

**BLACKPEARL RESOURCES INC.**

<b>Consolidated Balance Sheets</b>		
<b>(Cdn\$ in thousands)</b>	<b>March 31 2010 (unaudited)</b>	<b>December 31 2009</b>
<b>Assets</b>		
Current assets		
Cash	\$ 48,184	\$ 56,352
Accounts receivable	13,410	11,977
Income and other taxes receivable	2,848	4,817
Prepaid expenses and deposits	1,060	1,167
	<u>65,502</u>	<u>74,313</u>
Investments (note 3)	1,284	1,284
Petroleum and natural gas properties (note 4)	396,869	392,712
	<u>\$ 463,655</u>	<u>\$ 468,309</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,236	\$ 16,318
Asset retirement obligation (note 6)	24,788	25,435
	<u>44,024</u>	<u>41,753</u>
<b>Shareholders' equity</b>		
Share capital (note 7)	780,094	779,809
Contributed surplus (note 7)	16,287	15,444
Deficit	(376,750)	(368,697)
	<u>419,631</u>	<u>426,556</u>
	<u>\$ 463,655</u>	<u>\$ 468,309</u>

Commitments and contingencies (note 8)  
 See accompanying notes to consolidated financial statements

**BLACKPEARL RESOURCES INC.**

**Consolidated Statement of Operations, Comprehensive Loss and Deficit  
(unaudited)**

(Cdn\$ in thousands, except for per share amounts)

	Three months ended March 31	
	2010	2009
<b>Revenue</b>		
Oil and gas sales	\$ 36,429	\$ 15,755
Royalties	(9,350)	(2,874)
	<u>27,079</u>	<u>12,881</u>
Other income	1,152	-
	<u>28,231</u>	<u>12,881</u>
<b>Expenses</b>		
Production	10,552	10,165
Transportation	522	1,304
General and administrative	1,758	2,885
Depletion, depreciation and accretion	22,349	22,104
Stock-based compensation (note 7)	937	(13)
Interest (income)	(53)	(45)
Foreign currency exchange loss (gain)	157	(453)
	<u>36,222</u>	<u>35,947</u>
Loss before income taxes	<u>(7,991)</u>	<u>(23,066)</u>
<b>Income taxes</b>		
Current income tax	62	202
Future income tax (recovery)	-	(2,752)
	<u>62</u>	<u>(2,550)</u>
<b>Comprehensive loss for the period</b>	<b>(8,053)</b>	(20,516)
<b>Deficit, beginning of period</b>	<u>(368,697)</u>	<u>(321,382)</u>
<b>Deficit, end of period</b>	<b>\$ (376,750)</b>	<b>\$ (341,898)</b>
Basic and diluted loss per share	\$ (0.03)	\$ (0.10)
Weighted average number of common shares used in computing loss per share:		
basic	262,057,136	207,555,049
diluted <sup>(1)</sup>	262,057,136	207,555,049

See accompanying notes to consolidated financial statements

<sup>(1)</sup> Any impact of unexercised stock options or warrants are not included in the calculation of net loss per share or weighted average number of shares outstanding as they would be anti-dilutive.

