



For Immediate Release
TSX: BXE

BELLATRIX EXPLORATION LTD. ANNOUNCES FIRST QUARTER 2010 FINANCIAL RESULTS

May 6, 2010 – (TSX: BXE) Bellatrix Exploration Ltd. (“Bellatrix” or the “Company”) announces its financial and operating results for the three months ended March 31, 2010.

Forward-Looking Statements

This press release contains forward-looking statements. Please refer to our disclaimer on forward-looking statements set forth at the beginning of the management’s discussion and analysis attached to this press release.

HIGHLIGHTS

	Three months ended March 31,	
	2010	2009
FINANCIAL (unaudited)		
<i>(CDN\$000s except share and per share amounts)</i>		
Revenue (before royalties and risk management ⁽¹⁾)	26,929	31,345
Cash flow from operating activities	13,456	9,311
Per basic share	\$0.15	\$0.12
Per diluted share	\$0.15	\$0.12
Funds flow from operations ⁽²⁾	10,198	6,489
Per basic share	\$0.12	\$0.08
Per diluted share ⁽⁵⁾	\$0.11	\$0.08
Net income (loss)	7	(9,056)
Per basic share	\$0.00	\$(0.12)
Per diluted share ⁽⁵⁾	\$0.00	\$(0.12)
Exploration and development	18,312	2,528
Corporate and property acquisitions	34	228
Capital expenditures – cash	18,346	2,756
Property dispositions – cash	47	8
Other – non-cash	288	(114)
Total capital expenditures – net	18,681	2,650
Long-term debt	-	131,622
Convertible debentures ⁽³⁾	82,186	81,598
Working capital (excess) deficiency ⁽³⁾	(8,572)	709
Total net debt ⁽³⁾	73,614	213,929
Total assets	465,797	718,713
Shareholders’ equity	324,757	395,376

OPERATING

Three months ended March 31,

		2010	2009
Daily sales volumes			
Crude oil, condensate and NGLs	(bbls/d)	1,907	3,826
Natural gas	(mcf/d)	32,044	36,928
Total oil equivalent	(boe/d)	7,248	9,981
Average prices			
Crude oil, condensate and NGLs	(\$/bbl)	66.71	36.71
Crude oil, condensate and NGLs (including risk management ⁽¹⁾)	(\$/bbl)	66.71	36.71
Natural gas	(\$/mcf)	5.18	5.41
Natural gas (including risk management ⁽¹⁾)	(\$/mcf)	6.04	6.21
Total oil equivalent	(\$/boe)	40.44	34.10
Total oil equivalent (including risk management ⁽¹⁾)	(\$/boe)	44.26	37.03
Statistics			
Operating netback ⁽⁴⁾	(\$/boe)	17.79	9.81
Operating netback ⁽⁴⁾ (including risk management ⁽¹⁾)	(\$/boe)	21.61	12.74
Transportation	(\$/boe)	1.24	1.74
Production expenses	(\$/boe)	13.36	15.53
General & administrative	(\$/boe)	3.89	3.16
Royalties as a % of sales after transportation		21%	22%

COMMON SHARES⁽⁶⁾

Common shares outstanding	92,474,372	78,496,581
Share options outstanding	4,133,533	4,118,132
Trust units issuable for exchangeable shares	-	312,467
Shares issuable for convertible debentures ⁽⁷⁾	5,305,250	5,390,625
Diluted common shares outstanding	101,913,155	88,317,805
Diluted weighted average shares ⁽⁵⁾	90,113,933	78,496,581

SHARE TRADING STATISTICS⁽⁶⁾*(CDN\$, except volumes) based on intra-day trading*

High	4.60	1.56
Low	3.00	0.48
Close	3.78	0.68
Average daily volume	901,994	171,103

⁽¹⁾ The Company has entered into various commodity price risk management contracts which are considered to be economic hedges. Per unit metrics after risk management includes only the realized portion of gains or losses on commodity contracts.

The Company does not apply hedge accounting to these contracts. As such, these contracts are revalued to fair value at the end of each reporting date. This results in recognition of unrealized gains or losses over the term of these contracts which is reflected each reporting period until these contracts are settled, at which time realized gains or losses are recorded. These unrealized gains or losses on commodity contracts are not included for purposes of per share metrics calculations disclosed.

⁽²⁾ The highlights section contains the term "funds flow from operations" which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. Therefore reference to diluted funds flow from operations or funds flow from operations per share may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between cash flow from operating activities and funds flow from operations can be found in the Management

Discussion and Analysis ("MD&A"). Funds flow from operations per share is calculated using the weighted average number of common shares for the period.

⁽³⁾ *Net debt and total net debt are considered non-GAAP terms. The Company's calculation of net debt includes the net working capital deficiency (excess) before short-term commodity contract assets and liabilities and short-term future income tax assets and liabilities. Total net debt also includes the liability component of convertible debentures and excludes asset retirement obligations and the future income tax assets and liabilities. A reconciliation between total liabilities under GAAP and total net debt as calculated by the Company is found in the MD&A.*

⁽⁴⁾ *Operating netbacks are calculated by subtracting royalties, transportation, and operating costs from revenues.*

⁽⁵⁾ *In computing weighted average diluted earnings per share for the three month period ended March 31, 2010, a total of 4,213,733 (2009: 4,118,132) share options, nil (2009: 312,467) exchangeable shares and 5,305,250 (2008: 5,390,625) common shares issuable on conversion of convertible debentures were excluded from the calculation as they were not dilutive.*

To calculate weighted average diluted funds flow from operations for the three month period ended March 31, 2010, a total of 1,901,131 (2009: nil) shares were added to the denominator as a consequence of applying the treasury stock method to the Company's outstanding share options, resulting in diluted funds flow from operations. A total of 5,305,250 (2009: 5,390,625) shares issuable on conversion of convertible debentures were excluded from the calculation for the three month period ended March 31, 2010 and 2009 as they were not dilutive.

⁽⁶⁾ *Reference to "common shares" or "shares" includes "trust units" or "units" of True Energy Trust and a reference to "share options" includes a reference to "incentive rights" prior to the reorganization of True Energy Trust into the Corporation effective November 1, 2009, unless the context otherwise requires.*

⁽⁷⁾ *Shares issuable for convertible debentures are calculated as the \$84.88 million principal amount of the convertible debentures divided by the conversion price of \$16.00 per share.*

REPORT TO SHAREHOLDERS

Bellatrix is pleased to announce positive earnings in Q1 2010, 100% drilling success and growth in production in line with our corporate guidance. In 2009 the Shareholders witnessed the successful transition of Bellatrix to an exploration and production focused entity driven by an ameliorated balance sheet and in possession of a substantial inventory of low-risk economical exploitation opportunities, dominated by Cardium and Notikewin horizontal drilling projects. During the first quarter of 2010, the Company was focused on executing its considerable drilling program, forward hedging commodity prices while participating in two separate financings to further improve its financial flexibility which facilitated repayment of the existing 7.5% Convertible Unsecured Subordinated Debentures (the "Existing Debentures").

The Company successfully drilled and/or participated in 14 gross (8.06 net) wells resulting in 11 gross (6.01 net) oil wells, 2 gross (1.85 net) gas wells and 1 gross (0.20 net) gas well waiting on completion. The Company is pleased to report a 100% success rate on its Q1 drilling results. During the quarter, Bellatrix spent \$21.0 million on capital projects, before drilling royalty credits, of its total 2010 \$75 million capital expenditures budget.

On the Cardium play in West Central Alberta, the Company drilled 7 gross (5.46 net) horizontal wells. Seven wells have been completed and placed on production. The Company drilled 2 gross (1.5 net) wells at West Pembina, 3 gross (2.25 net) wells at Norbuck, 1 gross (1 net) well at Willesden Green and 1 gross (1net) stepout well at Lodgepole. The wells had a combined gross IP rate of 1,960 boe/d following recovery of load fluid resulting in an average IP of 280 boe/d per well. On a net basis the Company added 1,480 boe/d yielding an average IP rate of 271 boe/d per well. During the final week of the quarter, the Company was producing an aggregate of 600 boe/d from these new wells with 400 boe/d shut in to facilitate tie-ins. The average net production rate at the end of Q1 was 177 boe/d per well.

During the first quarter, the Company drilled 2 gross (1.85 net) Notikewin horizontal wells at Ferrier; a 100% working interest ("WI") Notikewin gas well was placed on production in February at 3.5 mmcf/d with approximately 35 bbls of liquids per mmcf. A second 85% WI Notikewin horizontal flowed gas after recovery of load fluid at a rate of 10.0 mmcf/d and approximately 35 bbls per mmcf of condensate; the well was placed on production on April 14, 2010 and continues to flow at a restricted rate of 3.9 mmcf/d gross (670 boe/d net). The current total net production rate for the two wells is 1,050 boe/d. Bellatrix spudded a third Notikewin horizontal well at Ferrier in late April which is currently drilling.

In addition to this activity, Bellatrix participated in drilling 4 gross (0.55 net) non-operated McLaren oil wells in the Lindberg area. The Company expects to drill their first of six potential offset wells on 50% WI offset lands following spring breakup.

First quarter 2010 sales volumes averaged 7,248 boe/d compared to 9,981 boe/d in the same period of 2009. The reduction in average sales volume is due to natural production declines and the impact of dispositions totaling approximately 3,600 boe/d for the third and fourth quarter of 2009, offset by the additional production achieved through drilling success in the fourth quarter of 2009 and the first quarter of 2010. Fourth quarter 2009 sales volumes averaged 6,572 boe/d.

The Company had experienced some delays in the first quarter of 2010 as a result of equipment constraints on the completion side of our business. As a result of the timing delays, the Company averaged approximately 7,000 boe/d in January and February and March 2010 sales volumes averaged 7,734 boe/d; production from the majority of Bellatrix's new drilling operations was brought on starting later in February and throughout March. Currently the Company is producing 1,555 bbls/d of crude oil, 700 bbls/d of natural gas liquids and 35.8 mmcf/d yielding a total of approximately 8,200 boe/d; 400 boe/d are shut in awaiting tie-in.

Bellatrix's production guidance for 2010 remains unchanged at an average daily production rate of approximately 8,500 boe/d and an exit rate of approximately 10,000 boe/d.

On January 28, 2010 Bellatrix completed an equity issuance of 13.64 million common shares at a price of \$3.30 per share for gross proceeds of \$45.0 million (net proceeds of \$42.5 million after transaction costs). The net proceeds from

this financing were used to temporarily reduce outstanding indebtedness, thereby freeing up borrowing capacity that may be redrawn to fund Bellatrix's ongoing capital expenditure program and for general purposes.

To facilitate redemption of the Company's existing 7.5% Convertible Unsecured Subordinated Debentures and establish a longer term lower cost of capital, on April 20, 2010, Bellatrix issued \$55 million of convertible unsecured subordinated debentures (the "New Debentures") on a bought deal basis. The New Debentures bear interest at the rate of 4.75% per annum payable semi-annually in arrears on the last day of April and October of each year commencing on October 31, 2010 and mature on April 30, 2015. The New Debentures are convertible at the holder's option into common shares of the Company at \$5.60 per common share. The New Debentures are listed and posted for trading on the TSX under the symbol "BXE.DB.A".

Bellatrix has deposited with Computershare Trust Company of Canada, the trustee for Bellatrix's other outstanding series of debentures, being the Existing Debentures due June 30, 2011, sufficient funds to satisfy the principal amount and interest owing on the Existing Debentures and on May 3, 2010, the trustee provided notice to the registered holders of the Existing Debentures of its intention to redeem the Existing Debentures on July 2, 2010. The Existing Debentures will be redeemed for an amount of \$1,025 for each \$1,000 principal amount of the Existing Debentures plus accrued and unpaid interest. Proceeds from the issuance of the New Debentures have been used by Bellatrix to partially fund the redemption of the Existing Debentures and the balance of the redemption amount has been funded through bank indebtedness.

FINANCIAL

Bellatrix's total net debt including the liability component of the Existing Debentures, excluding unrealized commodity contract assets and liabilities, future income tax assets and liabilities and asset retirement obligations, as at March 31, 2010 was \$73.6 million.

As at March 31, 2010, Bellatrix was undrawn on its available \$85 million bank credit facilities and had \$9.0 million in cash.

Funds flow from operations for the 2010 first quarter was \$10.2 million on gross sales of \$26.9 million compared to funds flow from operations for the 2009 first quarter of \$6.5 million on gross sales of \$31.3 million. In comparison, funds flow from operations for the fourth quarter of 2009 was \$7.7 million on gross sales of \$24.0 million.

The net income for the 2010 first quarter was \$7 thousand compared to a net loss of \$9.1 million in the 2009 first quarter.

