the projected revenue of the Corporation and the projected return from and the financial viability of the Corporation's existing and future reserves. Any decline in oil, natural gas or natural gas liquids prices could have a material adverse effect on the Corporation's operations, financial condition, proven reserves and the level of expenditures on the development of its oil and natural gas reserves. There is no assurance that a market will exist for oil, natural gas or natural gas liquids reserves discovered within the Corporation's properties. There is also no assurance that the Corporation will be able to access transportation systems for the transportation to the marketplace of any oil, natural gas or natural gas liquids that may be produced from the Corporation's properties.

Delays in Production, Marketing and Transportation

Various production, gas processing, marketing and transportation conditions may cause delays in oil and natural gas production and adversely affect the Corporation's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify construction of the necessary transportation and production facilities. The Corporation's inability to complete wells in a timely manner would result in production delays. In the U.S., most private leases require actual production to hold the lease past the expiration of the primary term, with some limited contractual extensions available. Because there is little infrastructure in some areas in which the Corporation holds its interests, the Corporation is subject to the risk that building of the necessary infrastructure will not be timely and costs may be prohibitive. In addition, marketing demands, which tend to be seasonal, may reduce or delay production from wells. The marketability and price of oil, natural gas and natural gas liquids that may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The ability of the Corporation to market any oil, natural gas and natural gas liquids it discovers may depend upon its ability to acquire space in pipelines that deliver such products to commercial markets. The Corporation is also subject to deliverability uncertainties related to the proximity of its reserves to adequate pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, licenses, land tenure, allowable production, the export of oil, natural gas and natural gas liquids and many other aspects of the oil and gas business.

Environmental Protection

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Further, the Corporation's U.S. subsidiary is obliged to indemnify Vintage Petroleum LLC, a company from which the Corporation acquired the majority of its U.S. assets, for any damages associated with the use, ownership or operation of the properties acquired from it and BNK has guaranteed the subsidiary's indemnification obligations. While the Corporation considers the risk of environmental liability to be low based on its due diligence and on past operations on the properties, there is no assurance that a significant liability will not be discovered and such an event could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Governmental Regulations

Governmental approvals, licenses, concessions and permits are subject to the discretion of the applicable governments or governmental agencies and offices. The Corporation must comply with known standards, existing laws and regulations. If implemented, new laws and regulations, amendments to existing laws and regulations or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Corporation's results of operations, financial condition and prospects.

The Corporation anticipates that it will be required to demonstrate, to the satisfaction of authorities in countries in which it holds concessions from time to time, the Corporation's compliance with the concession terms respecting exploration expenditures, results of exploration, environmental protection matters and other factors. Although the exploration and exploitation rights currently held by the Corporation may be cancelled or relinquished by the Corporation at any time, the Corporation would likely not be able to recover previous payments made under the rights or any other costs incurred respecting the rights upon such cancellation and the Corporation may have continuing obligations for work done or required while it held such rights. There can be no assurance that the Corporation will be able to take measures to provide adequate protection against any of the political, economic or social uncertainties discussed in these Risk Factors.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation does. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Uninsured Risks

The Corporation, as a participant in oil and gas extraction projects, may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other commercial reasons. The Corporation may incur liabilities to third parties (in excess of any insurance coverage) arising from pollution or other damage or injury. There can be no assurance that the Corporation will be able to obtain insurance at reasonable rates (or at all) or that any coverage it obtains will be adequate and available to cover any such claims. An uninsured claim, if substantial, could have a material adverse effect on the Corporation, its results of operations and, in a worst case scenario, ability to continue as a going concern.

Decommissioning Costs

The Corporation may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines, which it may use for production of oil and gas. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as "decommissioning". There are no immediate plans to establish a cash reserve account for these potential costs. Rather, the costs of decommissioning are expected to be paid from the proceeds of production in accordance with the practice generally employed in onshore and offshore oil field operations. The Corporation makes a provision for asset retirement obligations in the financial statements in accordance with Canadian GAAP; however, there is no requirement to set up cash reserves, nor will there be such a requirement under IFRS. Should decommissioning be required, the costs of decommissioning may exceed the value of hydrocarbon reserves remaining at any particular time to cover such decommissioning costs. The Corporation may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could have a materially adverse effect on the Corporation's financial position and future results of operations.