**BLACKPEARL RESOURCES INC.**

**Consolidated Statements of Cash Flows**  
**(unaudited)**

<b>(Cdn\$ in thousands)</b>	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Net loss for the period	\$ (8,053)	\$ (20,516)
Items not involving cash:		
Depletion, depreciation and accretion	22,349	22,104
Stock-based compensation (recovery)	937	(13)
Future income tax (recovery)	-	(2,752)
Foreign exchange loss (gain)	157	(453)
Abandonment costs	(361)	(174)
	<u>15,029</u>	<u>(1,804)</u>
Changes in non-cash working capital balances related to operations	<u>5,405</u>	<u>(26,030)</u>
	<u>20,434</u>	<u>(27,834)</u>
<b>Financing activities</b>		
Proceeds on issue of common shares, net of costs	190	-
	<u>190</u>	<u>-</u>
<b>Investing activities</b>		
Additions to petroleum and natural gas properties	(32,183)	(3,147)
Proceeds from sale of petroleum and natural gas properties	5,389	-
Cash received on acquisition of BlackCore Resources Inc.	-	5,589
Changes in non-cash working capital from investing	(1,998)	14,804
	<u>(28,792)</u>	<u>17,246</u>
<b>Net decrease in cash</b>	<b>(8,168)</b>	<b>(10,588)</b>
<b>Cash, beginning of period</b>	<b>56,352</b>	<b>24,059</b>
<b>Cash, end of period</b>	<b>\$ <u>48,184</u></b>	<b>\$ <u>13,471</u></b>
Supplementary Information		
Cash interest paid	\$ 28	\$ 9
Cash taxes paid	\$ 46	\$ 5

*See accompanying notes to consolidated financial statements*

**BLACKPEARL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
(tabular amounts in thousands of Cdn\$, except as noted)  
(unaudited)

**1. NATURE OF OPERATIONS**

BlackPearl Resources Inc. (collectively with its subsidiaries, the “Company” or “BlackPearl”) is listed and traded on the TSX Exchange under the trading symbol “PXX”. The Company’s Swedish Depository Receipts trade on the NASDAQ OMX First North market under the symbol “PXXS”. The Company is engaged in the business of oil and gas exploration, development and production in North America.

These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”), and follow the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2009. Certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2009.

**2. FUTURE ACCOUNTING POLICIES**

The CICA Accounting Standards Board (“AcSB”) has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. Companies will be required to provide comparative IFRS information for 2010. The Company is assessing the potential impacts of this changeover and has developed a plan for the conversion, but the Company has not at this time made a determination of the impact on its financial statements.

**3. INVESTMENTS**

	<b>March 31, 2010</b>	December 31, 2009
MAV Notes (formerly Asset-backed commercial paper)	<b>\$1,284</b>	\$1,284

The Company acquired an interest in third party asset-backed commercial paper (“ABCP”) with a face value of \$5 million on October 19, 2007 as part of a corporate acquisition. As a result of liquidity issues in the ABCP market, these investments did not settle on maturity. On January 21, 2009, a restructuring plan was implemented which resulted in the Company receiving longer-term replacement Master Asset Vehicle or MAV notes for its investment in short-term ABCP.

The Company received the following replacement notes:

Notes	Maturity Date (1)	Interest Rate (2)	Face Amount
MAV II Class A-1	July 15, 2056	BA – 0.5%	\$1,534
MAV II Class A-2	July 15, 2056	BA – 0.5%	2,804
MAV II Class B	July 15, 2056	BA – 0.5%	509
MAV II Class C	July 15, 2056	BA + 20%	150
			<b>\$4,997</b>

1) Maturity date reflects legal maturity date. The latest maturity date of the underlying assets is December 31, 2016.

2) BA represents Bankers Acceptance interest rates with a maturity of 90 days.

The replacement notes have been classified as held-for-trading which will require them to be measured at fair value at each period end with changes in fair value included in the consolidated statement of operations in the period in which they arise. Although a small number of transactions have been made public, the

Company does not consider them to be of sufficient volume or value to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of the notes. Until an active market is established, however, the fair value will be determined using a probability weighted discounted cash flow considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. As at March 31, 2010, the Company has estimated the fair value of the notes at \$1,284,000 (December 31, 2009 - \$1,284,000).

