



For Immediate Release
TSX: BXE

BELLATRIX EXPLORATION LTD. ANNOUNCES THIRD QUARTER 2010 FINANCIAL RESULTS

November 4, 2010 – (TSX: BXE) Bellatrix Exploration Ltd. (“Bellatrix” or the “Company”) announces its financial and operating results for the three and nine months ended September 30, 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 September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
FINANCIAL (unaudited)				
<i>(CDN\$000s except share and per share amounts)</i>				
Revenue (before royalties and risk management ⁽¹⁾)	27,344	23,860	79,847	85,010
Funds flow from operations ⁽²⁾	16,342	11,090	37,150	28,344
Per basic share	\$0.17	\$0.14	\$0.39	\$0.36
Per diluted share ⁽⁵⁾	\$0.17	\$0.14	\$0.39	\$0.36
Cash flow from operating activities	13,466	12,150	32,987	27,928
Per basic share	\$0.14	\$0.15	\$0.35	\$0.36
Per diluted share	\$0.14	\$0.15	\$0.35	\$0.36
Net loss	(8,555)	(9,633)	(19,360)	(118,404)
Per basic share	\$(0.09)	\$(0.12)	\$(0.21)	\$(1.51)
Per diluted share ⁽⁵⁾	\$(0.09)	\$(0.12)	\$(0.21)	\$(1.51)
Exploration and development	30,096	2,682	63,503	6,238
Corporate and property acquisitions	327	28	3,549	379
Capital expenditures – cash	30,423	2,710	67,052	6,617
Property dispositions – cash	(7)	(84,696)	(587)	(92,977)
Other – non-cash	458	178	2,122	(1,043)
Total capital expenditures – net	30,874	(81,808)	68,587	(87,403)
Long-term debt	28,522	26,485	28,522	26,485
Convertible debentures ⁽³⁾	47,246	82,549	47,246	82,549
Working capital (excess) deficiency ⁽³⁾	1,369	(4,701)	1,369	(4,701)
Total net debt ⁽³⁾	77,137	104,333	77,137	104,333
Total assets	469,288	443,115	469,288	443,115
Shareholders’ equity	330,288	286,841	330,288	286,841

OPERATING	Three months ended September 30,		Nine months ended September 30,		
	2010	2009	2010	2009	
Daily sales volumes					
Crude oil, condensate and NGLs	(bbls/d)	2,377	2,253	2,122	3,292
Natural gas	(mcf/d)	40,452	31,075	35,386	34,547
Total oil equivalent	(boe/d)	9,119	7,432	8,020	9,050
Average prices					
Crude oil, condensate and NGLs	(\$/bbl)	58.32	57.77	63.20	48.07
Crude oil, condensate and NGLs (including risk management ⁽¹⁾)	(\$/bbl)	60.98	57.77	64.55	48.07
Natural gas	(\$/mcf)	3.81	3.89	4.33	4.26
Natural gas (including risk management ⁽¹⁾)	(\$/mcf)	5.95	5.84	5.81	5.74
Total oil equivalent	(\$/boe)	32.11	33.79	35.81	33.74
Total oil equivalent (including risk management ⁽¹⁾)	(\$/boe)	42.28	41.94	42.72	39.40
Statistics					
Operating netback ⁽⁴⁾	(\$/boe)	13.22	16.24	15.05	12.56
Operating netback ⁽⁴⁾ (including risk management ⁽¹⁾)	(\$/boe)	23.39	24.39	21.96	18.23
Transportation	(\$/boe)	1.13	0.50	1.20	1.28
Production expenses	(\$/boe)	11.63	13.29	12.59	14.15
General & administrative	(\$/boe)	2.86	4.75	3.49	3.51
Royalties as a % of sales after transportation		20%	11%	20%	18%
COMMON SHARES⁽⁶⁾					
Common shares outstanding		97,201,866	78,496,581	97,201,866	78,496,581
Share options outstanding		6,155,872	4,039,229	6,155,872	4,039,229
Trust units issuable for exchangeable shares		-	312,467	-	312,467
Shares issuable for convertible debentures ⁽⁷⁾		9,821,429	5,390,625	9,821,429	5,390,625
Diluted common shares outstanding		113,179,167	88,238,902	113,179,167	88,238,902
Diluted weighted average shares ⁽⁵⁾		94,999,409	78,496,581	94,727,115	78,496,581
SHARE TRADING STATISTICS⁽⁶⁾					
<i>(CDN\$, except volumes) based on intra-day trading</i>					
High		4.00	1.13	4.60	1.56
Low		2.90	0.67	2.53	0.48
Close		3.90	1.07	3.90	1.07
Average daily volume		369,802	203,568	606,619	166,148