Labour

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

Reliance on Third Party Operators and Key Personnel

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

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current and future joint venture partners, drilling contractors, lenders and other parties. In the event such entities fail to meet their contractual obligations to the Corporation or their other third party commitments, such failures could have a material adverse effect on the Corporation. In addition, poor credit conditions in the industry and of joint ventures partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital programs, potentially delaying the programs and the results of such program until the Corporation finds a suitable alternative partner. If the Corporation is unable to find an alternative partner or to fund its partner's obligations it may lose its interest in jointly-held assets, which could have a material adverse effect on the Corporation, its results of operations and the price or value of its securities.

Hedging Activities

From time to time the Corporation enters into financial derivative transactions as part of its risk management strategy to manage commodity price fluctuations and stabilize cash flows for future exploration and development programs. While the desired effect of the agreements is to mitigate the risk of revenue losses if commodity prices decline, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and if costs incurred increase, such hedging activities could have a material adverse effect on the Corporation's financial condition and results of operations.

Fiscal Matters

The Corporation is exposed to interest rate risk fluctuations in market interest rates on its bank loan which bears interest at a floating rate. The Corporation has no interest rate swap or financial contracts in pace to mitigate such interest risk.

As of the date of this AIF, there are no significant restrictions on the repatriation of capital and distribution of earnings from the U.S. or European Union to foreign entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings will not be imposed in the future.

Amendments to domestic or foreign taxation laws and regulations in the countries in which the Corporation has assets or operations which alter tax rates and/or capital allowances could have a material adverse impact on the Corporation.

The Corporation is subject to the risk that currencies will not be convertible at satisfactory rates, that fluctuations in the conversion rates between Canadian, U.S., European and Polish currencies may result in higher general and administrative expenses or may not accurately reflect the relative value of goods and services available or required. Funds raised through equity issuances are generally raised in Canadian dollars whereas the majority of the Corporation's expenditures are typically incurred in other currencies and therefore currency fluctuations could have a material impact on the Corporation's results of operations. The exchange rates between the Canadian, U.S., European and Polish currencies have varied substantially recently. The Corporation is not currently using exchange rate derivatives to manage exchange rate risks.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility and a significant overall decline of oil, natural gas and natural gas liquids prices. These conditions worsened in the fall of 2008 and continued to some degree through 2010, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions.

As a result of the weakened global economic situation, the Corporation along with all participants in the oil and gas industry may face reduced cash flow, restricted access to capital and increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased independent of the Corporation's business and asset base. As future capital expenditures will be financed out of cash generated from operations, borrowing and possible future equity sales, the Corporation's ability to access the funds required for its capital programs is dependent on, among other factors, the overall state of capital markets and investor demand for investments in the energy industry and the Corporation's Securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Foreign Operations and Enforcement of Laws

Enforcement of laws in the jurisdictions in which the Corporation operates may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Corporation. There can be no assurance that the Corporation's contracts, joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of governments or government bodies or authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions.

The Corporation's assets are located in the U.S. and Europe and the Corporation is in the process of attempting to acquire additional concessions in other countries. As such, the Corporation is subject to political, economic and other uncertainties not within the control of the Corporation, including, but not limited to, the uncertainty of negotiating with foreign governments, adverse legislation in the U.S., Germany, Poland and/or the European Union, renegotiation or nullification of existing concessions, adverse determinations or rulings by governmental authorities, change in energy policies or in the personnel administering them, changes in rules regarding foreign ownership, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and royalty and government-take increases, price controls, export controls, income and other taxes, restrictions on foreign investment and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war and insurrections. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Corporation's operations or profitability.

The Corporation's international operations and investments may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts of Canada or enforcing Canadian judgments in foreign jurisdictions. In addition, the Corporation's operating subsidiaries is formed pursuant to, and their operations are governed by the laws of foreign jurisdictions and a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's foreign activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

Further, as almost all of the Corporation's assets are located outside of Canada, the ability of the Corporation and its directors and management to manage its operations and protect its assets may be materially impeded or affected.