#### 4. PETROLEUM AND NATURAL GAS PROPERTIES

March 31, 2010			
	Cost	Accumulated depreciation and depletion	Net book value
Petroleum and natural gas properties	\$676,796	(\$281,767)	\$395,029
Office equipment	2,962	(1,122)	1,840
	<b>\$679,758</b>	<b>(\$282,889)</b>	<b>\$396,869</b>
December 31, 2009			
	Cost	Accumulated depreciation and depletion	Net book value
Petroleum and natural gas properties	\$650,744	(\$259,903)	\$390,841
Office equipment	2,916	(1,045)	1,871
	<b>\$653,660</b>	<b>(\$260,948)</b>	<b>\$392,712</b>

The depletion and ceiling test calculations have excluded the cost of unproved properties of \$58.7 million (December 31, 2009 – \$33.6 million) and included future development costs of \$57.3 million (December 31, 2009 – \$63.6 million).

The Company performed the ceiling test calculations at March 31, 2010 to assess whether the carrying value of the petroleum and natural gas properties were recoverable. A write-down in the amount of \$0.2 million (December 31, 2009 - \$2.9 million) of the US assets has been included in depletion, depreciation and accretion in the Company's three months ended March 31, 2010 financial statements.

During the first quarter of 2010, the Company sold a number of non-core properties for net proceeds of \$5.4 million. No gain or loss was recorded on the dispositions.

#### 5. CREDIT FACILITY

The Company has a credit facility with a Canadian financial institution which is comprised of a \$25 million revolving 364-day extendible term facility. The Company may borrow, repay and re-borrow advances with the aggregated outstanding not to exceed the total credit facility. The facility bears interest at the institution's prime rate or at banker's acceptance or LIBOR loan rates, plus applicable margins, which varies depending on the Company's working capital ratio. At March 31, 2010, a prime rate based drawdown would be at the institution's prime rate plus 0.75%. The Company also incurs a standby fee for undrawn amounts. The facility is secured by a fixed and floating charge on the assets of the Company and is secured by a general securities agreement. At March 31, 2010, there were no advances outstanding under this facility.

The facility is subject to annual reviews. The next scheduled review is to be completed by May 31, 2010.

## 6. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation results from ownership interest in oil and gas assets, including well sites, gathering systems, batteries and processing facilities. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is approximately \$37.5 million which will be incurred over the next 27 years with the majority of costs incurred between 2011 and 2024.

The fair value of the asset retirement obligation was calculated using a credit adjusted risk-free rate of 6.5 percent and an inflation factor of 2 percent. Settlement of the obligation is expected to be funded from general corporate funds at the time of retirement.

Changes to the asset retirement obligation were as follows:

		Period ended March 31, 2010		Year ended December 31, 2009
<b>Asset retirement obligation at beginning of period</b>	\$	<b>25,435</b>	\$	20,064
Liabilities acquired through acquisitions, net of dispositions		<b>(1,029)</b>		2,939
Liabilities incurred during the year		<b>331</b>		1,516
Actual remediation costs		<b>(361)</b>		(604)
Accretion		<b>412</b>		1,520
<b>Asset retirement obligation at end of period</b>	\$	<b>24,788</b>	\$	25,435

## 7. SHARE CAPITAL

### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares.

### (b) Common Shares Issued:

	Number of Shares	Attributed Value
Balance as at December 31, 2009	261,960,717	\$779,809
Shares issued upon exercise of stock options	220,668	285
Balance as at March 31, 2010	262,181,385	\$780,094

### (c) Warrants Outstanding:

The following summarizes warrants outstanding as at March 31, 2010:

	Number of warrants	Weighted average exercise price per share
Outstanding at December 31, 2009 and March 31, 2010	10,000,320	\$ 0.60

(i) Each outstanding warrant allows the holder to acquire, on or before January 13, 2013, one BlackPearl share for a price of \$0.60.

### (d) Stock Options Outstanding

The Company has a stock option plan (the "Plan") available to directors, officers, employees and certain consultants of the Company and its subsidiaries. Under the Plan, the number of common shares to be reserved and authorized for issuance pursuant to options granted under the Plan cannot exceed ten percent

of the total number of issued and outstanding shares in the Company. The term and the vesting period of any options granted are determined at the discretion of the board of directors. The maximum term for options granted is ten years. The exercise price of the option cannot be less than the five-day volume weighted average trading price of the common shares immediately preceding the day the option is granted.