⁽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 before other income.*

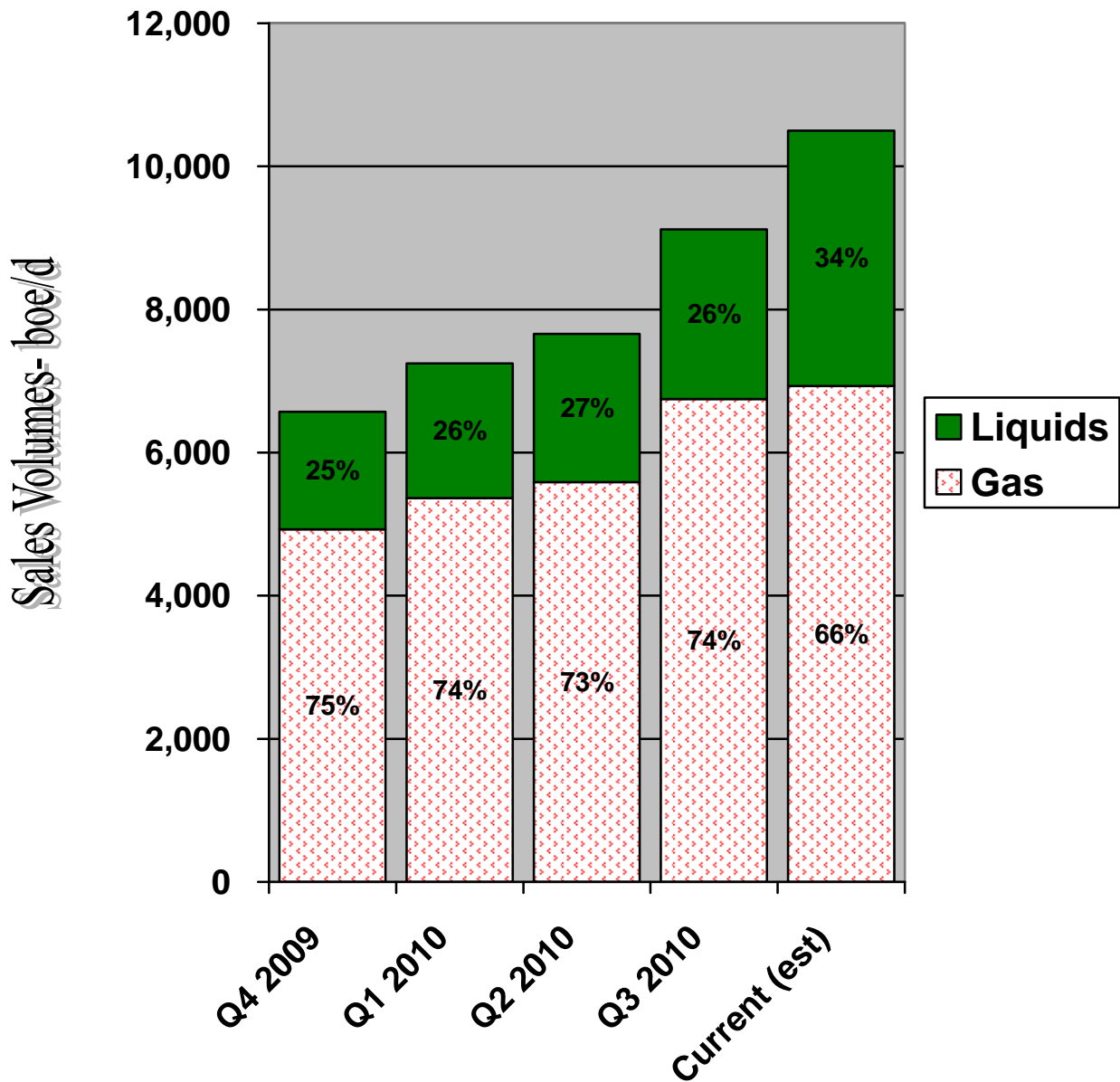
⁽⁵⁾ *In computing weighted average diluted earnings per share and weighted average diluted funds flow from operations for the three and nine month period ended September 30, 2010, a total of 6,155,872 (2009: 4,039,229) share options, nil (2009: 312,467) exchangeable shares and 9,821,428 (2009: 5,390,625) common shares issuable on conversion of convertible debentures were excluded from the calculation 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 \$55.0 million principal amount of the convertible debentures divided by the conversion price of \$5.60 per share.*

REPORT TO SHAREHOLDERS

The combination of a stunted recovery from the recent global recession and the current North American gas bubble has created a very difficult economic climate for Canadian producers in 2010. In spite of weak commodity pricing in conjunction with one of the wettest drilling seasons recorded in Alberta, Bellatrix continues to forge ahead with accelerated growth in production, reserves and cash flow while reducing our cost base predominately in the early stage development of our two resources plays; the Cardium and Notikewin formations in West Central Alberta.



The first nine months of this fiscal year was punctuated by the following achievements:

- 97% drilling success realized on 34 gross wells, including 9 gross (6.23 net) wells in Q3 2010.
- Sales volumes increased 39% from Q4 2009 (6,572 boe/d) to Q3 2010 (9,119 boe/d)
- Full cycle exploitation expertise driving the drill bit has resulted in achieving our exit guidance of 10,000 boe/d in October, 3 months early.
- Increased land holdings on the Cardium and Notikewin play trends by 16 gross (8.24 net) sections.
- Drilling inventory in the Cardium increased to 312 net locations and 94 net locations in the Notikewin.
- Per unit production expenses have decreased throughout 2010 to \$11.63/boe for Q3 2010, which compares to \$13.29/boe for Q3 2009.
- Total net debt of \$77.1 million at the end of Q3 compared to 2009 year end debt of \$107.7 million.
- Financings –
 - closed a \$45 million equity offering (\$3.30 per share) on January 28, 2010
 - closed a \$55 million debenture offering on April 20, 2010
 - closed a bought deal flow through share financing for \$20 million (\$4.25 per share) on August 12, 2010.
- Realized natural gas prices after including risk management contracts for the three and nine months periods ending September 30, 2010 were \$5.95/mcf and \$5.81/mcf respectively.
- Installed 29.4km of pipeline, building 3 oil batteries and built 2 gas compression facilities.

In the first nine months of 2010, the Company drilled a total of 34 gross (20.97 net) wells resulting in 25 gross (14.18 net) oil wells and 8 gross (5.79 net) gas wells with 1 gross and net dry hole establishing a 97 percent drill bit success rate. Despite the extremely wet weather experienced during the third quarter of 2010, Bellatrix drilled and/or participated in 9 gross (6.23 net) wells resulting in 6 gross (4.23 net) Cardium light wells including 2 in West Pembina, 3 in Lodgepole and 1 in the Willesden Green area, 1 gross (0.50 net) Frog Lake McLaren heavy oil well, and 2 gross (1.50 net) Notikewin horizontal gas wells in Brazeau and Willesden Green. As at November 1, 2010 all of these wells have been completed and the last 2 wells are in the process of being tied in.