As an added layer of protection of its cash flows, the Company's 2010 commodity price risk management contracts provide price protection on approximately 54% of its annual estimated natural gas production for the remainder of 2010 that is forward sold for an average of CDN\$5.972/GJ (\$6.56/mcf). In addition, the Company has a price ceiling in place for 2010 on 5,000 GJ/d or 14% of its estimated natural gas production for 2010 at an average price of CDN\$8.05/GJ (\$8.85/mcf). These percentages of price protection and the conversion from \$/GJ to \$/mcf are based upon an estimated 2010 average corporate natural gas production of 32 MMcf/d and 39 MJ/m³ average heat content, respectively. In addition, 500 bbl/d of oil for calendar 2010 is protected by way of a costless collar of CDN\$75.00 x CDN\$101.15 and another 500 bbl/d of oil for the period of June 1 to December 31, 2010 is protected by way of a fixed price swap at CDN\$91.76/bbl. Bellatrix maintains an active commodity price risk management program focused on maintaining sufficient cash flow to fund its operations.

Bellatrix continues to be positioned with approximately 243,000 net acres of undeveloped land, with in excess of 475 exploitation drilling opportunities identified representing over 6 years of drilling inventory, coupled with a dramatically improved balance sheet. The Company possesses 200 drilling locations in the exciting Cardium oil horizontal play and 50 Notikewin horizontal drilling locations in West Central Alberta.

Bellatrix's annual general meeting is scheduled for 2:00 pm on May 26, 2010 in the Tivoli/Strand Meeting Room at the Metropolitan Conference Centre in Calgary.

Bellatrix is a company dedicated to "the pursuit of sustainable growth" for its stakeholders.

Raymond G. Smith, P. Eng.

President and CEO

May 6, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 6, 2010 – The following Management's Discussion and Analysis of financial results as provided by the management of Bellatrix Exploration Ltd. ("Bellatrix" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements and selected notes for the three months ended March 31, 2010 and the audited consolidated financial statements of the Company for the years ended December 31, 2009 and 2008 and the related Management's Discussion and Analysis of financial results. This commentary is based on information available to, and is dated as of, May 6, 2010. The financial data presented is in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars, except where indicated otherwise.

CONVERSION: The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 mcf/bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived from converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil.

NON-GAAP MEASURES: This Management's Discussion and Analysis contains the term "funds flow from operations" which should not be considered an alternative to, or more meaningful than "cash flow from operating activities" as determined in accordance with Canadian GAAP as an indicator of the Company's performance. Therefore reference to funds flow from operations or funds flow from operations per share may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between cash flow from operating activities and funds flow from operations can be found in the Management's Discussion and Analysis. Funds flow from operations per share is calculated using the weighted average number of shares for the period.

This Management's Discussion and Analysis also contains other terms such as total net debt and operating netbacks, which are not recognized measures under Canadian GAAP. Total net debt is calculated as long-term debt plus the liability component of the convertible debentures and the net working capital deficiency (excess) before short-term commodity contract assets and liabilities and short-term future income tax assets and liabilities. Operating netbacks are calculated by subtracting royalties, transportation, and operating expenses from revenues. Management believes these measures are useful supplemental measures of firstly, the total amount of current and long-term debt and secondly, the amount of revenues received after transportation, royalties and operating expenses. Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as current and long-term debt or net income determined in accordance with GAAP as measures of performance. Bellatrix's method of calculating these measures may differ from other entities, and accordingly, may not be comparable to measures used by other trusts or companies.

Additional information relating to the Company, including the Bellatrix's Annual Information Form, is available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS: Certain information contained herein may contain forward looking statements including management's assessment of future plans and operations, drilling plans and the timing thereof, commodity price risk management strategies, expected 2010 average production and exit rate, updating of ceiling test calculations, use of proceeds from equity and debenture financings, plans and timing related to the adoption of IFRS and the effects thereof, elections anticipated to be made under IFRS, anticipated liquidity of the Company and various matters that may impact such liquidity, expected operating expenses and general and administrative expenses, expected levels of revenues in 2010 compared to 2009, 2010 capital expenditures and the nature of capital expenditures and the timing and method of financing thereof and the method of funding the redemption of the outstanding series of debentures, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. The recovery and reserve estimates of Bellatrix's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Bellatrix. In addition, forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Such information may prove to be incorrect and readers are cautioned that the information may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other

things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future commodity gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could effect Bellatrix's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at Bellatrix's website (www.bellatrixexploration.com). Furthermore, the forward-looking statements contained herein are made as at the date hereof and Bellatrix does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Overview and Description of the Business

Bellatrix is a Western Canadian based growth oriented oil and gas company engaged in the exploration for, and the acquisition, development and production of oil and natural gas reserves in the provinces of Alberta, British Columbia and Saskatchewan.

Bellatrix is the continuing corporation resulting from the reorganization (the "Reorganization") effective November 1, 2009 pursuant to a plan of arrangement involving, among others, True Energy Trust (the "Trust" or "True"), Bellatrix Exploration Ltd. ("Bellatrix" or the "Company") and securityholders of the Trust.

The Reorganization has been accounted for on a continuity of interest basis and accordingly, the consolidated financial statements for periods prior to the effective date of the Reorganization will reflect the financial position, results of operations and cash flows as if the Company had always carried on the business formerly carried on by the Trust. Information herein with respect to Bellatrix includes information in respect of the Trust prior to completion of the Reorganization to the extent applicable unless the context otherwise requires. In addition, references to "common shares" and "shares", "Share Option Plan", and "options" should be read as references to "Units", "Unit Rights Incentive Plan", and "rights" respectively, for periods prior to November 1, 2009.

Bellatrix's common shares and convertible debentures are listed on the Toronto Stock Exchange under the symbols BXE BXE.DB, and BXE.DB.A, respectively.

First Quarter 2010 Financial and Operational Results

Sales Volumes

Sales volumes for the three months ended March 31, 2010 averaged 7,248 boe/d compared to 9,981 boe/d for the same period in 2009, representing a 27% decrease. In comparison, sales volumes for the fourth quarter of 2009 averaged 6,572 boe/d.

The decrease in average sales volumes from the first quarter 2009 to 2010 is due to natural production declines and the impact of dispositions totaling approximately 3,600 boe/d for the third and fourth quarter of 2009, offset by the additional production achieved through drilling success in the fourth quarter of 2009 and the first quarter of 2010.

Sales Volumes

		Three months ended March 31,	
		2010	2009
Natural gas	(mcf/d)	32,044	36,928
Heavy oil	(bbls/d)	359	2,519
Light oil and condensate	(bbls/d)	1,054	959
NGLs	(bbls/d)	494	348
Total crude oil and NGLs	(bbls/d)	1,907	3,826
Total boe/d	(6:1)	7,248	9,981

Bellatrix has been 100% successful in the 14 (8.06 net) wells drilled in the first quarter of 2010, resulting in 11 (6.01 net) oil wells and 3 (2.05 net) gas wells. One (0.2 net) gas well is awaiting completion. Drilling has been focused on the Notikewin and Cardium resource plays.

By comparison, the Company did not participate directly in any drilling in the first quarter of 2009. In the first quarter of 2009, the Company farmed out the drilling of 5 gross wells retaining a 24% average working interest with no payout account.

For the three months ended March 31, 2010, the weighting towards natural gas sales averaged 74% compared to 62% in the same period in 2009. Heavy oil sales made up 5% of total production for the 2010 first quarter compared to 25% in the 2009 first quarter. The shift in weighting is a result of the sale of predominantly oil producing properties in the second half of 2009.

Sales of natural gas averaged 32.0 Mmcf/d for the first quarter of 2010, compared to 36.9 Mmcf/d in the same 2009 period, a decrease of 13%. Crude oil and NGL sales for the 2010 first quarter decreased 50% averaging 1,907 bbls/d compared to 2008 average sales of 3,826 bbls/d.

2010 production volumes are anticipated to average approximately 8,500 boe/d and an exit rate of approximately 10,000 boe/d. The forecast of 2010 production volumes is based upon a number of assumptions, including downtime for anticipated plant turnarounds and normal production declines and expected results from the execution of the current planned capital budget of \$75.0 million.

Commodity Prices

Average Commodity Prices

	Three months ended March 31,		
	2010	2009	% Change
Exchange rate (US\$/Cdn\$)	0.9615	0.8028	20
Natural gas:			
NYMEX (US\$/mmbtu)	4.99	4.47	12
AECO daily index (CDN\$/Mcf)	4.95	4.92	1
AECO monthly index (CDN\$/Mcf)	5.36	5.63	(5)
Bellatrix's average price (\$/mcf)	5.18	5.41	(4)
Bellatrix's average price (including risk management ⁽¹⁾) (\$/mcf)	6.04	6.21	(3)
Crude oil:			
WTI (US\$/bbl)	78.88	43.31	82
Edmonton par – light oil (\$/bbl)	80.31	50.15	60
Bow River – medium/heavy oil (\$/bbl)	73.44	43.77	68
Hardisty Heavy – heavy oil (\$/bbl)	68.78	39.38	75
Bellatrix's average prices (\$/bbl)			
Light crude oil, condensate, and NGLs	67.14	42.49	58
Heavy crude oil	64.85	33.71	92
Total crude oil and NGLs	66.71	36.71	82
Total crude oil and NGLs (including risk management ⁽¹⁾)	66.71	36.71	82

⁽¹⁾Per unit metrics including risk management include realized gains or losses on commodity contracts and exclude unrealized gains or losses on commodity contracts.

Bellatrix's natural gas sales are priced with reference to the daily or monthly AECO indices. During 2010 first quarter, the AECO daily reference price increased by 1% and the monthly reference price decreased by 5% compared to the same period in 2009. Similarly, Bellatrix's average sales price before commodity price risk management contracts for the 2010 first quarter decreased by 4% compared to the same period in 2009. Bellatrix's natural gas price after including commodity price risk management contracts for the first quarter of 2010 was \$6.04/mcf compared to \$6.21/mcf for the same period in 2009.

For light oil, condensate and NGLs, Bellatrix recorded an average \$67.14/bbl before commodity price risk management contracts in the 2009 first quarter, 58% higher than the average price received in the same period in 2009. In comparison, the Edmonton par price increased by 60% over the same period. The average WTI crude oil US dollar based price increased 82% from the first quarter of 2009 to that in 2010.

For heavy crude oil, Bellatrix received an average price before transportation of \$64.85/bbl in the 2010 first quarter, an increase of 92% over prices in the same 2009 period. The Bow River reference price increased by 68% and the Hardisty Heavy reference price increased by 75% over the same period in 2009. The majority of Bellatrix's heavy crude oil density ranges between 11 and 16 degrees API consistent with the Hardisty Heavy reference price, although all of Bellatrix's heavy oil production is sold at Saskatchewan delivery points.

Revenue

Revenue before other income and commodity price risk management contracts for the three month period ended March 31, 2010 was \$26.4 million, 14% lower than the \$30.6 million in the same period in 2009. The decrease in revenue for the 2010 period was the result of lower sales volumes in conjunction with lower natural gas prices.

(\$000s)	Three months ended March 31,	
	2010	2009
Light crude oil, condensate and NGLs	9,355	4,998
Heavy oil	2,099	7,643
Crude oil and NGLs	11,454	12,641
Natural gas	14,928	17,993
Total revenue before other	26,382	30,634
Other ⁽¹⁾	547	711
Total revenue before royalties and risk management	26,929	31,345

⁽¹⁾ Other revenue primarily consists of processing and other third party income.

Revenues for the remainder of 2010 are currently expected to be higher than the corresponding period in 2009 due to higher overall commodity prices and average estimated 2010 production of approximately 8,500 boe/d.

Commodity Price Risk Management

The Company has a formal commodity price risk management policy which permits management to use specified price risk management strategies including fixed price contracts, collars and the purchase of floor price options and other derivative financial instruments and physical delivery sales contracts to reduce the impact of price volatility and ensure minimum prices for a maximum of eighteen months beyond the current date. The program is designed to provide price protection on a portion of the Company's future production in the event of adverse commodity price movement, while retaining significant exposure to upside price movements. By doing this, the Company seeks to provide a measure of stability to funds flow from operations, as well as, to ensure Bellatrix realizes positive economic returns from its capital development and acquisition activities. The Company plans to continue its commodity price risk management strategies focusing on maintaining sufficient cash flow to fund Bellatrix's operations. Any remaining production is realized at market prices.

A summary of the financial commodity price risk management volumes and average prices by quarter currently outstanding as of May 6, 2010 is shown in the following tables:

Natural gas

Average Volumes (GJ/d)

	Q2 2010	Q3 2010	Q4 2010
Fixed	20,000	20,000	20,000
Call option (ceiling price)	5,000	5,000	5,000
Total GJ/d	25,000	25,000	25,000

Average Price (\$/GJ AECO C)

	Q2 2010	Q3 2010	Q4 2010
Fixed	5.80	5.60	5.90
Call option (ceiling price)	8.05	8.05	8.05

Crude oil and liquids
Average Volumes (bbls/d)

	Q2 2010	Q3 2010	Q4 2010
Costless collars	500	500	500
Fixed	165	500	500
Total bbls/d	665	1,000	1,000

Average Price (CDN\$/bbl WTI)

	Q2 2010	Q3 2010	Q4 2010
Collar ceiling price	101.15	101.15	101.15
Collar floor price	75.00	75.00	75.00
Fixed price	91.76	91.76	91.76

As of March 31, 2010, the fair value of Bellatrix's outstanding commodity contracts is an unrealized asset of \$10.6 million as reflected in the financial statements. The fair value or mark-to-market value of these contracts is based on the estimated amount that would have been received or paid to settle the contracts as at March 31, 2010 and may be different from what will eventually be realized. Changes in the fair value of the commodity contracts are recognized in the Consolidated Statements of Income (Loss) within the financial statements.