Litigation

All industries, including the oil and gas industry, are subject to legal claims, with and without merit. The Corporation is currently involved in legal disputes and litigation which it considers, based on its reasoned assessment of all available information including legal advice received regarding the basis in law for the counterparties' claims, not to be material or likely to have a material adverse effect on the Corporation or its results of operations. It is likely, given the nature of the Corporation's business, that it will become involved in legal disputes in the future. Notwithstanding the Corporation's assessment of the likely outcome and potential effect of current disputes the outcome is not certain. Some such disputes are governed by the laws of jurisdictions where substantive and procedural laws may differ materially from those of the United States and Canada, and which may favour a claimant. These and other factors make the litigation and dispute resolution process inherently unpredictable. Furthermore, defence and settlement costs can be substantial, even with respect to claims that have no merit. It is possible that the outcome or resolution of legal proceedings and disputes, individually or in the aggregate, could be other than as expected and could have a material adverse effect on the Corporation's financial position and results of operations.

Potential Dilution

The Corporation may issue an unlimited number of Common Shares. The Corporation's goal is to continually increase its oil and gas reserves. To achieve that goal, the Corporation will require substantial amounts of capital in excess of funds from operations. The Corporation may choose to raise the required capital through the issuance of additional Common Shares or other securities convertible, exercisable or exchangeable for Common Shares, which issuances will be dilutive to shareholders.

Conflicts of Interest

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

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the failure of Corporation's operating results to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward-Looking Information". In addition, the market price for securities in the stock markets, including the TSX, has recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

Write-downs and Impairments

Oil and gas concessions and interests are the most significant assets of the Corporation and represent capitalized expenditures related to the development of oil and gas properties and related plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with oil and gas properties are separately allocated to exploration potential, reserves and resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained in properties to which they relate.

The Corporation reviews and evaluates its oil and gas interests for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk in the global economic conditions that exist currently. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves and resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Corporation's financial position and results of operation.

In addition, with a weaker global economy, there is a larger risk surrounding inventory levels. If these estimates or assumptions prove to be inaccurate, the Corporation could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Corporation's earnings and working capital.

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Corporation's authorized share capital consists of an unlimited number of Common Shares without par value.

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation. Each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the board of directors of the Corporation may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, to participate rateably in the remaining property and assets of the Corporation.

As at March 31, 2011 there were 144,054,827 Common Shares issued and outstanding.

Stock Options

The Corporation has a stock option plan (the "**Plan**") that permits the issuance of incentive stock options ("**Options**") equal in number to up to 10% of the issued and outstanding at the time of grant, to eligible participants as described in the Plan. Options do not confer on the holder any right to vote at a meeting of the shareholders of the Corporation.

Any increase in the issued and outstanding Common Shares will result in an increase in the number of Common Shares available for grant under the Plan, and any exercises of stock options will make new grants available under the Plan. The exercise price of an Option may not be set at less than the closing market price of the Common Shares on the TSX on the trading day immediately preceding the date of grant of the Option. The Options may be granted for terms of up to ten years, as determined by the Board of Directors (or Compensation Committee) of the Corporation, and are non-assignable, other than pursuant to a will or by the laws of descent and distribution. Unvested options are immediately exercisable in the event of a take-over bid or change of control, as defined in the Plan.

As at March 31, 2011, there were at total of 8,987,401 Options outstanding, of which 8,487,401 Options were granted pursuant to the Plan and an additional 500,000 Options were granted outside the Plan.

Share Purchase Warrants

The Corporation has 146,150 Common Share purchase warrants ("**Warrants**") outstanding as at March 31, 2011. The Corporation has also issued an additional 1,000,000 Warrants all of which are subject to vesting. None of the Warrants are listed on a stock exchange. The Warrants, subject to vesting, as applicable, are each exercisable to acquire one Common Share at a price of C$2.85 per Common Share.