In addition to the drilling activity, the Company upgraded the Brazeau compressor station and gathering system, installed additional compression in the Brazeau and Willesden Green areas, is in the process of building three new oil batteries in Pembina and installed 29.4km of pipelines to gather and process our production.

The Company continues its pragmatic approach to optimize the drilling and completion techniques on our horizontal wells in an effort to maximize productivity and ultimate resource recovery. Initial horizontal wells in both the Cardium and Notikewin were drilled with approximately 1,000 m horizontal legs and stimulated with 6 fracture treatments. The horizontal wells drilled in Q2 and Q3 are being extended to optimal length encountering up to 1,400 m horizontal legs where ownership and reservoir configuration allow and are being fracture stimulated with up to 20 stages. Early results are demonstrating superior IP's with lower initial decline rates in the optimized wells. That said, there will still be a normal distribution to the well results because of inherent reservoir heterogeneity.

Production results on the first 16 wells drilled in the Cardium play, after recovery of all load fluids, shows an IP7 (average of first 7 days production rate) of 291 boe/d, and IP15 of 253 boe/d and an IP30 of 192 boe/d. The third quarter Cardium wells (7 wells total), as a result of the aforementioned ongoing optimization, are producing at higher rates with an IP7 of

504 boe/d, an IP15 of 359 boe/d and an IP30 of 228 boe/d. The best well drilled to date was in Willesden Green in Q3 resulting in an IP7 of 891 boe/d and an IP15 of 721 boe/d.

During the quarter ending September 30, 2010 the Company also drilled 2 gross (1.5 net) Notikewin wells which have been placed on production at 3 mmcf/d with 35 bbl liquids per mmcf of gas. In Frog Lake the Company drilled 1 gross (0.5 net) McLaren heavy oil well which is producing 35 bbls/d.

The Company is on track to fulfill its drilling goals for the remainder of 2010. Bellatrix expects to drill 8 gross wells (4.80 net) Cardium horizontal wells and 1 gross (.50 net) horizontal wells in the Notikewin formation in the fourth quarter of 2010.

Bellatrix has added to its presence in the prolific liquids rich gas focus area at Ferrier. The Company has added additional, complementary land holdings of approximately 6 gross (3.6 net) sections of Mannville rights and 3 gross (1.2 net) sections of Cardium rights under a farm-in arrangement. Bellatrix expects to spud the first commitment well under this arrangement in Q4/2010. The Company has also increased its interest in a strategic pipeline along with its participation in an Upper Mannville test drilled in Q3 2010.

At the end of the third quarter, Bellatrix has 228,585 net acres of undeveloped land and has expanded its inventory of low risk development locations to 675 providing in excess of 10 years of drilling inventory.

For the three and nine month periods ended September 30, 2010, Bellatrix spent \$30.7 million and \$70.2 million, respectively on capital projects, before drilling royalty credits, of its total 2010 \$95 million capital expenditures budget. The 2010 capital program is expected to be funded as to \$85 million from the net proceeds from common share and flow through financings, cash flows and credit facilities and \$10 million provided from joint venture partners.

Third quarter 2010 sales volumes averaged 9,119 boe/d compared to 7,432 boe/d in the same period of 2009. Sales volumes for the nine months ended September 30, 2010 averaged 8,020 boe/d compared to 9,050 boe/d for the same period in 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 through to the third quarter of 2010. For comparison, second quarter 2010 sales volumes averaged 7,671 boe/d.

Third quarter 2010 production was impacted by delays in bringing new wells on production due to generally wet field conditions and unplanned third party plant turnarounds.

For the three months ended September 30, 2010, natural gas revenues contributed approximately 53% of total petroleum and natural gas sales; the remaining 47% was from crude oil and NGL sales.

FINANCIAL

Bellatrix's total net debt including the liability component of the convertible debentures, excluding unrealized commodity contract assets and liabilities, future income tax assets and liabilities and asset retirement obligations, as at September 30, 2010 was \$77.1 million.

On August 12, 2010, Bellatrix closed its previously announced flow through financing of 4.71 million common shares on a flow through basis ("Flow Through Shares") at a price of \$4.25 per Flow Through Share for aggregate gross proceeds of \$20,017,500. The offering was completed on a bought deal, private placement basis through an underwriting syndicate. Proceeds of the offering will be used to accelerate the Company's Cardium light oil exploration program by incurring expenditures eligible for Canadian exploration expenses that will be renounced to subscribers of the Flow Through Shares effective on or before December 31, 2010.

As at September 30, 2010, Bellatrix had approximately \$28.5 million drawn on its extendible, revolving bank credit facility leaving approximately \$56.5 million available. As previously reported, on March 31, 2010, the borrowing base level was confirmed at \$85 million through to the next borrowing base determination on November 30, 2010.

Bellatrix has recently applied a portion of the value of its natural gas commodity gas contracts to its balance sheet through the early crystallization of forward fixed price natural gas contracts. Three of Bellatrix's September 1 to December 31, 2010 natural gas contracts were monetized for proceeds of \$4.9 million in the third quarter of 2010. As of September 30, 2010, Bellatrix has realized hedging positions of \$15.1 million in 2010 through the settlement and crystallization of forward positions.

Funds flow from operations for the 2010 third quarter was \$16.3 million on gross sales of \$27.3 million compared to funds flow from operations for the 2009 third quarter of \$12.2 million on gross sales of \$23.9 million. Funds flow from operations for nine months ended September 30, 2010 was \$37.1 million on gross sales of \$79.8 million compared to funds flow from operations for the same period in 2009 of \$28.3 million on gross sales of \$85.0 million. In comparison, funds flow from operations for the second quarter of 2010 was \$10.6 million on gross sales of \$25.6 million. The increase in funds flow from operations from Q2 2010 to Q3 2010 was the result of \$4.9 million realized gain on commodity price risk management contracts attributable to early crystallization of certain forward fixed price natural gas contracts in the quarter as discussed above. The higher sales volumes in Q3 2010 compared to Q3 2009 alleviated the impact of overall lower realized commodity prices on the Company's funds flows from operations.