The following is a summary of the gain (loss) on commodity contracts for the three months ended March 31, 2010 and 2009 as reflected in the Consolidated Statements of Income (Loss) in the financial statements:

Commodity contracts

(\$000s)	Crude Oil & Liquids	Natural Gas	2010 Total
Realized cash gain on contracts	-	2,492	2,492
Unrealized gain (loss) on contracts ⁽¹⁾	(7)	7,263	7,256
Total gain (loss) on commodity contracts	(7)	9,755	9,748

(\$000s)	Crude Oil & Liquids	Natural Gas	2009 Total
Realized cash gain on contracts	-	2,631	2,631
Unrealized gain (loss) on contracts ⁽¹⁾	(272)	8,116	7,844
Total gain (loss) on commodity contracts	(272)	10,747	10,475

⁽¹⁾ Unrealized gain (loss) commodity contracts represent non-cash adjustments for changes in the fair value of these contracts during the period.

Royalties

For the three months ended March 31, 2010, total royalties were \$5.3 million, compared to \$6.3 million incurred in the same 2009 period. Overall royalties as a percentage of revenue (after transportation costs) in the first quarter of 2010 were 21%, compared with 22% in the same 2009 period.

Royalties by Commodity Type <i>(\$000s, except where noted)</i>	Three months ended March 31,	
	2010	2009
Light crude oil, condensate and NGLs \$/bbl	2,499 17.93	1,361 11.57
Average light crude oil, condensate and NGLs royalty rate (%)	27	27
Heavy Oil \$/bbl	547 16.93	1,849 8.16
Average heavy oil royalty rate (%)	27	27
Natural Gas \$/mcf	2,204 0.76	3,098 0.93
Average natural gas royalty rate (%)	15	17
Total	5,250	6,308
\$/boe	8.05	7.02
Average total royalty rate (%)	21	22

Royalties, by Type

<i>(\$000s)</i>	Three months ended March 31,	
	2010	2009
Crown royalties	2,416	3,073
Indian Oil and Gas Canada royalties	921	1,848
Freehold & GORR	1,841	1,189
Saskatchewan resource surcharge	72	198
Total	5,250	6,308

Expenses

<i>(\$000s)</i>	Three months ended March 31,	
	2010	2009
Production	8,717	13,946
Transportation	808	1,563
General and administrative	2,536	2,842
Interest and financing charges	2,414	3,302
Share-based compensation (recovery)	120	(603)

Expenses per boe

<i>(\$ per boe)</i>	Three months ended March 31,	
	2010	2009
Production	13.36	15.53
Transportation	1.24	1.74
General and administrative	3.89	3.16
Interest and financing charges	3.70	3.68
Share-based compensation (recovery)	0.18	(0.67)

Production Expenses

For the three months ended March 31, 2010, production expenses totaled \$8.7 million (\$13.36/boe), compared to \$13.9 million (\$15.53/boe) recorded in the same 2009 period. The decrease in production expenses from the first quarter of 2009 to 2010 is due to the disposition of properties with higher production costs in the second half of 2009 as well as the Company's efforts to streamline operations and the continuation of field optimization projects. In comparison, production expenses were \$10.1 million (\$16.65/boe) for the fourth quarter of 2009.

Bellatrix is targeting operating costs of approximately \$33.9 million (\$11.00/boe) in 2010. This is based upon assumptions of estimated 2010 average production of approximately 8,500 boe/d, continued field optimization work benefits and planned capital expenditures in producing areas which are anticipated to have lower operating costs.

Production Expenses, by Commodity Type

<i>(\$000s, except where noted)</i>	Three months ended March 31,	
	2010	2009
Light crude oil, condensate and NGLs	2,378	2,278
\$/bbl	17.07	19.37
Heavy oil	313	4,736
\$/bbl	9.69	20.89
Natural gas	6,026	6,932
\$/mcf	2.09	2.09
Total	8,717	13,946
\$/boe	13.36	15.53
Total	8,717	13,946
Processing and other third party income ⁽¹⁾	(547)	(710)
Total after deducting processing and other third party income	8,170	13,236
\$/boe	12.52	14.73

(1) Processing and other third party income is included within petroleum and natural gas sales on the Consolidated Statements of Income (Loss).

Transportation

Transportation expenses for the three months ended March 31, 2010 were \$0.8 million (\$1.24/boe) compared to \$1.6 million (\$1.74/boe) in the same 2009 period. The reduction in transportation expenses was due to significantly less heavy oil hauling costs following the sale of Saskatchewan properties in July 2009.

Operating Netback

Field Operating Netback – Corporate (before risk management)

<i>(\$/boe)</i>	Three months ended March 31,	
	2010	2009
Sales	40.44	34.10
Transportation	(1.24)	(1.74)
Royalties	(8.05)	(7.02)
Production expense	(13.36)	(15.53)
Field operating netback	17.79	9.81

For first quarter of 2010, corporate field operating netback (before commodity price risk management contracts) was \$17.79/boe compared to \$9.81/boe in the same 2009 period. This was primarily the result of an increase in crude oil, condensate and natural gas liquids commodity prices, as well as a decrease in transportation and production expenses offset by an increase in royalties. After including commodity price risk management contracts, the corporate field operating netback for the first quarter of 2010 was \$21.61/boe compared to \$12.74/boe in the same 2009 period. In comparison, fourth quarter 2009, corporate field operating netback (before commodity price risk management contracts) was \$15.36/boe.

Field Operating Netback – Natural Gas (before risk management)

(\$/mcf)	Three months ended March 31,	
	2010	2009
Sales	5.18	5.41
Transportation	(0.22)	(0.20)
Royalties	(0.76)	(0.93)
Production expense	(2.09)	(2.09)
Field operating netback	2.11	2.19

Field operating netback for natural gas in the first quarter of 2010 decreased 4% to \$2.11/mcf, compared to \$2.19/mcf in the same period in 2009, reflecting slightly weaker natural gas prices experienced, along with slightly higher transportation expenses, offset by lower royalties. After including commodity price risk management contracts, field operating netback for natural gas for the three month period ended March 31, 2010 was \$2.96/mcf compared to \$2.98/mcf in the same period in 2009.

Field Operating Netback – Crude Oil, Condensate and NGLs (before risk management)

(\$/bbl)	Three months ended March 31,	
	2010	2009
Sales	66.71	36.71
Transportation	(0.97)	(2.58)
Royalties	(17.74)	(9.32)
Production expense	(15.68)	(20.37)
Field operating netback	32.32	4.44

Field operating netback for crude oil, condensate and NGLs averaged \$32.32/bbl for the three month period ended March 31, 2010, up 628% compared to \$4.44/bbl for the same period in 2009. The significant increase is primarily due to the increase in commodity prices for crude oil, condensate and natural gas liquids, as well as decreases in transportation and production expenses, offset by an increase in royalties. After including commodity price risk management contracts, field operating netback for crude oil and NGLs for the first quarter in 2010 was \$32.32/boe compared to \$4.44/boe in the same period in 2009.

General and Administrative

General and administrative (“G&A”) expenses (after capitalized G&A and recoveries) for the period ended March 31, 2010 were \$2.5 million (\$3.89/boe) compared to \$2.8 million (\$3.16/boe) for the same period in 2009. The decrease in the G&A expense for the first quarter of 2010 from the same period in 2009 reflects targeted G&A reductions completed early in 2009. The increase in amounts of capitalized G&A for the three months ended March 31, 2010 is consistent with an increased capital program.

For 2010, the Company is currently anticipating G&A costs after capitalization to be approximately \$11.6 million (\$3.75/boe) based on continued efficiencies and estimated 2010 average production volumes of approximately 8,500 boe/d.

General and Administrative Expenses

(\$000s, except where noted)	Three months ended March 31,	
	2010	2009
Gross expenses	3,192	3,386
Capitalized	(364)	(106)
Recoveries	(292)	(438)
G&A expenses	2,536	2,842
G&A expenses, per unit (\$/boe)	3.89	3.16

Interest and Financing Charges

Bellatrix recorded \$2.4 million of interest and financing charges for the three months ended March 31, 2010 compared to \$3.3 million in the same 2009 period. Bellatrix's total net debt at March 31, 2010 of \$73.6 million includes the \$82.2 million liability portion of convertible debentures and the net balance of working capital.

Interest and Financing Charges

(\$000s, except where noted)	Three months ended March 31,	
	2010	2009
Interest and financing charges	2,414	3,302
Interest and financing charges (\$/boe)	3.70	3.68
Debt to funds flow from operations⁽¹⁾ ratio annualized⁽³⁾		
Funds flow from operations ⁽¹⁾ (annualized)	40,792	25,956
Total net debt ⁽²⁾ at period end	73,614	213,929
Total net debt to periods funds flow from operations ratio annualized ⁽³⁾	1.8x	8.2x
Net debt ⁽²⁾ (excluding convertible debentures) at period end	-	132,331
Net debt to periods funds flow from operations ratio annualized ⁽³⁾	-	5.1x
Debt to funds flow from operations⁽¹⁾ ratio (trailing)⁽⁴⁾		
Funds flow from operations ⁽¹⁾ ratio trailing	39,734	60,149
Total net debt ⁽²⁾ to funds flow from operations ratio trailing	1.9x	3.6x
Net debt ⁽²⁾ (excluding convertible debentures) to funds flow from operations for the period	-	2.2x

⁽¹⁾ Funds flow from operations is a term that does not have any standardized meaning under GAAP. Funds flow from operations is calculated as cash flow from operating activities before asset retirement costs incurred and changes in non-cash working capital incurred.

⁽²⁾ Net debt includes the net working capital deficiency (excess) before short-term commodity contract assets and liabilities and short-term future tax assets and liabilities. Total net debt also includes the liability component of convertible debentures and excludes asset retirement obligations and the future income tax assets and liabilities. Total net debt is a non-GAAP measure; refer to the following reconciliation of total liabilities to total net debt.

⁽³⁾ Total net debt and net debt to periods funds flow from operations ratio (annualized) is calculated based upon first quarter funds flow from operations annualized.

⁽⁴⁾ Trailing periods funds flow from operations ratio annualized is based on the twelve-months period ended March 31, 2010 and March 31, 2009.

Reconciliation of Total Liabilities to Total Net Debt

(\$000s)	As at March 31,	
	2010	2009
Total liabilities per financial statements	141,040	320,486
Current liabilities included within working capital calculation	(32,374)	(53,094)
Current portion of long-term debt excluded from working capital calculation	-	16,922
Asset retirement obligations	(26,480)	(34,197)
Future income taxes - long-term	-	(36,897)
Working Capital		
Current assets	(48,556)	(43,733)
Current liabilities	32,374	53,094
Current portion of long-term debt excluded from working capital calculation	-	(16,922)
Commodity contract asset	10,630	11,570
Net future income taxes – current	(3,020)	(3,300)
Total net debt	73,614	213,929

Share-Based Compensation

Non-cash share-based compensation expense for the three months ended March 31, 2010 was an expense of \$0.1 million compared to a recovery of \$0.6 million in the same period in 2009. The increase in expense from the first quarter of 2009 compared to 2010 is primarily due to a reversal of \$0.8 million of prior periods share compensation expense for 2009 cancellation of unvested share options compared to \$0.02 million reversed in the same period in 2010. No share options were granted in the first quarter of 2010.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for the three months ended March 31, 2010 was \$15.9 million (\$24.49/boe), compared to the \$27.3 million (\$30.34/boe) in the same period in 2009, which reflects lower production volumes combined with reduced carrying costs in the 2010 period as compared to the same period in 2009.

For the three months ended March 31, 2010, Bellatrix has included \$51.9 million (2009: \$62.7 million) for future development costs in the depletion calculation and excluded from the depletion calculation \$20.5 million (2009: \$28.2 million) for undeveloped land and \$27.9 million (2009: \$42.6 million) for estimated salvage.

Depletion, Depreciation and Accretion Costs

(\$000s, except where noted)	Three months ended March 31,	
	2010	2009
Depletion and Depreciation	15,464	26,593
Accretion	512	662
Total	15,976	27,255
Per unit (\$/boe)	24.49	30.34

Income Taxes

Future income taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities. For the three months ended March 31, 2010, the Company recognized a future income tax expense of \$0.9 million compared to a recovery of \$3.7 million in the same period in 2009. Future income taxes for the first quarter of 2010 was an expense of \$0.9 million on pre-tax income of \$0.9 million, primarily due to \$0.5 million of additional tax expense due to tax rate changes in the 2010 first quarter.

As at March 31, 2010, the Company had a total net future income tax asset balance of \$0.3 million. Canadian GAAP requires that a future income tax asset be recorded when the tax pools exceeds the book value of assets, to the extent the amount is more than likely than not to be realized.