The following summarizes stock options outstanding as at March 31, 2010:

	Number of Options	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2009	13,454,333	1.60
Granted	180,000	2.52
Exercised	(220,668)	0.86
Forfeited	(61,166)	1.73
Outstanding at March 31, 2010	13,352,499	1.63

Options outstanding and exercisable as at March 31, 2010 are summarized below:

Options Outstanding				Options Exercisable		
Range of Exercise Prices (\$)	Number of Options	Weighted-Average Exercise Price (\$)	Weighted-Average Life (Years)	Number of Options	Weighted-Average Exercise Price (\$)	Weighted-Average Life (Years)
0.40 – 1.50	7,175,499	0.72	3.80	3,101,340	0.70	3.82
1.51 – 3.00	5,141,000	2.24	4.20	739,000	2.39	2.84
3.01 – 4.50	144,000	3.38	2.59	96,000	3.38	2.59
4.51 – 5.15	892,000	5.10	1.78	869,000	5.11	1.76
	13,352,499	1.63	3.81	4,805,340	1.81	3.28

#### (e) Stock Based Compensation

Stock-based compensation of \$949,000, net of recoveries of \$12,000, has been recorded in the Consolidated Statements of Operations and Deficit for the three-month period ended March 31, 2010 (2009 – recovery of \$13,000). The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of options granted during 2010 and the assumptions used in their determination are noted below:

	March 31, 2010	December 31, 2009
Weighted average fair value of stock options granted (per option)	<b>\$1.38</b>	\$0.85
Expected life of stock options (years)	<b>3.00</b>	2.58
Volatility (weighted average)	<b>84%</b>	88%
Risk-free rate of return (weighted average)	<b>1.77%</b>	1.43%
Expected dividend yield	<b>0%</b>	0%

#### (f) Contributed Surplus Continuity

The following table summarizes changes in contributed surplus during the period:

	March 31, 2010	December 31, 2009
Balance, beginning of the period	\$ 15,444	\$ 11,895
Stock-based compensation	949	2,751
Recovery of expense on forfeited stock options	(12)	(1,290)
Warrants issued on BlackCore acquisition	-	2,200
Transferred to share capital on exercise of stock options	(94)	(112)
Balance, end of period	\$ 16,287	\$ 15,444

## 8. COMMITMENTS AND CONTINGENCIES

- (a) The Company has a seven-year operating lease for office space as at March 31, 2010, the payments (net of sublease proceeds) due under this lease agreement (including an estimate for operating costs) are as follows:

	2010	2011	2012	2013	2014	Subsequent to 2014
Office rent	\$824	\$1,166	\$1,234	\$1,234	\$1,626	\$2,946

The Company's office lease was executed jointly with another party. Under the terms of the lease, BlackPearl and the other party are joint and severally liable for the obligations pursuant to the lease. Accordingly, if the other party or any of the subtenants of a portion of the space are unable to fulfill their lease obligation, BlackPearl would be required to pay a maximum additional \$18.6 million (including an estimate for operating costs) over the next seven years.

- (b) The Company has contracted drilling rig services over the next four years. In the event that the Company does not utilize the minimum contracted days, the Company would be obligated to pay the rig operator a variable rate based on days not utilized under the contracts. As at March 31, 2010, the payments that would be due under the agreement (assuming no drilling days used) are as follows:

	2010	2011	2012	2013	2014	Subsequent to 2014
Drilling Contract	\$412	\$935	\$1,211	\$319	-	Nil

- (c) In connection with a November 2007 US property acquisition, the Company may be required to pay a performance payment of US \$9.8 million in cash prior to November 6, 2010, if either: (i) production from the assets reaches 5,000 barrels of oil per day; or (ii) proven reserves from the assets is greater than 50 million barrels of oil. As at March 31, 2010, there was no production from and no reserves attributable to these assets.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to financial and market risk in a range of financial instruments including cash, accounts receivable, certain investments and accounts payable. The Company manages its risk through its policies and processes, but the Company generally has not used derivative financial instruments to manage these risks.