The net loss for the 2010 third quarter was \$8.6 million compared to a net loss of \$9.6 million in the 2009 third quarter. In comparison, the net loss for the second quarter of 2010 was \$10.8 million.

Bellatrix recently added another crude oil fixed price swap for 500 bbl/d at CDN\$89.00/bbl for calendar 2011. As at November 4, 2010, Bellatrix has entered into commodity price risk management arrangements as follows:

Type	Period	Volume	Price Floor	Price Ceiling	Index
Natural Gas call option	Jan. 1, 2010 to Dec. 31, 2010	5,000 GJ/day	\$ -	\$8.05 CDN	AECO
Crude Oil collar	Jan. 1, 2010 to Dec. 31, 2010	500 bbl/d	\$75.00 CDN	\$101.15 CDN	WTI
Crude Oil fixed	June 1, 2010 to Dec. 31, 2010	500 bbl/d	\$91.76 CDN	\$91.76 CDN	WTI
Crude Oil fixed	Jan. 1, 2011 to Dec. 31, 2011	1,000 bbl/d	\$88.18 CDN	\$88.18 CDN	WTI
Crude Oil fixed	Jan. 1, 2011 to Dec. 31, 2011	500 bbl/d	\$89.00 CDN	\$89.00 CDN	WTI

2011 OUTLOOK

In 2011, Bellatrix will continue to be active in drilling its two core resource plays, the Cardium and Notikewin, utilizing horizontal drilling multi fracturing technology. In West Central Alberta, the Company has developed an inventory of 312 net horizontal drilling locations targeting the Cardium Interval and 94 net horizontal drilling locations to access the Notikewin sequence of channel sands. An initial capital budget of \$85 million has been set for fiscal 2011. Based on the timing of the 2011 capital program, downtime for anticipated plant turnarounds and normal production declines, execution of the 2011 budget is anticipated to provide 2011 average daily production of approximately 11,500 to 12,000 boe/d and an exit rate of approximately 12,000 to 12,500 boe/d.

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

Raymond G. Smith, P. Eng.
 President and CEO
 November 4, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 4, 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 and nine months ended September 30, 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, November 4, 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 before other income. 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 and 2011 average production and exit rate, updating of ceiling test calculations, expected production increase in the balance of 2010 over 2009, plans to increase interest in certain facilities, use of proceeds from equity financings, plans and timing related to the adoption of IFRS and the effects thereof, elections anticipated to be made under IFRS and the impact on financial statements, 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 2011 capital expenditure budget, 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. 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; completion of the Flow-Through Financing; 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 and BXE.DB.A, respectively.

Financings in 2010

Part of Bellatrix's focus in 2010 has been directed towards improving the Company's financial flexibility and building a stronger balance sheet. In January 2010, Bellatrix issued 13.64 million common shares at a price of \$3.30 per share for gross proceeds of \$45.0 million (net proceeds of \$42.4 million after transaction costs). The net proceeds from this financing were used to temporarily reduce outstanding bank indebtedness, thereby freeing up borrowing capacity that could be redrawn to fund Bellatrix's ongoing capital expenditure program and for general corporate purposes.

On April 20, 2010, Bellatrix issued \$55 million of convertible unsecured subordinated debentures (the "4.75% Debentures") on a bought deal basis. The 4.75% Debentures have a face value of \$1,000, 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 4.75% 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 4.75% 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 4.75% Debentures are not redeemable by the Corporation before April 30, 2013. On and after April 13, 2013 and prior to April 30, 2014, the 4.75% 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 4.75% Debentures are redeemable at the Corporation's option, in whole or in part, at any time at par plus accrued and unpaid interest. Proceeds from the issuance of the 4.75% Debentures have been used by Bellatrix to partially fund the redemption of the convertible unsecured subordinated debentures due June 30, 2011 (the "7.5% Debentures") and the balance of the redemption amount has been funded through bank indebtedness.

On April 20, 2010, Bellatrix deposited with Computershare Trust Company of Canada, the trustee (the "Trustee") for Bellatrix's 7.5% Debentures, sufficient funds to satisfy the principal amount and interest owing on the 7.5% Debentures and on May 3, 2010 the trustee provided notice to the registered holders of the 7.5% Debentures of its intention to redeem the 7.5% Debentures on July 2, 2010. The 7.5% Debentures were redeemed on July 2, 2010 for an amount of \$1,025 for each \$1,000 principal amount of the 7.5% Debentures plus accrued and unpaid interest, or a total of \$88.0 million. The funds deposited with the Trustee on April 20, 2010 and acknowledgment by the Trustee thereof discharged and extinguished the financial liability for the 7.5% Debentures as of that date.

As the 7.5% Debentures were convertible into common shares, the Company carried a liability and equity portion on its balance sheet in relation to the debentures. Canadian GAAP provides specific guidelines on the accounting for redemption of convertible debt. Under these guidelines, an amount is determined, using fair value techniques, for the liability and equity portion of the redeemed debentures, resulting in a gain/loss and an adjustment to retained earnings. The net impact on the deficit for Bellatrix as a result of the redemption of the 7.5% Debentures recorded in the second quarter and reflected as at September 30, 2010 is as follows:

(000's)

Non-cash loss on the redemption of 7.5% Debentures, recorded on the Consolidated Statements of Loss	\$ 3,514
Adjustment for the redemption of 7.5% Debentures, recorded against the deficit	(2,915)
Net increase to deficit	\$ 599

The \$88.0 million cost of redemption of the 7.5% Debentures was reflected in the Statement of Cash Flows for the second quarter of 2010 as follows:

(000's)

Cash flows from Operating Activities:	
Realization of imputed interest cost on 7.5% Debentures	\$ (5,050)
Cash flows from Financing Activities:	
Redemption of 7.5% Debentures	(88,009)
Realization of imputed interest cost on 7.5% Debentures allocated to operating activities	5,050
Total	\$ (88,009)

On August 12, 2010, Bellatrix issued 4,170,000 common shares on a flow-through basis ("Flow-Through Shares") at \$4.25 a share for gross proceeds of \$20.0 million. Proceeds from the issuance of the Flow-Through Shares will be used

to accelerate the Company's Cardium light oil exploration program by incurring expenditures eligible for Canadian exploration expenses that will be renounced to subscribers of the Flow-Through Shares effective on or before December 31, 2010.