At March 31, 2010, Bellatrix had approximately \$410.9 million in tax pools available for deduction against future income as follows:

(\$000s)	Rate %	
Intangible resource pools:		
Canadian exploration expenses	100	43,800
Canadian development expenses	30	225,700
Canadian oil and gas property expenses	10	15,300
Foreign resource expenses	10	1,100
Attributed Canadian Royalty Income	100 (Alberta)	16,100
Undepreciated capital cost ⁽¹⁾	6 - 55	102,100
Non-capital losses (expire through 2027)	100	4,800
Financing costs	20 straight line	2,000
		410,900

⁽¹⁾ Approximately \$96 million of undepreciated capital cost pools are class 41, which is claimed at a 25% rate.

Cash Flow from Operating Activities, Funds Flow from Operations and Net Income (Loss)

As detailed previously in this Management's Discussion and Analysis, funds flow from operations is a term that does not have any standardized meaning under GAAP. Funds flow from operations is calculated as cash flow from operating activities before asset retirement costs incurred and changes in non-cash working capital incurred.

Reconciliation of Cash Flow from Operating Activities and Funds Flow from Operations

<i>(\$000s, except per share amounts)</i>	Three months ended March 31,	
	2010	2009
Cash flow from operating activities	13,456	9,311
Asset retirement costs incurred	162	738
Change in non-cash working capital	(3,420)	(3,560)
Funds flow from operations	10,198	6,489

Bellatrix's cash flow from operating activities of \$13.5 million (\$0.15 per diluted share) for the three months ended March 31, 2010 increased approximately 45% from the \$9.3 million (\$0.12 per diluted share) generated in the same 2009 period. Bellatrix generated funds flow from operations of \$10.2 million (\$0.11 per diluted share) for the three months ended March 31, 2010, up 57% from \$6.5 million (\$0.08 per diluted share) for the same period in 2009. The increase in cash flow from operating activities and funds flow from operations for the first quarter of 2010 compared to the first quarter of 2009 was primarily the result of a significant increase in overall commodity prices and a reduction in expenses.

Bellatrix maintains a commodity price risk management program to provide a measure of stability to funds flow from operations. Unrealized mark-to-market gains or losses are non-cash adjustments to the current fair market value of the contract over its entire term and are included in the calculation of net income.

The net income for the three month period ended March 31, 2010 was \$7 thousand (\$0.00 per diluted share) compared to a net loss of \$9.1 million (\$0.12 per diluted share) for the same period in 2009. The decrease in the net loss from the first quarter of 2009 to that in 2010 was due to reduced non-cash charges for depletion, depreciation and accretion,

reduced operating, transportation and interest expenses, offset slightly by a decrease in sales, future income tax expense and non-cash unrealized gains on commodity contracts.

Cash Flow from Operating Activities, Funds Flow from Operations and Net Income (Loss)

(\$000s, except per share amounts)	Three months ended March 31,	
	2010	2009
Cash flow from operating activities	13,456	9,311
Basic (\$/share)	0.15	0.12
Diluted (\$/share)	0.15	0.12
Funds flow from operations	10,198	6,489
Basic (\$/share)	0.12	0.08
Diluted (\$/share)	0.11	0.08
Net income (loss)	7	(9,056)
Basic (\$/share)	0.00	(0.12)
Diluted (\$/share)	0.00	(0.12)

Capital Expenditures

Bellatrix invested \$21.0 million on exploration and development activities during the first quarter of 2010, before \$2.6 million of drilling incentive credits, compared to \$2.5 million invested in the same period in 2009. The increase in these expenditures during the period is consistent with the higher capital budget for 2010 of \$75 million.

Bellatrix has been 100% successful in the 14 (8.06 net) wells drilled in the first of 2010, resulting in 11 (6.01 net) oil wells, 3 (2.05 net) gas wells. One (0.2 net) gas well is awaiting completion. Drilling has been focused on the Notikewin and Cardium resource plays.

Capital Expenditures

(\$000s)	Three months ended March 31,	
	2010	2009
Lease acquisitions and retention	199	83
Geological and geophysical	603	11
Drilling and completion costs	18,736	1,306
Facilities and equipment	1,417	1,128
	20,955	2,528
Drilling incentive credits	(2,644)	-
Exploration and development ⁽¹⁾	18,311	2,528
Corporate ⁽²⁾	35	217
Property acquisitions	-	11
Total capital expenditures – cash	18,346	2,756
Property dispositions – cash	47	8
Total net capital expenditures – cash	18,393	2,764
Other – non-cash ⁽³⁾	288	(114)
Total net capital expenditures	18,681	2,650

⁽¹⁾ Excludes capitalized costs related to asset retirement obligation expenditures incurred during the year.

⁽²⁾ Corporate costs include office furniture, fixtures and equipment and other costs.

⁽³⁾ Other includes non-cash adjustments for current period's asset retirement obligations and unit based compensation capitalized.

The \$21.0 million capital program, before drilling incentive credits, for the three months ended March 31, 2010 was financed with funds flow from operations and proceeds received from the January 2010 equity financing.

Based on the current economic conditions and Bellatrix's operating forecast for 2010, the Company budgets a 2010 capital program of \$75 million.

Ceiling Test

The Company calculates a ceiling test quarterly and annually to place a limit on the aggregate carrying value of its capitalized costs, which may be amortized against revenues of future periods. The ceiling test is performed in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") AcG-16 "Oil and Gas Accounting – Full Cost", a two step process.

The Company performed a ceiling test calculation at March 31, 2010 resulting in undiscounted cash flows from proved reserves and the undeveloped properties exceeding the carrying value of oil and gas assets. Consequently, no impairment in oil and gas assets was identified as at March 31, 2010.

The ceiling test calculation will be updated in 2010 on a quarterly and annual basis based upon the latest available data, including but not limited to an updated annual external reserve engineering report which incorporates a full evaluation of reserves or internal reserve updates at quarterly periods, and the latest commodity pricing deck. Estimating reserves is very complex, requiring many judgments based on available geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Asset Retirement Obligations

As at March 31, 2010, Bellatrix has recorded an Asset Retirement Obligation ("ARO") of \$26.5 million, compared to \$25.7 million at December 31, 2009, for future abandonment and reclamation of the Company's properties. For the three month period ended March 31, 2010, the ARO increased by \$0.8 million total as a result of \$0.5 million of accretion expense, \$0.5 million incurred on changes in estimates and liabilities incurred on development activities, offset by \$0.2 million for liabilities settled during the period.

Liquidity and Capital Resources

As an oil and gas business, Bellatrix has a declining asset base and therefore relies on ongoing development and acquisitions to replace production and add additional reserves. Future oil and natural gas production and reserves are highly dependent on the success of exploiting the Company's existing asset base and in acquiring additional reserves. To the extent Bellatrix is successful or unsuccessful in these activities, cash flow could be increased or reduced.

Bellatrix plans to focus on growing oil and natural gas production from its diversified portfolio of existing and emerging resource plays in Western Canada. Bellatrix remains highly focused on key business objectives of maintaining financial strength, optimizing capital investments – attained through a disciplined approach to capital spending, a flexible investment program and financial stewardship. Natural gas prices are primarily driven by North American supply and demand, with weather being the key factor in the short term. Bellatrix believes that natural gas represents an abundant, secure, long-term supply of energy to meet North American needs. Bellatrix's results are affected by external market and risk factors, such as fluctuations in the prices of crude oil and natural gas, movements in foreign currency exchange rates and inflationary pressures on service costs.

Bellatrix continues to be subject to liquidity and credit risk as more fully described in the Company's Management, Discussion and Analysis for the year ended December 31, 2009.

Bellatrix generally relies on operating cash flows and its credit facilities to fund capital requirements and provide liquidity. Future liquidity depends primarily on cash flow generated from operations, existing credit facilities and the ability to access debt and equity markets. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. While Bellatrix recently completed a January 2010 equity offering, and issued convertible debentures in April 2010, there can be no assurance that future debt or

equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Bellatrix.

A substantial portion of Bellatrix's accounts receivable are with customers and joint interest partners in the petroleum and natural gas industry and are subject to normal industry credit risks. Bellatrix sells substantially all of its production to five primary purchasers under standard industry sale and payment terms. Purchasers of Bellatrix's natural gas, crude oil and natural gas liquids are subject to a periodic internal credit review to minimize the risk of non-payment. Bellatrix has continued to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions. This has resulted in Bellatrix reducing or mitigating its exposures to certain counterparties where it is deemed warranted and permitted under contractual terms.

Bellatrix may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Bellatrix, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Bellatrix's ongoing capital program, potentially delaying the program and the results of such program until Bellatrix finds a suitable alternative partner.

During the first quarter, Bellatrix was focused on executing its considerable drilling program, while taking advantage of financing opportunities that further improved the Company's balance sheet. On January 28, 2010, Bellatrix closed an equity issuance of 13.64 million common shares at a price of \$3.30 per share for gross proceeds of \$45.0 million (net proceeds of \$42.5 million after transaction costs). The net proceeds from this financing were used to temporarily reduce outstanding indebtedness, thereby freeing up borrowing capacity that may be redrawn to fund Bellatrix's ongoing capital expenditure program and for general purposes.

Total net debt levels at March 31, 2010 have decreased \$33.6 million from \$107.3 million at December 31, 2009, primarily as a consequence of the January 2010 equity issuance. Total net debt includes the liability component of the convertible debentures and excludes unrealized commodity contract assets and liabilities, future income taxes and asset retirement obligations.

Funds flow from operations represents 49% of the funding requirements for Bellatrix's capital expenditures for the 2010 first quarter. The net proceeds from the January 2010 equity offering were used to temporarily reduce outstanding indebtedness, thereby freeing up borrowing capacity that may be redrawn to fund Bellatrix's ongoing capital expenditure program and for general purposes.

The Company's credit facilities consists of a \$10 million demand operating facility provided by a Canadian bank and a \$75 million extendible revolving term credit facility provided by a Canadian bank and a Canadian financial institution. Amounts borrowed under the credit facilities bear interest at a floating rate based on the applicable Canadian prime rate, U.S. base rate or LIBOR rate, plus between 1.50% and 4.50%, depending on the type of borrowing and the Company's debt to cash flow ratio. The credit facilities are secured by a \$400 million debenture containing a first ranking charge and security interest. Bellatrix has provided a negative pledge and undertaking to provide fixed charges over major petroleum and natural gas reserves in certain circumstances. A standby fee is charged of between 0.60% and 1.12% on the undrawn portion of the credit facilities, depending on the Company's debt to cash flow ratio.

The revolving period for the revolving term credit facility will end on June 29, 2010, unless extended for a further 364-day period. On April 14, 2010, the Company requested that the lenders extend the revolving period for a further period of 364 days, which will extend the last day of the revolving period from June 29, 2010 to June 28, 2011. Should the facility not be extended it will convert to a non-revolving term facility with the full amount outstanding due 366 days after the last day of the revolving period of June 29, 2010. The borrowing base will be subject to re-determination on November 30, 2010. Thereafter, a semi-annual re-determination of the borrowing base will occur on May 30 and November 30 in each year prior to the maturity date.

As an added layer of protection of its cash flow forecast, the Company's 2010 commodity price risk management contracts provide price protection on approximately 54% of its annual estimated natural gas production for 2010 that is forward sold for an average of CDN\$5.972/GJ (\$6.56/mcf). In addition, the Company has a price ceiling in place for 2010 on 5,000 GJ/d or 14% of its estimated natural gas production for 2010 at an average price of CDN\$8.05/GJ (\$8.85/mcf). These percentages of price protection and the conversion from \$/GJ to \$/mcf are based upon an estimated 2010 average corporate natural gas production of 32 MMcf/d and 39 MJ/m³ average heat content, respectively. In addition, 500 bbl/d of oil for calendar 2010 is protected by way of a costless collar of CDN\$75.00 x CDN\$101.15 and another 500 bbl/d of oil for the period of June 1 to December 31, 2010 is protected by way of a fixed price swap at CDN\$91.76/bbl. Bellatrix maintains an active commodity price risk management program focused on maintaining sufficient cash flow to fund its operations.

Bellatrix currently has commitments associated with its credit facilities outlined above and the commitments outlined under the "Commitments" section. Bellatrix continually monitors its capital spending program in light of the recent volatility with respect to commodity prices and Canadian dollar exchange rates with the aim of ensuring the Company will be able to meet future anticipated obligations incurred from normal ongoing operations with funds flow from operations and draws on Bellatrix's credit facility, as necessary. Bellatrix has the ability to fund its 2010 capital program of \$75 million by utilizing undrawn amounts on its credit facility (including additional availability resulting from the January 2010 equity issuance) and ongoing cash flows.