The terms of the Warrants include, among other things, adjustment provisions providing for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share issuable upon exercise, upon the occurrence of certain events, including a subdivision, consolidation, and issuances to all or substantially all of the holders of the Common Shares of rights, options or warrants or securities exchangeable or convertible into Common Shares in specified circumstances and also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of reclassifications of the Common Shares, consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity and the transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity. The holders of the Warrants do not as such have any voting rights or other rights attached to Common Shares until the Warrants are duly exercised in accordance with their terms.

MARKET FOR SECURITIES

The Common Shares are listed and trade on the TSX under the symbol "BKX".

Trading Price and Volume

The following table sets forth the price ranges and volume of Common Shares traded on the TSX during the most recently completed financial year:

Year	Month	High($)	Low($)	Volume
2010	January	1.680	1.200	7,701,923
	February	2.330	1.590	5,629,392
	March	3.100	1.970	10,021,101
	April	2.860	2.450	4,264,665
	May	2.840	2.010	4,980,702
	June	2.450	1.760	6,859,446
	July	2.050	1.410	2,271,523
	August	2.150	1.700	1,842,410
	September	2.630	1.840	5,746,043
	October	3.180	2.360	8,041,695
	November	3.280	2.450	6,430,753
	December	3.420	2.720	5,288,959

PRIOR SALES

The Corporation issued the following securities which are not listed or quoted on a market place during the most recently completed financial year.

Year	Security	Date of Issue	Aggregate Number Issued	Exercise Price (C$)
2010	Stock Options	February 9	200,000	1.72
	Stock Options	March 8	500,000	2.12
	Broker Warrants	May 18	158,000	2.85
	Stock Options	September 1	1,080,000	2.85
	Stock Options	September 1	80,000	1.90
	Stock Options	October 25	15,000	0.63
	Stock Options	October 26	1,600	1.28
	Stock Options	October 26	1,667	2.00
	Stock Options	December 1	770,000	2.85
	Warrants	December 7	1,000,000	2.85

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth all current directors and executive officers of the Corporation as of the date of this AIF, with each position and office held in the Corporation, and the period of service as a director of the Corporation (if applicable). Each director's term of office expires at the next annual general meeting of shareholders.

Name, Position, Province or State and Country of Residence	Year First Became a Director	Principal Occupation During the Past 5 Years (including officer positions with the Corporation)
Ford G. Nicholson [(2),(3)] British Columbia, Canada *Chairman (non-executive), Director*	2008	President and director BNK US, January 2005 to August 2006. President Kepis & Pobe Investments Inc., a private investment company, since July 2001.
Robert Cross [(1)(2)(3)] British Columbia, Canada *Director*	2008	Independent director and, in some cases, non-executive chair of boards of public companies principally in the resource sector.
Victor Redekop[(1),(2),(4)] Alberta, Canada *Director*	2008	President, Simmons Energy Services, a privately-owned drilling services company.
Eric Brown[(1)(3)] British Columbia, Canada *Director*	2008	Independent consultant January 2009 to date. Senior Vice-President, Tamarack Capital Advisors Inc. and Partner, Meyers Norris Penny LLP, June 2006 to December 2008; Regional Managing Partner, Alberta Advisory Services, Meyers Norris Penny LLP, March 2002 to May 2006.
General Wesley Clark[(4)]**(retired)** Arkansas, USA *Director*	2009	Chief Executive Officer of Wesley K. Clark and Associates since 2003. Chairman of Rodman and Renshaw. General in the United States Army prior to 2000.
Wolf Regener[(4)] California, USA *President, Chief Executive Officer and Director*	2010	President and CEO of the Corporation since July 2008, Executive Vice-President of Bankers and President of BNK US January 2006 to June 2008.
Warren Nelson California, USA *Vice President and Chief Financial Officer*	Not Applicable	Vice President since March 2010 and CFO since April 2010. Founder and Director of AmeriTies Holdings, LLC since November 2003. Interim Chief Financial Officer of Venoco, Inc. from 2004 to 2005.
Martin Robert California, USA *Vice President, Engineering and Operations*	Not Applicable	Vice President Engineering and Operations Since December 1, 2010; President and CEO of ArPetrol Inc. a private Canadian, Argentina-focused oil and gas development and production company since 2006.