Third Quarter 2010 Financial and Operational Results

Sales Volumes

Sales volumes for the three months ended September 30, 2010 averaged 9,119 boe/d compared to 7,432 boe/d for the same period in 2009, representing a 23% increase. In comparison, sales volumes for the second quarter of 2010 averaged 7,671 boe/d.

The increase in average sales volumes from the third quarter 2009 to 2010 is due to additional production achieved through drilling success in the fourth quarter of 2009 and the first nine months of 2010. Third quarter 2010 production was impacted by delays in bringing new wells on production due to generally wet field conditions and unplanned third party plant turnarounds.

Sales Volumes

		Three months ended September 30,		Nine months ended September 30,	
		2010	2009	2010	2009
Natural gas	(mcf/d)	40,452	31,075	35,386	34,547
Heavy oil	(bbls/d)	451	1,300	389	2,191
Light oil and condensate	(bbls/d)	1,273	662	1,178	766
NGLs	(bbls/d)	653	291	555	335
Total crude oil and NGLs	(bbls/d)	2,377	2,253	2,122	3,292
Total boe/d	(6:1)	9,119	7,432	8,020	9,050

In the nine months of 2010 the Company drilled a total of 34 gross (20.97 net) wells resulting in 25 gross (14.18 net) oil wells and 8 gross (5.79 net) gas wells with 1 gross (1 net) dry hole establishing a 97 percent drill bit success rate.

Despite the extremely wet weather experienced during the third quarter of 2010, Bellatrix drilled and/or participated in 9 gross (6.23 net) wells resulting in 6 gross (4.23 net) Cardium light wells including 2 in West Pembina, 3 in Lodgepole and 1 in the Willesden Green area, 1 gross (0.50 net) Frog Lake McLaren heavy oil well, and 2 gross (1.50 net) Notikewin horizontal gas wells in Brazeau and Willesden Green. As at November 1, 2010, all of these wells have been completed and the last 2 wells are in the process of being tied in.

By comparison, the Company did not participate directly in any drilling in the first half 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. During the third quarter of 2009, Bellatrix drilled, completed and placed on production its first 100% working interest well at Willesden Green.

For the three months ended September 30, 2010, the weighting towards natural gas sales volumes averaged 74% compared to 70% in the same period in 2009. Similarly, for the nine month period ended September 30, 2010, the weighting towards natural gas sales volumes averaged 74% compared to 64% for the same period in 2009. Heavy oil sales volumes made up 5% of total production for the 2010 third quarter compared to 17% in the 2009 third quarter. Heavy oil sales are down in the third quarter of 2010 compared to the same period in 2009 as a result of the sale of predominantly heavy oil properties on July 30, 2009. In comparison, heavy oil sales made up 5% of total production for the 2010 second quarter.

Sales volumes of natural gas averaged 40.5 mmcf/d for the third quarter of 2010, compared to 31.1 mmcf/d in the same 2009 period, an increase of 30%. Crude oil and NGL sales volumes for the 2010 third quarter increased 6% averaging 2,377 bbls/d compared to 2009 average sales volumes of 2,253 bbls/d.

The increase in natural gas and crude oil and NGL sales volumes from Q3 2009 to Q3 2010 is predominantly due to the drilling success achieved in the Notikewin natural gas and Cardium light oil plays, respectively.

Sales volumes for the remainder of 2010 are expected to be higher than the corresponding period in 2009, consistent with average 2010 production of approximately 8,500 boe/d. The impact to revenues for the remainder of 2010 is more uncertain due to volatile commodity prices. While sales volumes and crude oil and liquid prices for Q4 2010 are expected to be higher compared to 2009, natural gas prices remain relatively weak.

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 \$95.0 million.

Commodity Prices

Average Commodity Prices

	Three months ended			Nine months ended		
	2010	2009	September 30, %	2010	2009	September 30, %
Exchange rate (US\$/Cdn\$)	0.9623	0.9108	6	0.9656	0.8839	9
Natural gas:						
NYMEX (US\$/mmbtu)	4.25	3.44	24	4.52	3.62	25
AECO daily index (CDN\$/Mcf)	3.54	2.94	21	4.13	3.19	29
AECO monthly index (CDN\$/Mcf)	4.15	3.02	37	4.51	3.34	35
Bellatrix's average price (\$/mcf)	3.81	3.89	(2)	4.33	4.26	2
Bellatrix's average price (including risk management ⁽¹⁾) (\$/mcf)	5.95	5.84	2	5.81	5.74	1
Crude oil:						
WTI (US\$/bbl)	76.14	68.22	12	77.70	64.17	21
Edmonton par – light oil (\$/bbl)	74.44	71.71	4	76.73	62.68	22
Bow River – medium/heavy oil (\$/bbl)	64.09	64.97	(1)	67.98	56.81	20
Hardisty Heavy – heavy oil (\$/bbl)	57.99	61.11	(5)	62.16	52.85	18
Bellatrix's average prices (\$/bbl)						
Light crude oil, condensate, and NGLs	58.43	56.23	4	63.56	48.19	32
Heavy crude oil	57.89	58.89	(2)	61.60	48.01	28
Total crude oil and NGLs	58.32	57.77	1	63.20	48.07	31
Total crude oil and NGLs (including risk management ⁽¹⁾)	60.98	57.77	6	64.55	48.07	34