On April 20, 2010, Bellatrix issued \$55 million of convertible unsecured subordinated debentures (the "New Debentures") on a bought deal basis. The New Debentures bear interest at the rate of 4.75% per annum payable semi-annually in arrears on the last day of April and October of each year commencing on October 31, 2010 and mature on April 30, 2015 the ("Maturity Date"). The New Debentures are convertible at the holder's option and at any time prior to the close of business on the earlier of the close of business on the business day immediately preceding the Maturity Date and the date specified by the Corporation for redemption of the New Debentures into common shares of the Corporation at a conversion price of \$5.60 per common share (the "Conversion Price"), subject to adjustment in certain events. The New Debentures are not redeemable by the Corporation before April 30, 2013. On and after April 13, 2013 and prior to April 30, 2014, the New Debentures are redeemable at the Corporation's option, in whole or in part, at par plus accrued and unpaid interest if the weighted average trading price of the common shares for the specified period is not less than 125% of the Conversion Price. On and after April 30, 2014, the New Debentures are redeemable at the Corporation's option, in whole or in part, at any time at par plus accrued and unpaid interest. The New Debentures are listed and posted for trading on the TSX under the symbol "BXE.DB.A".

Bellatrix has deposited with Computershare Trust Company of Canada, the trustee for Bellatrix's other outstanding series of debentures, being the 7.5% Convertible Unsecured Subordinated Debentures due June 30, 2011 (the "Existing Debentures"), sufficient funds to satisfy the principal amount and interest owing on the Existing Debentures and on May 3, 2010 the trustee provided notice to the registered holders of the Existing Debentures of its intention to redeem the Existing Debentures on July 2, 2010. The Existing Debentures will be redeemed for an amount of \$1,025 for each \$1,000 principal amount of the Existing Debentures plus accrued and unpaid interest. Proceeds from the issuance of the New Debentures have been used by Bellatrix to partially fund the redemption of the Existing Debentures and the balance of the redemption amount has been funded through bank indebtedness.

Pursuant to Bellatrix's credit facilities, the Company is permitted to pay the semi-annual interest payments on the New Debentures, and payments by the Company to debenture holders in relation to the redemption of New Debentures and in relation to normal course issuer bids for the New Debentures approved by the TSX, provided that the aggregate of all such normal course issuer bids and redemptions do not exceed \$10.0 million in any fiscal year. These limitations are consistent with the Existing Debentures.

As at April 30, 2010, Bellatrix had outstanding a total of 6,057,367 options exercisable at an average exercise price of \$2.60 per share, \$84.9 million principal amount of Existing Debentures convertible into common shares (at a conversion

price of \$16.00 per share), \$55.0 million of New Debentures convertible into common shares (at a conversion price of \$5.60 per share) and 92,480,370 common shares.

Commitments

As at March 31, 2010, the Company had committed to drill one well pursuant to a farm-in agreement. Bellatrix expects to satisfy this drilling commitment at an estimated cost of approximately \$1.8 million.

The following are the contractual maturities of financial liabilities as at March 31, 2010:

Financial liability (\$000s)	< 1 Year	1-2 Years	2-5 Years	Thereafter
Accounts payable and accrued liabilities ⁽¹⁾	29,354	-	-	-
Existing Debentures – principal ⁽³⁾	-	84,884	-	-
Existing Debentures – interest ^{(2) (3)}	4,797	3,183	-	-
Total	34,151	88,067	-	-

⁽¹⁾ As at March 31, 2010, \$1.6 million of accrued coupon interest payable in relation to the Existing Debentures is included in Accounts Payable and Accrued Liabilities.

⁽²⁾ Existing Debentures outstanding at March 31, 2010 bear interest at a coupon rate of 7.5%, which currently requires total annual interest payments of \$6.4 million.

⁽³⁾ As of April 2010, Bellatrix has deposited with Computershare Trust Company of Canada, the trustee for Bellatrix's of the 7.5% Convertible Unsecured Subordinated Debentures due June 30, 2011 (the "Existing Debentures"), sufficient funds to satisfy the principal amount and interest owing on the Existing Debentures and on May 3, 2010 the trustee provided notice to the registered holders of the Existing Debentures of its intention to redeem the Existing Debentures on July 2, 2010.

Interest due on the bank credit facility is calculated based on floating rates.

Off-Balance Sheet Arrangements

The Company has certain fixed term lease agreements, including primarily office space leases, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. The lease agreements do not currently provide for early termination. No asset or liability value has been assigned to these leases in the balance sheet as of March 31, 2010.

Business Prospects and 2010 Year Outlook

The Company continues to develop its core assets and conducts exploration programs utilizing its large inventory of geological prospects. The Company has approximately 243,000 net acres of undeveloped land with in excess of 475 exploitation drilling opportunities identified, representing over 6 years of drilling inventory. The Company possesses 200 drilling locations in the exciting Cardium oil horizontal play and 50 Notikewin horizontal drilling locations in West Central Alberta.

Bellatrix has a 2010 capital expenditures budget of \$75 million. Bellatrix will continue to take a balanced approach to the priority use of cash flow and its 2010 capital program.

Bellatrix plans to operate within funds flow from operations and the proceeds from the January 2010 equity financing. The Company intends to continue to maintain reductions in G&A and operating expenses and field optimization and maintenance programs to maintain production base in addition to its developmental focus in the Notikewin and Cardium resource plays.

As an added layer of protection of its cash flows, the Company's 2010 commodity price risk management contracts provide price protection on approximately 54% of its annual estimated natural gas production for 2010 that is forward sold for an average of CDN\$5.972/GJ (\$6.56/mcf). In addition, the Company has a price ceiling in place for 2010 on 5,000 GJ/d or 14% of its estimated natural gas production for 2010 at an average price of CDN\$8.05/GJ (\$8.85/mcf). These percentages of price protection and the conversion from \$/GJ to \$/mcf are based upon an estimated 2010

average corporate natural gas production of 32 MMcf/d and 39 MJ/m³ average heat content, respectively. In addition, 500 bbl/d of oil for calendar 2010 is protected by way of a costless collar of CDN\$75.00 x CDN\$101.15 and another 500 bbl/d of oil for the period of June 1 to December 31, 2010 is protected by way of a fixed price swap at CDN\$91.76/bbl.

Based on the timing of proposed expenditures, downtime for anticipated plant turnarounds and normal production declines, execution of the 2010 budget is anticipated to provide 2010 average daily production of approximately 8,500 boe/d and an exit rate of approximately 10,000 boe/d.

Financial Reporting Update

Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

On February 13, 2008 the CICA Accounting Standards Board announced that Canadian public reporting issuers will be required to report under International Financial Reporting Standards (“IFRS”), which will replace Canadian generally accepted accounting principles (“GAAP”) for years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes, of the Company’s opening balance sheet as at January 1, 2010, all interim quarterly periods in 2010 and for its year ended December 31, 2010. The objective is to improve financial reporting by having one single set of accounting standards that are comparable with other entities on an international basis.

An internal project team was set up to manage this transition and to ensure successful implementation within the required time frame. Members of the internal project team and key finance personnel have attended industry specific seminars. Bellatrix is anticipating providing staff training to key operational staff in the later part of 2010. Members of the Board and Audit Committee possess financial expertise and are provided with quarterly updates, including accounting policy choices among IFRSs and recommendations to date.

The Company has completed a high level analysis to determine the areas impacted by the conversion and is assessing the financial reporting impacts on the adoption of IFRS. The assessment provided insight as to the most significant areas of GAAP differences applicable to Bellatrix and include treatment of exploration and evaluation costs, depreciation and depletion of property, plant and equipment, and impairment of assets, as well as more extensive presentation and disclosure requirements under IFRS. The analysis has been reviewed by the Company’s external auditors for consistency in the interpretation of the standards.

IFRS in-depth reviews have been concentrated on cash generating units, options available under IFRS for modified full cost accounting, decommissioning liabilities, share-based compensation and a preliminary analysis of the impact on our data gathering and reporting systems. As we are still assessing the impact of IFRS and have not yet selected or finalized all of our accounting policy choices and IFRS 1 exemptions, we are unable to quantify the impact of IFRS on the Company’s future financial position and results of operations.

IFRS 1 – “First-time Adoption of International Financial Reporting Standards” is the standard that governs mandatory exceptions and optional exemptions that an entity may elect for its transition to IFRS in order to assist the entity with the transition process. This standard is only applicable to the opening balance sheet of the entity on the transition date of January 1, 2010.

The following are IFRS 1 exemptions that Bellatrix will elect on transition date:

Property, Plant and Equipment (“PP&E”)

The adopter has the option to elect fair value at the date of transition as the deemed cost for its PP&E or to use a revalued amount according to its previous GAAP if the revaluation, at the date of revaluation, is comparable to fair value or depreciated cost in accordance with IFRS. On July 23, 2009 the International Accounting Standards Board (“IASB”) published amendments to IFRS 1 which will allow an election to measure oil and gas assets at the date of transition to

IFRS at the amount determined under Canadian GAAP. The Company plans to make this election under IFRS 1 for its opening balance sheet at January 1, 2010. The standard allows the adopter to allocate its PP&E asset base to the Company's cash generating units based on reserve volumes or values. Bellatrix anticipates the method of allocation that it will use on the transition date will be based upon proved plus probable company interest reserve cash flow values. In addition, the Company anticipates a total of 11 cash generating units. Once the Company's petroleum and natural gas assets are allocated to their respective cash generating units, it is required to perform an impairment test. If an impairment is identified on the opening balance, it is recorded against retained earnings as a transitional adjustment. The Company anticipates an impairment to its PP&E in transition to IFRS.

Business Combinations

An exemption under IFRS 1 provides the entity with relief on the restatement of business combinations prior to the transition date. Under IFRS 3 – "Business Combinations," the determination of the fair value of share consideration differs from the determination under current Canadian accounting standards. Any difference in the fair value calculation would have a resulting impact on the carrying amount of net assets acquired, non-controlling interest and any goodwill. The Company plans to make the election under IFRS 1, allowing Bellatrix to be exempt from restating business combinations prior to the transition date to IFRS.

Share Based Payments

Differences in the accounting for the Company's share option plan have been identified. IFRS 2 – "Share-based Payments," requires the Company to estimate the number of options expected to vest when a grant of equity instruments do not vest immediately. An estimate of the option's life is also required for the estimation of the fair value of the instruments. IFRS 2 does not allow the recognition of the expense on a straight-line basis and requires each installment to be treated as a separate arrangement. Currently, the Company accounts for forfeitures as they occur and considers the estimated life of the options to be consistent with their expiry date. Share-based compensation expense is accounted for using the graded method which is required under IFRS. IFRS 1 provides an elective exemption which the Company plans to elect which will allow Bellatrix to apply IFRS 2 to unvested options outstanding on transition date.

Decommissioning Liabilities

IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets," will govern how the Company accounts for its decommissioning liabilities (currently referred to as asset retirement obligations). The decommissioning liability should reflect risks specific to the liability and will be based on management's best assumptions and estimates versus the fair value of the obligation. The amount recognized should be the best estimate of the expenditure required to settle the present obligation at the end of the period. If there are uncertainties surrounding the amount to be recognized as a provision then the obligation is estimated by weighting all possible outcomes by their associated probabilities. The discount rate used for the decommissioning liability will be a risk free rate as the estimated provision is adjusted to reflect risks specific to the liability. Currently under Canadian GAAP, the Company uses a credit-adjusted risk free rate. Therefore, under IFRS, the decommissioning liabilities are expected to be higher due to lower discount rates. Under IFRS, the unwinding of the discount rate is charged as interest expense versus accretion expense under current Canadian standards. IFRS 1 provides an exemption that the Company plans to elect which will allow Bellatrix to measure decommissioning liabilities as at the date of transition to IFRS in accordance with IAS 37 and recognize directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to IFRS determined under Canadian GAAP.

Oil and Gas Expenditures

Petroleum and natural gas expenditures fall under IFRS 6 – "Exploration for and Evaluation of Mineral Resources," and IAS 16 – "Property, Plant and Equipment." Capital expenditures incurred will be segregated into three categories:

- 1) Pre-exploration expenditures
- 2) Exploration and evaluation expenditures

3) Development and production expenditures

Pre-exploration expenditures

These are costs incurred by the Company before acquiring the legal right to explore in a specific area. These expenditures do not meet the definition of an asset as defined by IAS 16 and therefore will be expensed by the Company as incurred. We do not anticipate these costs to be significant to the Company.

Exploration and evaluation expenditures

IFRS 6 provides flexibility on the accounting for exploration and evaluation (“E&E”) expenditures, allowing the Company to choose what type of expenditures will be capitalized or expensed. The costs incurred in the E&E phase will be capitalized once the legal right to explore in a specific area has been obtained. The assets are separated between tangible and intangible and are classified as E&E assets until technical feasibility and commercial viability of extracting resources is proven.

The Company does not intend to amortize its E&E expenditures until technical feasibility and commercial viability has been established. The standard does not define technical feasibility and commercial feasibility. Bellatrix intends to classify E&E assets as technically feasible and commercially viable once the property has proved reserves. Once proved reserves are established, the respective E&E assets will be transferred into the development and production category. E&E assets will be assessed for impairment if such information becomes available or there has been a change in facts and circumstances that would lead management to believe that the assets may be impaired. The following is a list of examples of changes in facts and circumstances that indicate an impairment test is needed:

- Remaining land lease terms have expired or expire in the near future and is not expected to be renewed
- Dry holes
- Management decisions to continue or discontinue activities in an area
- Budgeted or planned capital spending in an area is significantly reduced or eliminated
- Other information that may come to management’s attention indicating that the carrying amount of the E&E asset is unlikely to be recovered in full

A company has the option to test E&E assets for impairment using total proved reserves or total proved plus probable reserves, test at the cash generating unit level or an aggregated cash generating unit level (as long as it is not at a level higher than an operating segment) and can group E&E assets with developing and producing assets.