Name, Position, Province or State and Country of Residence	Year First Became a Director	Principal Occupation During the Past 5 Years (including officer positions with the Corporation)
James Hill California, USA *Vice President Exploration and New Ventures*	Not Applicable	Vice President, Exploration since July 2008; Vice President, Exploration of Bankers from January 2006 to June 2008, Vice President Exploration, Tartan Energy USA Corp (Camarillo) January 2003 to December 2005, President CalTerra Energy LLC (Camarillo) December 1996 to present.
Steve Warshauer California, USA *Vice President Exploration*	Not Applicable	Vice President of Exploration since February 2011; Director of Geology from February 2010 to February 2011; Senior Geological Advisor for Devon Energy, Inc. from April 2007 to February 2010; Senior Staff Geologist, Dominion E&P Inc. from April 2001 to April 2007.

Notes:
(1) Member of the Audit Committee.
(2) Member of the Corporate Governance Committee.
(3) Member of the Compensation Committee.
(4) Member of the Health, Safety and Environmental Committee.

Control of Securities

As at December 31, 2010, the directors and executive officers of the Corporation as a group beneficially owned, or exercised control or direction over, directly or indirectly an aggregate of 16,777,460 Common Shares, representing approximately 11.6% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Corporation, no director or executive officer of the Corporation or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is or was within 10 years prior to the date hereof, was a director, chief executive officer or chief financial officer of any company that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Ford Nicholson, a director of the Corporation was a director of Sepik Gold Corporation from May 1996 to December 2001. The company did not have adequate funds to complete its 2000 year-end audit and was cease traded in December 2001 at which time Mr. Nicholson resigned from the board of the company.

To the knowledge of the Corporation, no director or executive officer of the Corporation or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

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

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

For the purposes of the disclosure above regarding the directors, executive officer or shareholder, "order" means: (a) a cease trade order, including a management cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Conflicts of Interest

Certain of the Corporation's directors and officers serve or may agree to serve as directors or officers of other reporting and private companies or have significant shareholdings in other reporting and private companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, or contract with the Corporation such directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms of such ventures or contracts. From time to time, several such companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In such circumstances directors and officers of the Corporation who are also directors and officers of other companies involved in such a transaction may experience a conflict or potential that could detract from their efforts on behalf of the Corporation. In the event of an actual or potential conflict of interest, a director who has such a conflict will abstain from voting on the matter and such director will not participate in negotiating and concluding terms of any proposed transaction. Under the laws of the province of British Columbia, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation and to disclose any conflict of interest. The Corporation's Code of Ethics imposes similar obligations on officers and employees. See also "Risk Factors" and "Interest of Management in Material Transactions".

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

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

Composition of Audit Committee

The Audit Committee consists of three directors, namely Eric Brown (Chair), Robert Cross and Victor Redekop. All of the members of the Audit Committee are independent and financially literate within the meaning of those terms set forth in National Instrument 52-110 ("**NI 52-110**").

Education and Experience

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

Eric Brown (Chair) is a Chartered Accountant with several years experience as a director of both private and public Canadian companies. He has served on public company audit committees in the past. Eric has over 28 years experience in the financial services industry.

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

Victor Redekop is a Chartered Accountant. He has over 30 years experience in a senior management capacity with various companies.

Audit Fees and Pre-Approval of Audit Services

Under the terms of reference of the Audit Committee, the Audit Committee is required to review and pre-approve the objectives and scope of the external audit work and proposed fees. In addition, the Audit Committee is required to review and pre-approve all non-audit services, including tax services, the Corporation's external auditors are to perform. The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter.

The aggregate fees billed by the Corporation's external auditors during the year ended December 31, 2010 and 2009 are as follows:

	Audit Fees (\$)	**Audit Related Fees(1) (\$)**	**Tax Fees(2) (\$)**	**All Other Fees (\$)**
2010	122,000	68,000	70,566	-
2009	53,565	76,358	13,306	-

Notes:

(1) IFRS advisory services, prospectuses.