⁽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 the 2010 third quarter, the AECO daily reference price increased by 21% and the monthly reference price increased by 37% compared to the same period in 2009. Bellatrix's average sales price before commodity price risk management contracts for the 2010 third quarter decreased by 2% compared to the same period in 2009. The Company had a natural gas physical sales contract to deliver 5,279 GJ/day at a fixed price of \$7.29/GJ in the third quarter of 2009 which contributed to higher pricing experienced relative to the AECO indices. Bellatrix's natural gas price after including commodity price risk management contracts for the third quarter of 2010 was \$5.95/mcf compared to \$5.84/mcf for the same period in 2009.

For light oil, condensate and NGLs, Bellatrix recorded an average price of \$58.43/bbl before commodity price risk management contracts in the 2010 third quarter, 4% higher than the average price received in the same period in 2009. In comparison, the Edmonton par price increased by 12% over the same period. The average WTI crude oil US dollar based price increased 12% from the third quarter of 2009 to that in 2010.

For heavy crude oil, Bellatrix received an average price before transportation of \$57.89/bbl in the 2010 third quarter, a decrease of 2% over prices in the same 2009 period. The Bow River reference price decreased by 1% and the Hardisty Heavy reference price decreased by 5% 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 September 30, 2010 was \$26.9 million, 17% higher than the \$23.1 million in the same period in 2009. Natural gas revenues contributed approximately 53% of the total revenue before other income and price risk management contracts for the three month period ended September 30, 2010, compared to 48% in the same period in 2009. Crude oil and NGLs revenue contributed approximately 47% of the total revenue before other income and price risk management contracts for the three month period ended September 30, 2010, compared to 52% in the same period in 2009.

The increase in revenue for the 2010 period is primarily due to the increase in sales volumes as overall commodity prices received remained comparable to 2009 prices.

(\$000s)	Three months ended		Nine months ended	
	2010	September 30, 2009	2010	September 30, 2009
Light crude oil, condensate and NGLs	10,349	4,930	30,064	14,478
Heavy oil	2,407	7,040	6,550	28,729
Crude oil and NGLs	12,756	11,970	36,614	43,207
Natural gas	14,183	11,133	41,783	40,159
Total revenue before other	26,939	23,103	78,397	83,366
Other ⁽¹⁾	405	757	1,450	1,644
Total revenue before royalties and risk management	27,344	23,860	79,847	85,010

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

Revenues for the remainder of 2010 are uncertain due to volatile commodity prices. While sales volumes and crude oil and liquid prices for Q4 2010 are expected to be higher compared to 2009, natural gas prices remain relatively weak.

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 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 November 4, 2010 is shown in the following tables:

Natural gas**Average Volumes (GJ/d)**

	Q4 2010
Call option	5,000
Total GJ/d	5,000

Average Price (\$/GJ AECO C)

	Q4 2010
Call option (ceiling price)	8.05

Crude oil and liquids**Average Volumes (bbls/d)**

	Q4 2010
Costless collars	500
Fixed	500
Total bbls/d	1,000

Average Volumes (bbls/d)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Fixed	1,500	1,500	1,500	1,500
Total bbls/d	1,500	1,500	1,500	1,500

Average Price (CDN\$/bbl WTI)

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

Average Price (CDN\$/bbl WTI)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Fixed price	88.45	88.45	88.45	88.45

As of September 30, 2010, the fair value of Bellatrix's outstanding commodity contracts is an unrealized asset of \$0.7 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 September 30, 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 Loss within the financial statements.

The following is a summary of the gain (loss) on commodity contracts for the three months ended September 30, 2010 and 2009 as reflected in the Consolidated Statements of Loss in the financial statements:

Commodity contracts

(\$000s)	Crude Oil & Liquids	Natural Gas	Q3 2010 Total	Q3 2009 Total
Realized cash gain on contracts	580	7,954	8,534	5,572
Unrealized loss on contracts ⁽¹⁾	(616)	(6,191)	(6,807)	(3,851)
Total gain (loss) on commodity contracts	(36)	1,763	1,727	1,721

(\$000s)	Crude Oil & Liquids	Natural Gas	YTD 2010 Total	YTD 2009 Total
Realized cash gain on contracts	783	14,352	15,135	13,992
Unrealized gain (loss) on contracts ⁽¹⁾	636	(3,321)	(2,685)	1,289
Total gain on commodity contracts	1,419	11,031	12,450	15,281

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

During the 2010 third quarter, Bellatrix applied a portion of the value of its natural gas commodity gas contracts to its balance sheet through the early crystallization of forward fixed price natural gas contracts. Three of Bellatrix's September 1 to December 31, 2010 natural gas contracts were monetized for proceeds of \$4.9 million. As of September 30, 2010, Bellatrix has realized hedging positions of \$15.1 million in 2010 through the settlement and crystallization of forward positions.

Royalties

For the three months ended September 30, 2010, total royalties were \$5.1 million, compared to \$2.6 million incurred in the same 2009 period. Overall royalties as a percentage of revenue (after transportation costs) in the third quarter of 2010 were 20%, compared with 11% in the same 2009 period.

Royalties for the third quarter of 2010 were impacted by Saskatchewan crown amendments of approximately \$0.7 million relating primarily to natural gas properties sold in 2008 and 2009. Excluding these Saskatchewan crown amendments, the average royalty rate percentage for the third quarter of 2010 would be 17%. Included in the overall royalties for Q3 2010 is approximately 3% due to additional gross overriding royalties for recent wells drilled which were funded by certain joint venture partners. In the third quarter of 2009, royalties were also lower due to the impact of approximately \$0.8 million over accrued in the first six months of 2009; excluding these adjustments, the average royalty percentage for Q3 2009 would have been approximately 14%.