The Company intends on using total proved and probable reserves for its impairment test and plans on testing the E&E assets along with the respective developing and producing assets within the cash generating units. An impairment test is required before any E&E asset is transferred to the developing and producing phase.

Developing and production expenditures

Once technical feasibility and commercial viability has been established, the assets are classified as developing and producing (“D&P”) assets and will be subject to depreciation and depletion.

Information technology and data systems

Bellatrix has performed a preliminary assessment of the implications of IFRS on its information technology and data systems. The Company’s current data gathering and accounting system is capable of obtaining and recording data at a level of detail required for IFRS. The Company has identified transactions relating to its property, plant and equipment in relation to requirements under IFRS to have the most impact on its information technology and data systems. In order to comply with some of the requirements under IFRS, the Company will need to be able to record assets at the E&E and D&P categories, have the ability to transfer expenditures from the E&E phase to the D&P phase and record depletion,

depreciation and accretion at the cash generating unit level or lower. A test environment has been set up and Bellatrix is anticipating on completing the required testing and any resulting systems modifications in the second quarter of 2010.

Business activities

Bellatrix has reviewed the impact of IFRS on its commodity price risk management practices, debt covenants and compensation arrangements. It is not expected that IFRS will result in any significant changes to the Company's business activities. Currently, Bellatrix's credit facility agreement provides for a notice which allows for consideration to be given to revise the method of calculating one or more of the financial calculations which are materially different as a result of the adoption of IFRS. The Company must provide notice within 45 days of the end of a quarter or 90 days at the end of the fourth quarter or in respect of an entire fiscal year.

Internal control over financial reporting and disclosure controls and procedures

The implementation of IFRS may require changes to the Company's internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"). The Company plans to assess the changes required in its ICFR and DC&P as accounting policy choices are finalized and its implications on ICFR and DC&P are identified in 2010.

The Company anticipates quantifying the effects of choices available under IFRS which impact the opening balance sheet in the second quarter of 2010. We will continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of our adoption of IFRS.

Business Risks and Uncertainties

The reader is advised that Bellatrix continues to be subject to various types of business risks and uncertainties as described in the Company's Management, Discussion and Analysis for the year ended December 31, 2009 and the Company's Annual Information Form for the year ended December 31, 2009.

Critical Accounting Estimates

The reader is advised that the critical accounting estimates, policies, and practices as described in the Company's Management's Discussion and Analysis for the year ended December 31, 2009 continue to be critical in determining Bellatrix's unaudited financial results as at March 31, 2010. There were no changes in accounting policies for the three month period ended March 31, 2010.

Legal, Environmental Remediation and Other Contingent Matters

The Company reviews legal, environmental remediation and other contingent matters to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. The Company's management monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by the circumstances.

Controls and Procedures

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed

by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian GAAP.

The Company is required to disclose herein any change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2010 and ended on March 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in the Company's internal control over financial reporting were identified during such period, that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Sensitivity Analysis

The table below shows sensitivities to funds flow from operations as a result of product price, currency and interest rate changes. This is based on actual average prices received for the first quarter of 2010 and average production volumes of 7,428 boe/d during that period, as well as the same level of debt outstanding as at March 31, 2010. Diluted weighted average shares are based upon the first quarter of 2010. These sensitivities are approximations only, and not necessarily valid under other significantly different production levels or product mixes. Commodity price risk management activities can significantly affect these sensitivities. Changes in any of these parameters will affect funds flow as shown in the table below:

Sensitivity Analysis	Funds Flow from Operations ⁽¹⁾ (annualized) (\$000s)	Funds Flow from Operations ⁽¹⁾ Per Diluted Share (\$)
Change of US \$1/bbl WTI	530	0.01
Change of \$0.10/ mcf	1,000	0.01
Change of US \$0.01 Cdn/ US exchange rate	350	-
Change in prime of 1%	-	-

⁽¹⁾ The term "funds flow from operations" should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of the Company's performance. Therefore reference to diluted funds flow from operations or funds flow from operations per share may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. The reconciliation between cash flow from operating activities and funds flow from operations can be found in the Management's Discussion and Analysis. Funds flow from operations per share is calculated using the weighted average number of common shares for the period.

Selected Quarterly Consolidated Information

The following table sets forth selected consolidated financial information of the Company for the most recently completed quarters ending March 31, 2010.

2010 – Quarter ended (unaudited) (\$000s, except per share amounts)		March 31			
Revenues before royalties and risk management		26,929			
Cash flow from operating activities		13,456			
Cash flow from operating activities per share					
Basic and Diluted		\$0.15			
Funds flow from operations ⁽¹⁾		10,198			
Funds flow from operations per share ⁽¹⁾					
Basic		\$0.12			
Diluted		\$0.11			
Net income		7			
Net income per share					
Basic and Diluted		\$0.00			
Net capital expenditures (cash)		18,393			
<hr/>					
2009 – Quarter ended (unaudited) (\$000s, except per share amounts)		March 31	June 30	Sept. 30	Dec. 31
Revenues before royalties and risk management		31,345	29,805	23,860	24,004
Cash flow from operating activities		9,311	6,467	12,150	2,743
Cash flow from operating activities per share					
Basic and Diluted		\$0.12	\$0.08	\$0.15	\$0.03
Funds flow from operations ⁽¹⁾		6,489	10,765	11,090	7,681
Funds flow from operations per share ⁽¹⁾					
Basic and Diluted		\$0.08	\$0.14	\$0.14	\$0.10
Net loss		(9,056)	(99,715)	(9,633)	(8,216)
Net loss per share					
Basic and Diluted		\$(0.12)	\$(1.27)	\$(0.12)	\$(0.10)
Net capital expenditures (cash)		2,764	(7,138)	(81,986)	9,926
Distributions declared		1,570	-	-	-
Distributions per share		\$0.02	-	-	-
<hr/>					
2008 – Quarter ended (unaudited) (\$000s, except per share amounts)		March 31	June 30	Sept. 30	Dec. 31
Revenues before royalties and risk management		70,033	82,074	72,225	41,053
Cash flow from operating activities		17,843	19,892	29,406	11,643
Cash flow from operating activities per share					
Basic and Diluted		\$0.23	\$0.25	\$0.37	\$0.15
Funds flow from operations ⁽¹⁾		24,233	26,304	21,491	5,865
Funds flow from operations per share ⁽¹⁾					
Basic and Diluted		\$0.31	\$0.33	\$0.27	\$0.07
Net income (loss)		(18,621)	(21,374)	29,939	(9,534)
Net income (loss) per share					
Basic and Diluted		\$(0.24)	\$(0.27)	\$0.38	\$(0.12)
Net capital expenditures (cash)		2,862	(34,450)	13,779	16,471
Distributions declared		9,507	9,505	9,474	7,848
Distributions per share		\$0.12	\$0.12	\$0.12	\$0.10

¹⁾ Refer to "Non-GAAP Measures" in respect of the term "funds flow from operations" and "funds flow from operations per share".

BELLATRIX EXPLORATION LTD.
CONSOLIDATED BALANCE SHEETS

As at March 31 and December 31 (unaudited)

<i>(\$000s)</i>	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,997	\$ -
Accounts receivable	25,376	20,722
Deposits and prepaid expenses	3,553	4,940
Commodity contract asset (note 13)	10,630	3,374
	<u>48,556</u>	<u>29,036</u>
Property, plant and equipment (note 4)	413,945	410,566
Future income taxes (note 11)	3,296	1,368
Total assets	<u>\$ 465,797</u>	<u>\$ 440,970</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 29,354	\$ 23,345
Future income taxes (note 11)	3,020	960
	<u>32,374</u>	<u>24,305</u>
Long-term debt (note 5)	-	27,902
Convertible debentures (note 6)	82,186	81,684
Asset retirement obligations (note 7)	26,480	25,728
Total liabilities	<u>141,040</u>	<u>159,619</u>
SHAREHOLDERS' EQUITY		
Shareholders' capital (note 8)	295,846	252,592
Equity component of convertible debentures (note 6)	5,037	5,037
Contributed surplus (note 9)	28,377	28,232
Deficit	(4,503)	(4,510)
Total shareholders' equity	<u>324,757</u>	<u>281,351</u>
Total liabilities and shareholders' equity	<u>\$ 465,797</u>	<u>\$ 440,970</u>

SUBSEQUENT EVENT (note 14)

See accompanying selected notes to the consolidated financial statements.

BELLATRIX EXPLORATION LTD.**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

For the months ended March 31 (unaudited)

<i>(\$000s)</i>	2010	2009
REVENUES		
Petroleum and natural gas sales	\$ 26,929	\$ 31,345
Royalties	(5,250)	(6,308)
Gain on commodity contracts (note 13)	9,748	10,475
	<u>31,427</u>	<u>35,512</u>
EXPENSES		
Production	8,717	13,946
Transportation	808	1,563
General and administrative	2,536	2,842
Interest and financing charges	2,414	3,302
Share-based compensation (recovery) (notes 8 and 9)	120	(603)
Depletion, depreciation and accretion	15,976	27,255
	<u>30,571</u>	<u>48,305</u>
INCOME (LOSS) BEFORE TAXES	856	(12,793)
TAXES		
Future income tax expense (recovery) (note 11)	849	(3,701)
	<u>7</u>	<u>(9,092)</u>
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	7	(9,092)
Non-controlling interest	-	(36)
	<u>7</u>	<u>(9,056)</u>
NET INCOME (LOSS)	7	(9,056)
Unrealized gain on available for sale marketable securities (net of tax expense of \$0.02 million)	-	111
COMPREHENSIVE INCOME (LOSS)	<u>\$ 7</u>	<u>\$ (8,945)</u>
Net income (loss) per share		
Basic	\$ 0.00	\$(0.12)
Diluted	\$ 0.00	\$(0.12)

See accompanying selected notes to the consolidated financial statements.

BELLATRIX EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the three months ended March 31 (unaudited)

(\$000s)	2010	2009
SHAREHOLDERS' CAPITAL		
Trust units of True Energy Trust		
Balance, beginning and end of period	\$ -	\$ 917,012
Common shares of Bellatrix Exploration Ltd.		
Balance, beginning of period	252,592	-
Issued for cash, net of transaction costs	43,168	-
Issued on exercise of share options	64	-
Contributed surplus transferred on exercised options	22	-
Balance, end of period	295,846	-
	<u>295,846</u>	<u>917,012</u>
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES		
Balance, beginning and end of period	<u>5,037</u>	<u>5,119</u>
CONTRIBUTED SURPLUS		
Balance, beginning of period	28,232	28,240
Share-based compensation expense (note 8 and 9)	185	215
Adjustment of prior period share-based compensation expense for forfeitures of unvested share options	(18)	(785)
Transferred to share capital for exercised options	(22)	-
Balance, end of period	<u>28,377</u>	<u>27,670</u>
DEFICIT		
Balance, beginning of period	(4,510)	(543,290)
Distributions declared	-	(1,570)
Net income (loss)	7	(9,056)
Balance, end of period	<u>(4,503)</u>	<u>(553,916)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	-	(620)
Unrealized loss on available for sale marketable securities	-	111
Balance, end of period	<u>-</u>	<u>(509)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 324,757</u>	<u>\$ 395,376</u>

See accompanying selected notes to the consolidated financial statements.

BELLATRIX EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31 (unaudited)

<u>(\$000s)</u>	<u>2010</u>	<u>2009</u>
Cash provided by (used in):		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 7	\$ (9,056)
Items not involving cash:		
Non-controlling interest	-	(36)
Depletion, depreciation and accretion	15,976	27,255
Share-based compensation (recovery) (notes 8 and 9)	120	(603)
Unrealized gain on commodity contracts (note 13)	(7,256)	(7,844)
Accretion on convertible debentures (note 6)	502	474
Future income tax expense (recovery) (note 11)	849	(3,701)
Asset retirement costs incurred (note 7)	(162)	(738)
Change in non-cash working capital (note 10)	3,420	3,560
	<u>13,456</u>	<u>9,311</u>
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Issuance of share capital, net of share issue costs	42,514	-
Decrease in bank debt	(27,902)	(766)
Distributions declared	-	(1,570)
	<u>14,612</u>	<u>(2,366)</u>
Change in non-cash working capital (note 10)	1,554	(1,518)
	<u>16,166</u>	<u>(3,854)</u>
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Additions to property, plant and equipment	(18,346)	(2,756)
Proceeds on sale of property, plant and equipment	(47)	(8)
	<u>(18,393)</u>	<u>(2,764)</u>
Change in non-cash working capital (note 10)	(2,232)	(2,693)
	<u>(20,625)</u>	<u>(5,457)</u>
Change in cash	8,997	-
Cash, beginning of period	-	-
Cash, end of period	<u>\$ 8,997</u>	<u>\$ -</u>

See accompanying selected notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. CORPORATE STRUCTURE AND THE ARRANGEMENT

Bellatrix Exploration Ltd. (the "Company" or "Bellatrix") is a growth oriented, public exploration and production company. The Company resulted from a reorganization (the "Reorganization") effective November 1, 2009 pursuant to a plan of arrangement (the "Arrangement") involving, among others, True Energy Trust (the "Trust" or "True"), Bellatrix Exploration Ltd. and securityholders of the Trust. The Arrangement involved the exchange, on a one-for-one basis of trust units and exchangeable shares, after accounting for the conversion factor applicable to the exchangeable shares, for common shares of Bellatrix. All outstanding incentive unit rights to acquire Trust units of True became share options to acquire an equal number of common shares of Bellatrix Exploration Ltd. on the same terms and conditions, including as to exercise price, vesting and expiry dates.