- (a) Fair value of financial instruments

The following tables set out the Company's classification, carrying amount and fair values of its financial assets and liabilities as at March 31, 2010 and December 31, 2009:

	Classification	March 31, 2010		December 31, 2009	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	Held-for-trading (i)	\$48,184	\$48,184	\$56,352	\$56,352
Accounts receivable	Loans and receivables (i)	13,410	13,410	11,977	11,977
Investment in MAV Notes	Held-for-trading (ii)	1,284	1,284	1,284	1,284
Accounts payable and accrued liabilities	Other financial liabilities (iii)	(19,236)	(19,236)	(16,318)	(16,318)

The fair values of financial assets and financial liabilities are calculated on the basis of information available at the balance sheet date using the following methods:

- (i) The fair value of cash and cash equivalents and accounts receivable approximates their carrying amounts due to the short-term nature of the instruments.
- (ii) Effective December 31, 2009, the Company adopted the amendments to Section 3862 "Financial Instruments – Disclosures". These amendments require the Company to present information about financial instruments measured at fair value in accordance with a three level hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:
  - a. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
  - c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. At March 31, 2010, the only instrument held by the Company that is subject to valuation through the hierarchy is the Company's investment in MAV notes, which have been assessed as being level 3. The fair value of the investment is determined by a cash flow model considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments.
- (iii) The fair value of accounts payable and accrued liabilities approximates their carrying amounts due to the short-term nature of the instruments.

(b) Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Company's control. Changes in crude oil and natural gas prices may significantly affect the Company's results of operations, costs generated from operating activities, capital spending and the Company's ability to meet its obligations. The majority of the Company's production is sold under short-term contracts, consequently BlackPearl is at risk to near term price movements. A \$1.00 change in oil prices at the wellhead would have the effect of changing net earnings for Q1 2010 by approximately \$445,000. The Company manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program. As at March 31, 2010 the Company did not use derivative financial instruments to manage its exposure to this risk.

(c) Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to: (i) prices received for its crude oil and natural gas are primarily determined in reference to US dollars; (ii) certain expenditure commitments, deposits, accounts receivable, and accounts payable which are denominated in US dollars; and (iii) its operations in the United States. The Company manages this risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or US vendors as well as timing of transactions. As at March 31, 2010, the Company has not entered into any fixed rate contracts. As at March 31, 2010, the Company held US\$2,679,000 in cash and short-term deposits and other net working capital items of US\$2,163,000.

As at March 31, 2010, if US\$ exchange rates had been \$0.10 lower with all other variables held constant, after tax earnings for the period would have been approximately \$392,000 higher, due to a decreased foreign exchange loss. An equal opposite impact would have occurred to net earnings had exchange rates been \$0.10 higher. The Company does not hedge its foreign currency risk.

(d) Credit Risk

Credit risk is the risk that a third party fails to meet its contractual obligations that could result in the Company incurring a loss.

The Company's accounts receivable are primarily with oil and gas marketers and joint venture partners. Receivables from oil and gas marketers are generally collected on the 25th day of the month following production. The Company attempts to mitigate this risk by assessing the financial strength of its counterpart and entering into relationships with larger purchasers with established credit history. During 2010, the Company has not experienced any collection issues with its marketers. At March 31, 2010, over 97% of total accounts receivables are for revenue accruals. Receivables from joint venture partners arise when the Company conducts joint operations on behalf of its partners and invoices them for their share of costs. To mitigate the risk of non-payment from joint venture partners the Company can require partners to pay certain costs in advance as well as the Company has the ability to withhold production from partners in the event of non-payment. As at March 31, 2010, accounts receivable includes an allowance for doubtful accounts of \$824,000 from joint interest partners. These amounts primarily relate to joint venture receivables inherited from other companies that were acquired by BlackPearl over the last three years.