Royalties by Commodity Type	Three months ended September 30,		Nine months ended September 30,	
(\$000s, except where noted)	2010	2009	2010	2009
Light crude oil, condensate and NGLs	2,567	1,369	7,688	3,952
\$/bbl	14.49	15.62	16.25	13.16
Average light crude oil, condensate and NGLs royalty rate (%)	25	27	26	27
Heavy Oil	350	689	1,296	5,183
\$/bbl	8.42	5.77	12.18	8.66
Average heavy oil royalty rate (%)	15	10	20	19
Natural Gas	2,225	512	6,285	5,067
\$/mcf	0.60	0.18	0.65	0.54
Average natural gas royalty rate (%)	17	5	16	13
Total	5,142	2,570	15,269	14,202
\$/boe	6.13	3.76	6.97	5.75
Average total royalty rate (%)	20	11	20	18

Royalties, by Type

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Crown royalties	2,115	(250)	5,101	3,016
Indian Oil and Gas Canada royalties	1,462	515	2,670	2,488
Freehold & GORR	1,538	2,173	7,399	8,076
Saskatchewan resource surcharge	27	132	99	622
Total	5,142	2,570	15,269	14,202

Expenses

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Production	9,761	9,089	27,557	34,951
Transportation	950	340	2,635	3,170
General and administrative	2,400	2,744	7,651	8,167
Interest and financing charges	1,373	3,573	5,766	11,093
Share-based compensation (recovery)	667	(3)	1,388	(363)

Expenses per boe

(\$ per boe)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Production	11.63	13.29	12.59	14.15
Transportation	1.13	0.50	1.20	1.28
General and administrative	2.86	4.75	3.49	3.51
Interest and financing charges	1.64	5.22	2.63	4.49
Share-based compensation (recovery)	0.80	(0.01)	0.63	(0.15)

Production Expenses

For the three months ended September 30, 2010, production expenses totaled \$9.8 million (\$11.63/boe), compared to \$9.1 million (\$13.29/boe) recorded in the same 2009 period. The decrease in production expenses per boe from the third quarter of 2009 to 2010 is primarily due to increased production from recent drilling in areas with lower production expenses and the Company's continued efforts to streamline operations and field optimization projects. In comparison, production expenses were \$9.1 million (\$13.00/boe) for the second quarter of 2010.

Bellatrix is targeting operating costs of approximately \$36.0 million (\$11.60/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

(\$000s, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Light crude oil, condensate and NGLs \$/bbl	2,517 14.21	2,074 23.65	7,917 16.74	6,701 22.30
Heavy oil \$/bbl	1,022 24.60	1,780 14.89	1,972 18.55	9,928 16.59
Natural gas \$/mcf	6,222 1.67	5,235 1.83	17,668 1.83	18,322 1.94
Total	9,761	9,089	27,557	34,951
\$/boe	11.63	13.29	12.59	14.15
Total	9,761	9,089	27,557	34,951
Processing and other third party income ⁽¹⁾	(405)	(757)	(1,450)	(1,644)
Total after deducting processing and other third party income	9,356	8,332	26,107	33,307
\$/boe	11.15	12.19	11.92	13.48

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

Transportation

Transportation expenses for the three months ended September 30, 2010 were \$1.0 million (\$1.13/boe) compared to \$0.3 million (\$0.50/boe) in the same 2009 period. In comparison, transportation expenses for the second quarter of 2010 were \$0.9 million (\$1.26/boe).

Operating Netback

Field Operating Netback – Corporate (before risk management)

(\$/boe)	Three months ended September 30		Nine months ended September 30,	
	2010	2009	2010	2009
Sales	32.11	33.79	35.81	33.74
Transportation	(1.13)	(0.50)	(1.20)	(1.28)
Royalties	(6.13)	(3.76)	(6.97)	(5.75)
Production expense	(11.63)	(13.29)	(12.59)	(14.15)
Field operating netback	13.22	16.24	15.05	12.56

For the third quarter of 2010, corporate field operating netback (before commodity price risk management contracts) was \$13.22/boe compared to \$16.24/boe in the same 2009 period. The decrease in the operating netback is a result of overall lower commodity prices, higher transportation and royalty costs, offset by a reduction in operating expenses. After including commodity price risk management contracts, the corporate field operating netback for the third quarter of 2010 was \$23.39/boe compared to \$24.39/boe in the same 2009 period. In comparison, second quarter 2010, corporate field operating netback (before commodity price risk management contracts) was \$14.67/boe.

Field Operating Netback – Natural Gas (before risk management)

(\$/mcf)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Sales	3.81	3.89	4.33	4.26
Transportation	(0.22)	(0.20)	(0.22)	(0.20)
Royalties	(0.60)	(0.18)	(0.65)	(0.54)
Production expense	(1.67)	(1.83)	(1.83)	(1.94)
Field operating netback	1.32	1.68	1.63	1.58

Field operating netback for natural gas in the third quarter of 2010 decreased 21% to \$1.32/mcf, compared to \$1.68/mcf in the same period in 2009, reflecting weaker natural gas prices experienced, along with higher royalty expenses, offset by lower production costs. After including commodity price risk management contracts, field operating netback for natural gas for the three month period ended September 30, 2010 was \$3.46/mcf compared to \$3.63/mcf in the same period in 2009.