The Reorganization has been accounted for on a continuity of interest basis and accordingly, the consolidated financial statements for periods prior to the effective date of the Reorganization reflect the financial position, results of operations and cash flows as if the Company had always carried on the business formerly carried on by the Trust. Information herein with respect to Bellatrix includes information in respect of the Trust prior to completion of the Reorganization to the extent applicable unless the context otherwise requires. In addition, references to "common shares" and "shares", "Share Option Plan", and "options" should be read as references to "Units", "Unit Rights Incentive Plan", and "rights" respectively, for periods prior to November 1, 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting policies in Canada. The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2009. The interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles ("GAAP") applicable for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto as at and for the year ended December 31, 2009.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

On February 13, 2008 the CICA Accounting Standards Board announced that Canadian public reporting issuers will be required to report under International Financial Reporting Standards ("IFRS"), which will replace Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. Currently, we are assessing the effects of adoption and developing a plan accordingly. We will continue to monitor any changes in the adoption of IFRS and will update plans as necessary.

4. PROPERTY, PLANT AND EQUIPMENT

(\$000s)

	Cost	Accumulated depletion and depreciation	Net book value
March 31, 2010			
Petroleum and natural gas properties	\$ 968,735	\$ 556,453	\$ 412,282
Office furniture and equipment	4,045	2,382	1,663
	\$ 972,780	\$ 558,835	\$ 413,945
December 31, 2009			
Petroleum and natural gas properties	\$ 949,892	\$ 541,075	\$ 408,817
Office furniture and equipment	4,045	2,296	1,749
	\$ 953,937	\$ 543,371	\$ 410,566

Bellatrix has included \$51.9 million (2009: \$57.2 million) for future development costs and excluded \$20.5 million (2009: \$20.5 million) for undeveloped land and \$27.9 million (2009: \$27.8 million) for estimated salvage from the depletion calculation during the three month period ended March 31, 2010.

For the three month period ended March 31, 2010, the Company capitalized \$0.3 million (2009: \$0.1 million) of general and administrative expenses and \$0.05 million (2009: \$0.03 million) of share-based compensation expense directly related to exploration and development activities.

5. LONG-TERM DEBT

(\$000s)	March 31, 2010	December 31, 2009
Operating facility	\$ -	\$ 2,656
Revolving term facility	-	25,246
Balance, end of period	\$ -	\$ 27,902

The Company's credit facilities consists of a \$10 million demand operating facility provided by a Canadian bank and a \$75 million extendible revolving term credit facility provided by a Canadian bank and a Canadian financial institution. Amounts borrowed under the credit facilities bear interest at a floating rate based on the applicable Canadian prime rate, U.S. base rate or LIBOR rate, plus between 1.50% and 4.50%, depending on the type of borrowing and the Company's debt to cash flow ratio. The credit facilities are secured by a \$400 million debenture containing a first ranking charge and security interest. Bellatrix has provided a negative pledge and undertaking to provide fixed charges over major petroleum and natural gas reserves in certain circumstances. A standby fee is charged of between 0.60% and 1.12% on the undrawn portion of the credit facilities, depending on the Company's debt to cash flow ratio.

The revolving period for the revolving term credit facility will end on June 29, 2010, unless extended for a further 364-day period. On April 14, 2010, the Company requested that the lenders extend the revolving period for a further period of 364 days, which will extend the last day of the revolving period from June 29, 2010 to June 28, 2011. Should the facility not be extended it will convert to a non-revolving term facility with the full amount outstanding due 366 days after the last day of the revolving period of June 29, 2010. The borrowing base will be subject to re-determination on November 30, 2010. Thereafter, a semi-annual re-determination of the borrowing base will occur on May 30 and November 30 in each year prior to the maturity date.

Pursuant to Bellatrix's credit facilities, the Company is permitted to pay the semi-annual interest payments on the Debentures, and payments by the Company to debenture holders in relation to the redemption of Debentures and in relation to debenture normal course issuer bids approved by the TSX, provided that the aggregate of all such normal course issuer bids and redemptions do not exceed \$10.0 million in any fiscal year.

6. CONVERTIBLE DEBENTURES

The following table sets forth a reconciliation of the convertible debentures:

Convertible debentures	Number of Debentures	Debt Component (\$000s)	Equity Component (\$000s)
Balance, December 31, 2008	86,250	\$ 81,124	\$ 5,119
Accretion	-	1,895	-
Repurchased under normal course issuer bid	1,366	(1,335)	(82)
Balance, December 31, 2009	84,884	\$ 81,684	\$ 5,037
Accretion	-	502	-
Balance, March 31, 2010	84,884	\$ 82,186	\$ 5,037

In November 2009, the Company received Toronto Stock Exchange approval for its normal course issuer bid program ("NCIB") to repurchase up to 10% of the issued and outstanding 7.50% convertible unsecured subordinated debentures of the Company from December 1, 2009 to November 30, 2010. As of December 31, 2009, the Company had repurchased 380 debentures under the NCIB renewed on December 1, 2009. No repurchases have taken place in the three month period ended March 31, 2010. The 7.5% debentures have a face value of \$1,000 per debenture and have a maturity date of June 2011.

As of April 2010, Bellatrix has deposited with Computershare Trust Company of Canada, the trustee for Bellatrix's of the 7.5% Convertible Unsecured Subordinated Debentures due June 30, 2011 (the "Existing Debentures"), sufficient funds to satisfy the principal amount and interest owing on the Existing Debentures and on May 3, 2010 the trustee provided notice to the registered holders of the Existing Debentures of its intention to redeem the Existing Debentures on July 2, 2010. Refer to subsequent event note 14 for further details.

7. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately \$63.3 million which will be incurred between 2012 and 2054. A credit-adjusted risk-free rate of 8 percent and an inflation rate of 2.4 percent were used to calculate the fair value of the asset retirement obligation.

(\$000s)	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 25,728	\$ 33,682
Incurred on development activities	293	584
Changes in prior period estimates	109	1,652
Reversed on dispositions	-	(10,999)
Settled during the period	(162)	(1,510)
Accretion expense	512	2,319
Balance, end of period	\$ 26,480	\$ 25,728

8. SHAREHOLDERS' EQUITY

a. Common Shares

Bellatrix is authorized to issue an unlimited number of common shares.

	March 31, 2010		December 31, 2009	
	Number	Amount (\$000s)	Number	Amount (\$000s)
Common shares, opening balance	78,809,039	\$ 252,592	-	\$ -
Shares issued for cash, net of transaction costs and tax effect of \$0.7 million	13,640,000	43,168	-	-
Shares issued on exercise of options	25,333	64	-	-
Contributed surplus transferred on exercised options	-	22	-	-
Issued pursuant to Reorganization			78,496,581	250,194
Issued on conversion of exchangeable shares pursuant to Reorganization (note 1)			312,458	2,398
Balance, end of period	92,474,372	\$ 295,846	78,809,039	\$ 252,592

On January 28, 2010, Bellatrix closed a bought deal equity financing whereby 13,640,000 shares were issued for gross proceeds of \$45.0 million (net proceeds of \$42.5 million after transaction costs). The net proceeds of the issuance were used to temporarily reduce outstanding indebtedness.

In connection with the Reorganization on November 1, 2009, the unitholders' capital was reduced by the deficit of the Trust as of October 31, 2009 of \$666.8 million and trust units were exchanged for common shares of Bellatrix.

b. Share Option Plan

The following tables summarize information regarding Bellatrix's Share Option Plan:

Share Options Continuity

	Weighted Average Exercise Price	Number
Balance, December 31, 2009	\$ 2.01	4,213,733
Exercised	\$ 2.47	(25,333)
Forfeited and cancelled	\$ 3.06	(54,867)
Balance, March 31, 2010	\$ 2.00	4,133,533

As of March 31, 2010, a total of 9,244,903 share options were reserved, leaving an additional 5,111,370 available for future grants.

Share Options Outstanding, March 31, 2010

Exercise Price	Outstanding			Exercisable		
	At March 31, 2010	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	At March 31, 2010	Exercise Price	
\$ 0.65 - \$ 0.83	454,241	\$ 0.68	4.0	114,748	\$ 0.65	
\$ 1.07 - \$ 1.50	1,010,231	\$ 1.35	4.1	233,638	\$ 1.38	
\$ 1.64 - \$ 2.00	1,842,228	\$ 1.88	4.1	437,523	\$ 1.87	
\$ 2.47 - \$ 3.94	406,500	\$ 2.56	2.8	263,157	\$ 2.52	
\$ 3.98 - \$ 5.57	420,333	\$ 4.93	2.2	266,156	\$ 4.96	
\$ 0.65 - \$ 5.57	4,133,533	\$ 2.00	3.8	1,315,222	\$ 2.43	

9. CONTRIBUTED SURPLUS

<i>(\$000s)</i>	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 28,232	\$ 28,240
Share-based compensation expense	185	812
Adjustment of prior period share-based compensation expense for forfeitures of unvested share options	(18)	(820)
Transferred to share capital for exercised options	(22)	-
Balance, end of period	\$ 28,377	\$ 28,232

Share-based Compensation Expense

During the three month period ended March 31, 2010, the Company did not grant any share options and recorded unit-based compensation of \$0.2 million, of which \$0.05 million was capitalized to property, plant and equipment.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Cash Interest and Taxes Paid

<i>(\$000s)</i>	Three months ended March 31,	
	2010	2009
Cash paid:		
Interest	\$ 214	\$ 894
Taxes (net of refunds)	\$ -	\$ (274)

Change in Non-cash Working Capital

<i>(\$000s)</i>	Three months ended March 31,	
	2010	2009
Changes in non-cash working capital items:		
Accounts receivable	\$ (4,654)	\$ 2,545
Deposits and prepaid expenses	1,387	(98)
Accounts payable and accrued liabilities	6,009	(1,528)
Distributions payable	-	(1,570)
	\$ 2,742	\$ (651)
Changes related to:		
Operating activities	\$ 3,420	\$ 3,560
Financing activities	1,554	(1,518)
Investing activities	(2,232)	(2,693)
	\$ 2,742	\$ (651)

11. INCOME TAXES

Bellatrix is a corporation as defined under the Income Tax Act (Canada) and is subject to Canadian federal and provincial taxes. Bellatrix is subject to provincial taxes in Alberta, British Columbia and Saskatchewan as the Company operates in those jurisdictions.

Future income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for tax purposes. As at March 31, 2010, Bellatrix has approximately \$410.9 million in tax pools available for deduction against future income. Included in this tax basis are estimated non-capital loss carry forwards of approximately \$4.8 million that expire in years through 2027.

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rate of 28.39% (2009: 29.48%) to income before taxes. This difference results from the following items:

Three months ended March 31 (\$000s)	2010	2009
Expected income tax (recovery)	\$ 243	\$ (3,771)
Distribution deducted for tax purposes	-	(813)
Share based compensation expense (recovery)	34	(178)
Change in tax rates	485	1,018
Other	87	43
Future income tax (recovery)	\$ 849	\$ (3,701)

12. PER SHARE AMOUNTS

	Three months ended March 31,	
	2010	2009
Basic common shares outstanding	92,474,372	78,496,581
Dilutive effect of:		
Share options outstanding	4,133,533	4,118,132
Units issuable for exchangeable shares	-	312,467
Shares issuable for convertible debentures	5,305,250	5,390,625
Diluted common shares outstanding	101,913,155	88,317,805
Weighted average shares outstanding	88,212,802	78,496,581
Dilutive effect of exchangeable shares, share options and convertible debentures ⁽¹⁾	-	-
Diluted weighted average shares outstanding	88,212,802	78,496,581

⁽¹⁾ A total of 4,133,533 (2009: 4,118,132) share options, nil (2009: 312,467) exchangeable shares and 5,305,250 (2009: 5,390,625) common shares issuable pursuant to the conversion of convertible debentures were excluded from the calculation for the three month period ended March 31, 2010 as they were not dilutive.