The Company typically does not obtain collateral or security from its joint venture partners or oil and gas marketers. The carrying amounts of accounts receivable represent the maximum credit exposure.

The Company is not the operator of certain oil and gas properties in which it has an ownership interest. The Company is dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the Corporation's activities may be impacted by the ability, expertise, judgment and financial capability of the operators.

As at March 31, 2010, the Company held \$48.2 million in cash at various major financial institutions throughout Canada and the USA, as well as \$1.3 million in investments. At March 31, 2010, three Canadian financial institutions held approximately 99% of our cash and short-term deposits. Cash balances in excess of the Company's day-to-day requirements are invested in short-term deposits of less than 30 days.

(e) Interest Rate Risk

Interest rate risk refers to the risk that a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk in relation to interest expense on its revolving credit facility due to the floating interest rate charged on advances. At this time, the Company is not drawn on this facility and, as a result, the Company considers this risk to be limited. In addition, the Company is exposed to interest rate risk on its excess cash balances and certain investments.

(f) Liquidity Risk

Liquidity risk is the risk the Company is unable to meet its financial obligations as they come due. The

Company uses operating cash flows, credit facilities and equity offerings to fund its capital requirements.

The Company manages this risk by maintaining a conservative balance sheet with minimal use of long-term debt. As at March 31, 2010, the Company had an undrawn \$25 million credit facility, and a positive working capital position of \$46.3 million. The Company believes it has sufficient funding from these sources to meet its foreseeable obligations. The maturity dates for the Company's financial liabilities are as follows:

	<6 Months	6 months -1 Year	1-2 Years
Accounts payable and accrued liabilities	\$19,236	-	-

(g) Capital management

The Company defines capital as working capital, total debt and equity. The current capital management strategy is designed to minimize the use of long-term debt and maintain positive working capital. This strategy should provide the financial flexibility to fund the Company's capital program and profitable growth opportunities. The unutilized \$25 million credit facility capacity provides additional liquidity to the Company. This structure can be adjusted as a result of changes in economic conditions or risks associated with its oil and gas assets. In order to maintain or adjust its capital structure, the Company may from time to time issue additional common shares. As a result of the economic global downturn access to capital markets may be limited. In addition, the Company's credit facilities are based on its petroleum and natural gas reserves whose values are impacted by, among other things, global commodity prices. The Company will adjust its capital spending if access to external capital sources is unavailable. In order to manage the balance in the Company's capital structure, some of the financial tests that BlackPearl considers are debt-to-equity ratios, debt-to-cash-flow from operating activities and interest coverage tests. To facilitate the management and control of these ratios, the Company prepares annual operating and capital budgets. These budgets are generally updated quarterly, or more frequently if circumstances change. In order to improve its financial flexibility, the Company raised approximately \$26 million of additional equity during the second quarter of 2010 (See note 10). These funds will be used to expand exploration and development programs over the next 12 - 18 months.

Financial covenants associated with the Company's credit facility are reviewed regularly and controls are in place to maintain compliance with these covenants. The only financial covenant in the Company's credit facility is to maintain a working capital ratio of 1:1 at the end of each fiscal quarter. Working capital ratio is defined as current assets plus unutilized credit under the bank credit facility compared to current liabilities. The Company had a working capital ratio of 4.7:1 at March 31, 2010 and is in compliance with these covenants.

## 10. SUBSEQUENT EVENT

On April 19, 2010, the Company entered into an agreement with a syndicate of underwriters to issue 9,000,000 common shares, on a bought deal basis, for gross proceeds of \$26.1 million. The Underwriters have been granted an over-allotment option, which may be exercised up to 30 days after closing of the offering to purchase up to 1,350,000 additional common shares at \$2.90. If the over-allotment is fully exercised, gross proceeds from the offering will be \$30 million. The offering, including the exercise of the over-allotment, closed on May 11, 2010.

## 11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in 2009.