(2) The Corporation uses KPMG for tax compliance, advice, and return preparation. The Corporation chooses to use KPMG for these services due to its in-depth knowledge of the Corporation’s activities and familiarity with its business and the associated cost savings resulting from that knowledge base.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, the Corporation or its subsidiaries are the subject of litigation arising out of operations. Damages claimed under such litigation, may be material or may be indeterminate and the outcome of such litigation may materially impact the Company's financial condition or results of operations. The Corporation and its properties are not currently subject to any legal proceedings, nor are any proceedings known to be contemplated that involves a claim for damages in an amount that excluding interest and costs exceeds 10% of the current assets of the Corporation. No penalties or sanctions were imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority and the Corporation did not enter into any settlement agreements before a court in respect of securities legislation or with a securities regulatory authority during the most recently completed financial year or prior to the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this AIF, to the knowledge of the Corporation no director, executive officer or principal shareholder of the Corporation, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction during the current financial year prior to the date of this AIF that has materially affected or will materially affect the Corporation.

A Corporation controlled by Mr. Regener, the President and Chief Executive Officer of the Corporation, holds a 0.5% gross overriding royalty interest in certain of the Palo Duro Basin leases. James Hill, Vice President Exploration – New Ventures and Secretary of BNK US, also holds a 0.5% gross overriding royalty interest in certain of the Palo Duro Basin leases. These interests were acquired before Mr. Regener and Mr. Hill became officers of the Corporation.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., located at 600, 530 – 8th Avenue SW, Calgary, Alberta, T2P 3S8.

MATERIAL CONTRACTS

There are no contracts of the Corporation, other than contracts entered into in the ordinary course of business of the Corporation, that are material to the Corporation and that were entered into within the most recently completed financial year of the Corporation or before the most recently completed financial year of the Corporation and which are still in effect. The Credit Agreement dated as of October 27, 2010 made between BNK Petroleum (US) Inc. and Amegy Bank National Association, described under "Summary Description of the Business-Recent Financings" has been filed under the Corporation's profile at www.sedar.com pursuant to National Instrument 51-102 *Continuous Disclosure Obligations.*

INTERESTS OF EXPERTS

Names of Experts

Information in Corporation's National Instrument 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* as at December 31, 2010, is derived from a report prepared by MHA titled "Evaluation of the Petroleum Reserves of BNK Petroleum Inc. in the Ardmore Basin, Oklahoma, as of December 31, 2010" dated March 11, 2011.

Interests of Experts

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

Auditors

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

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

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

Additional financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2010.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

I. Mandate

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

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

II. Composition

The Committee shall be comprised of three directors as determined by the Board of Directors, all of whom shall independent, as such term is defined in National Instrument 52-110 – *Audit Committees*.

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

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

III. Meetings

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

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

<u>Review of Reports, Policies and Procedures</u>

1. Review and update this Charter annually.

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

3. Review with management and make recommendations to the Board in respect of the adequacy and effectiveness of the Company's financial risk management procedures.

4. Review the monitoring of the Whistleblower Policy for the submission, receipt, retention and treatment of complaints and concerns regarding accounting and auditing matters, and review any developments and responses on reports received thereunder.

External Auditors

5. Review annually the performance of the external auditors and ensure their independence after reviewing all significant relationships they might have with the Company.

6. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.

7. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

8. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company’s accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

9. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

10. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company’s external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

    ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and

    iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

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

Financial Reporting Processes

12. In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

13. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

14. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

15. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

16. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

17. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

18. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

19. Review certification process.

Other

20. Review any related-party transactions.

V. Annual Work Plan

21. The Committee reviews and updates annually a work plan for the ensuing year which includes periodic review at specified times and periods of financial reporting and continuous disclosure documents and matters, internal controls and reporting, dealings with external auditors and other related matters.

This Audit Committee Charter was adopted by the Board of Directors of the Company on the 25th day of March, 2009, and was most recently updated on March 29, 2011.