13. FINANCIAL RISK MANAGEMENT

a. Credit risk

As at March 31, 2010, accounts receivable was comprised of and estimated to be aged as follows:

Aging (\$000s)	Not past due (less than 90 days)	Past due (90 days or more)	Total
Joint venture and other trade accounts receivable	1,724	2,184	3,908
Amounts due from government agencies	5,061	2,276	7,337
Revenue and other accruals	9,348	260	9,608
Cash call receivables	1,051	1,539	2,590
Plant revenue allocation receivable	-	2,855	2,855
Less: Allowance for doubtful accounts	-	(922)	(922)
Total accounts receivable	17,184	8,192	25,376
Less:			
Accounts payable due to same partners	(42)	(376)	(418)
Subsequent receipts	(11,250)	(181)	(11,431)
	5,892	7,635	13,527

Amounts due from government agencies include drilling royalty credits, Alberta Royalty Tax Credit, GST and royalty and other adjustments. Plant revenue allocation receivable includes amounts under dispute over plant revenue allocations, net of expenses, from an operator. The Company has commenced legal action for collection of these amounts. Accounts payable due to same partners includes amounts which may be available for offset against certain receivables.

The carrying amount of accounts receivable and derivative assets represents the maximum credit exposure. The Company has an allowance for doubtful accounts as at March 31, 2010 of \$0.9 million.

b. Liquidity risk

The following are the contractual maturities of financial liabilities as at March 31, 2010:

Financial liability (\$000s)	< 1 Year	1-2 Years	2-5 Years	Thereafter
Accounts payable and accrued liabilities ⁽¹⁾	29,354	-	-	-
Convertible debentures – principal	-	84,884	-	-
Convertible debentures – interest ⁽²⁾	4,797	3,183	-	-
Total	34,151	88,067	-	-

⁽¹⁾ As at March 31, 2010, \$1.6 million of accrued coupon interest payable in relation to the convertible debentures is included in Accounts Payable and Accrued Liabilities.

⁽²⁾ Convertible debentures outstanding at March 31, 2010 bear interest at a coupon rate of 7.5%, which currently requires total annual interest payments of \$6.4 million.

Interest due on the bank credit facility is calculated based upon floating rates.

c. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand.

The Company utilizes both financial derivatives and physical delivery sales contracts to manage commodity price risks. All such transactions are conducted in accordance with the commodity price risk management policy that has been approved by the Board of Directors.

The Company's formal commodity price risk management policy permits management to use specified price risk management strategies including fixed price contracts, costless collars and the purchase of floor price options, other derivative financial instruments, and physical delivery sales contracts to reduce the impact of price volatility and ensure minimum prices for a maximum of eighteen months beyond the current date. The program is designed to provide price protection on a portion of the Company's future production in the event of adverse commodity price movement, while retaining significant exposure to upside price movements. By doing this, the Company seeks to provide a measure of stability to cash flows from operating activities, as well as, to ensure Bellatrix realizes positive economic returns from its capital developments and acquisition activities.

As at March 31, 2010, the Company had entered into commodity price risk management arrangements as follows:

Type	Period	Volume	Price Floor	Price Ceiling	Index
Natural Gas fixed	April 1, 2010 to June 30, 2010	5,000 GJ/day	\$ 6.59 CDN	\$ 6.59 CDN	AECO
Natural Gas fixed	April 1, 2010 to June 30, 2010	5,000 GJ/day	\$ 5.53 CDN	\$ 5.53 CDN	AECO
Natural Gas fixed	July 1, 2010 to Sept. 30, 2010	10,000 GJ/day	\$ 5.66 CDN	\$ 5.66 CDN	AECO
Natural Gas fixed	Oct. 1, 2010 to Dec. 31, 2010	10,000 GJ/day	\$ 6.245 CDN	\$ 6.245 CDN	AECO
Natural Gas call option	Jan. 1, 2010 to Dec. 31, 2010	5,000 GJ/day	\$ -	\$ 8.05 CDN	AECO
Natural Gas fixed	Feb. 1, 2010 to Dec. 31, 2010	5,000 GJ/day	\$ 5.52 CDN	\$ 5.52 CDN	AECO
Natural Gas fixed	April 1, 2010 to Dec. 31, 2010	5,000 GJ/day	\$ 5.57 CDN	\$ 5.57 CDN	AECO
Oil collar	Jan. 1, 2010 to Dec. 31, 2010	500 bbl/d	\$ 75.00 CDN	\$ 101.15 CDN	WTI

Subsequent to March 31, 2010, the Company entered into an additional commodity price risk management contract consisting of a crude oil fixed price swap for 500 bbl/d of oil for the period of June 1 to December 31, 2010 at a price of CDN\$91.76bbl.

For the three months ended March 31, 2010 and 2009, the gain on commodity contracts was comprised of the following:

(\$000s)	2010	2009
Gain on commodity contracts		
Realized ⁽¹⁾	\$ 2,492	\$ 2,631
Unrealized ⁽²⁾	7,256	7,844
	\$ 9,748	\$ 10,475

⁽¹⁾ Realized gains and losses on commodity contracts represent actual cash settlements and other amounts paid under these contracts.

⁽²⁾ Unrealized gains and losses on commodity contracts represent non-cash adjustments for changes in the fair value of these contracts during the period.

Interest rate risk

The Company had no interest rate swap or financial contracts in place as at or during the three month period ended March 31, 2010.

e. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt, convertible debentures and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue common shares, issue convertible debentures, adjust its capital spending, and/or dispose of certain assets to manage current and projected debt levels

The Company monitors capital based on the ratio of total net debt to annualized funds flow (the "ratio"). This ratio is calculated as total net debt, defined as outstanding bank debt, plus the liability component of convertible debentures, plus or minus working capital (excluding commodity contract assets and liabilities and future income tax assets or liabilities), divided by funds flow from operations (cash flow from operating activities before changes in non-cash working capital and deductions for asset retirement costs) for the most recent calendar quarter, annualized (multiplied by four). The total net debt to annualized funds flow ratio may increase at certain times as a result of acquisitions, fluctuations in commodity prices, timing of capital expenditures and other factors. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets which are reviewed and updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. Bellatrix does not pay dividends.

In January 2010 (note 8), the Company closed an equity issuance on a bought deal basis to further Bellatrix's financial flexibility. Subsequent to March 31, 2010 (see note 14), the Company closed an offering of \$55 million of convertible unsecured subordinated debentures on a bought deal basis. The Company plans to continue to monitor forecasted debt levels to manage its operations within forecasted funds flow. Bellatrix expects the total net debt to annualized funds flow ratio to reflect its strategic accomplishments in reducing the Company's total net debt while funds flow are exposed to the current volatile economic environment.

The Company's long-term strategy is to target a total net debt to annualized funds flow ratio of 2.0 times. As at March 31, 2010, the Company's ratio of total net debt to annualized funds flow based on first quarter results was 1.7 times. The total net debt to annualized funds flow ratio as at March 31, 2010 decreased from that at March 31, 2009 of 8.2 times due to the significant reduction in the Company's long term debt, and higher annualized funds flow from operations. The total net debt to annualized funds flow as at March 31, 2010 of 1.7 times also decreased in comparison to the ratio of 3.5 times as at December 31, 2009 as total net debt levels were reduced as a result of the January 2010 equity issuance and improved funds flow from operations. The Company expects this ratio to decrease through 2010 as total net debt levels are reduced as a result of the recent January 2010 equity issuance, forecasted funds flow and capital expenditures for 2010. Bellatrix continues to take a balanced approach to the priority use of funds flows. The Debentures outstanding as of March 31, 2010 have a maturity date of June 30, 2011. Upon maturity; the Company may settle the principal in cash or issuance of additional common shares. As of April 2010, Bellatrix has deposited with Computershare Trust Company of Canada, the trustee for Bellatrix's Existing Debentures, sufficient funds to satisfy the principal amount and interest owing on the Existing Debentures and on May 3, 2010 provided notice to the registered holders of the Existing Debentures of its intention to redeem the Existing Debentures on July 2, 2010. Refer to subsequent event note 14 for further details.

Excluding Debentures, net debt to annualized funds flow based on first quarter results was nil as the Company had a cash balance.

Bellatrix's capital structure and calculation of total net debt and total net debt to funds flow ratios as defined by the Company is as follows:

(\$000s, except where noted)	Three months ended March 31, 2010	2009
Shareholders' equity	324,757	395,376
Long-term debt	-	131,622
Convertible debentures (liability component)	82,186	81,598
Working capital (surplus) deficiency	(8,572)	709
Total net debt ⁽¹⁾ at period end	73,614	213,929
Debt to funds flow from operations ratio (annualized)⁽²⁾		
Funds flow from operations (annualized)	40,792	25,956
Total net debt ⁽¹⁾ to periods funds flow from operations ratio (annualized)	1.8x	8.2x
Net debt ⁽¹⁾ (excluding convertible debentures) at quarter end	-	132,331
Net debt to periods funds flow from operations ratio (annualized)	-	5.1x
Debt to funds flow from operations ratio (trailing)⁽³⁾		
Funds flow from operations ratio trailing	39,734	60,149
Total net debt ⁽¹⁾ to periods funds flow from operations ratio (trailing)	1.9x	3.6x
Net debt ⁽¹⁾ (excluding convertible debentures) to periods funds flow from operations ratio (trailing)	-	2.2x

⁽¹⁾ Net debt includes the net working capital deficiency (excess) before short-term commodity contract assets and liabilities and short-term future income tax assets and liabilities. Total net debt also includes the liability component of convertible debentures and excludes asset retirement obligations and the future income tax liability.

⁽²⁾ Debt to funds flow from operations ratio annualized is calculated based upon first quarter funds flow from operations annualized.

⁽³⁾ Trailing periods funds flow from operations is based on the twelve-months period ended March 31, 2010 and March 31, 2009.

The Company's credit facility is based on petroleum and natural gas reserves (see note 5). The credit facility outlines limitations on percentages of forecasted production, from external reserve engineer data, which may be hedged through financial commodity price risk management contracts. The Company also has outstanding normal course issuer bids for its convertible debentures as detailed in note 6.

f. Fair value of financial instruments

The Company's financial instruments as at March 31, 2010 include cash and cash equivalents, accounts receivable, deposits, commodity contract asset, accounts payable and accrued liabilities, and convertible debentures. The fair value of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

The fair value of commodity contracts is determined by discounting the difference between the contracted price and published forward price curves as at the balance sheet date, using the remaining contracted petroleum and natural gas volumes. The fair value of commodity contracts as at March 31, 2010 was an asset of \$10.6 million (2009: \$11.6 million). The commodity contracts are classified as level 2 within the fair value hierarchy.

Long-term bank debt bears interest at a floating market rate and the credit and market premiums therein are indicative of current rates; accordingly the fair market value approximates the carrying value.

The fair value of the convertible debentures of \$87.9 million is based on exchange traded values. The convertible debentures are classified as level 1 within the fair value hierarchy.

14. SUBSEQUENT EVENT

On April 20, 2010, Bellatrix issued \$55 million of convertible unsecured subordinated debentures (the "New Debentures") on a bought deal basis. The New Debentures bear interest at the rate of 4.75% per annum payable semi-annually in arrears on the last day of April and October of each year commencing on October 31, 2010 and mature on April 30, 2015 the ("Maturity Date"). The New Debentures are convertible at the holder's option and at any time prior to the close of business on the earlier of the close of business on the business day immediately preceding the Maturity Date and the date specified by the Corporation for redemption of the New Debentures into common shares ("Common Shares") of the Corporation at a conversion price of \$5.60 per Common Share (the "Conversion Price"), subject to adjustment in certain events. The New Debentures are not redeemable by the Corporation before April 30, 2013. On and after April 13, 2013 and prior to April 30, 2014, the Debentures are redeemable at the Corporation's option, in whole or in part, at par plus accrued and unpaid interest if the weighted average trading price of the Common Shares for the specified period is not less than 125% of the Conversion Price. On and after April 30, 2014, the New Debentures are redeemable at the Corporation's option, in whole or in part, at any time at par plus accrued and unpaid interest. The New Debentures are listed and posted for trading on the TSX under the symbol "BXE.DB.A".

Bellatrix has deposited with Computershare Trust Company of Canada, the trustee for Bellatrix's other outstanding series of debentures, being the 7.5% Convertible Unsecured Subordinated Debentures due June 30, 2011 (the "Existing Debentures"), sufficient funds to satisfy the principal amount and interest owing on the Existing Debentures and on May 3, 2010 the trustee provided notice to the registered holders of the Existing Debentures of its intention to redeem the Existing Debentures on July 2, 2010. The Existing Debentures are redeemable for an amount of \$1,025 for each \$1,000 principal amount of the Existing Debentures plus accrued and unpaid interest. Proceeds from the issuance of the New Debentures have been used by Bellatrix to partially fund the redemption of the Existing Debentures and the balance of the redemption amount has been funded through bank indebtedness.

An updated corporate presentation will be posted on www.bellatrixexploration.com.

Bellatrix Exploration Ltd. is a Western Canadian based growth oriented oil and gas company engaged in the exploration for, and the acquisition, development and production of oil and natural gas reserves in the provinces of Alberta, British Columbia and Saskatchewan. Common shares and convertible debentures of Bellatrix trade on the Toronto Stock Exchange ("TSX") under the symbols BXE, BXE.DB and BXE.DB.A, respectively. For further information, please contact

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