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

(\$/bbl)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Sales	58.32	57.77	63.20	48.07
Transportation	(0.65)	1.15	(0.87)	(1.39)
Royalties	(13.33)	(9.94)	(15.51)	(10.16)
Production expense	(16.18)	(18.60)	(17.07)	(18.50)
Field operating netback	28.16	30.38	29.75	18.02

Field operating netback for crude oil, condensate and NGLs averaged \$28.16/bbl for the three month period ended September 30, 2010, down 7% compared to \$30.38/bbl for the same period in 2009. The decrease is primarily due to higher transportation and royalty costs, offset by higher prices received and lower production expenses. After including commodity price risk management contracts, field operating netback for crude oil and NGLs for the third quarter in 2010 was \$30.81/boe compared to \$30.38/boe in the same period in 2009.

General and Administrative

General and administrative (“G&A”) expenses (after capitalized G&A and recoveries) for the three month period ended September 30, 2010 were \$2.4 million (\$2.86/boe) compared to \$2.7 million (\$4.75/boe) for the same period in 2009. The decrease in G&A expenses from the third quarter of 2009 to that in 2010 was due to an increase in amounts of capitalized G&A and recoveries, which is consistent with Bellatrix’s increased 2010 capital program, offset slightly by higher compensation and base costs.

For 2010, the Company is currently anticipating G&A costs after capitalization and recoveries to be approximately \$11.0 million (\$3.54/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 September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gross expenses	3,522	3,118	10,338	9,682
Capitalized	(517)	(106)	(1,465)	(318)
Recoveries	(605)	(268)	(1,222)	(1,197)
G&A expenses	2,400	2,744	7,651	8,167
G&A expenses, per unit (\$/boe)	2.86	4.75	3.49	3.51

Interest and Financing Charges

Bellatrix recorded \$1.4 million of interest and financing charges for the three months ended September 30, 2010 compared to \$3.6 million in the same 2009 period. For the nine months ended September 30, 2010, the Company recorded \$5.8 million of interest and financing charges compared to \$11.1 million for the same period in 2009. Bellatrix’s total net debt at September 30, 2010 of \$77.1 million includes the \$47.2 million liability portion of the 4.75% Debentures, \$28.5 million of bank debt and the net balance of working capital deficiency.

Interest and Financing Charges

(\$000s, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Interest and financing charges	1,373	3,573	5,766	11,093
Interest and financing charges (\$/boe)	1.63	5.22	2.63	4.49
Debt to funds flow from operations⁽¹⁾ ratio annualized⁽³⁾				
Funds flow from operations ⁽¹⁾ (annualized)	65,368	44,360	49,533	37,792
Total net debt ⁽²⁾ at period end	77,137	104,333	77,137	104,333
Total net debt to periods funds flow from operations ratio annualized ⁽³⁾	1.2x	2.4x	1.6x	2.8x
Net debt ⁽²⁾ (excluding convertible debentures) at period end	29,891	21,784	29,891	21,784
Net debt to periods funds flow from operations ratio annualized ⁽³⁾	0.5x	0.5x	0.6x	0.6x
Debt to funds flow from operations⁽¹⁾ ratio (trailing)⁽⁴⁾				
Funds flow from operations ⁽¹⁾ ratio trailing	44,831	51,953	44,831	51,593
Total net debt ⁽²⁾ to funds flow from operations ratio trailing	1.7x	2.0x	1.7x	2.0x
Net debt ⁽²⁾ (excluding convertible debentures) to funds flow from operations for the period	0.7x	0.4x	0.7x	0.4x

(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 realization of imputed interest costs on 7.5% Debentures, 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 annualizing funds flow from operations for the three and nine month periods ended September 30, respectively.

(4) Trailing periods funds flow from operations ratio annualized is based on the twelve-months period ended September 30, 2010 and September 30, 2009.

Reconciliation of Total Liabilities to Total Net Debt

(\$000s)	As at September 30,	
	2010	2009
Total liabilities per financial statements	139,000	153,861
Current liabilities included within working capital calculation	(34,705)	(19,084)
Asset retirement obligations	(28,527)	(24,776)
Future income taxes	-	(967)
Working Capital		
Current assets	(33,830)	(27,327)
Current liabilities	34,705	19,084
Net commodity contract asset	689	5,015
Net future income taxes – current	(195)	(1,473)
Total net debt	77,137	196,717

Share-Based Compensation

Non-cash share-based compensation expense for the three months ended September 30, 2010 was an expense of \$0.7 million compared to a \$0.3 thousand recovery in the same period in 2009. The increase in expense from the third quarter of 2009 compared to 2010 is primarily due to the issuance of 2,054,500 options during the second quarter of

2010 which have weighted average fair value of \$2.07 per option, as determined by the Black-Scholes fair value model. Also, in the nine months ended September 30, 2009, the Company reversed \$0.8 million of expense related to cancelled unvested options compared to \$0.02 thousand in the same period in 2010.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense for the three months ended September 30, 2010 was \$19.9 million (\$23.77/boe), compared to the \$19.7 million (\$28.79/boe) in the same period in 2009, which reflects Bellatrix's increased cost base due to capital additions in 2010, offset by the additional reserves achieved through the Company's drilling success.

For the three months ended September 30, 2010, Bellatrix has included \$47.8 million (2009: \$39.4 million) for future development costs in the depletion calculation and excluded from the depletion calculation \$19.8 million (2009: \$22.6 million) for undeveloped land and \$27.9 million (2009: \$27.8 million) for estimated salvage.

Depletion, Depreciation and Accretion Costs

(\$000s, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Depletion and Depreciation	19,375	19,193	51,653	72,500
Accretion	564	490	1,611	1,812
Total	19,939	19,683	53,264	74,312
Per unit (\$/boe)	23.77	28.79	24.33	30.08

Income Taxes

Future income taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities. For the nine months ended September 30, 2010, the Company recognized a future income tax recovery of \$5.6 million compared to a recovery of \$41.5 million in the same period in 2009, which is consistent with pre-tax losses of \$25.0 million and \$160.4 million for the respective periods.

As at September 30, 2010, the Company had a total net future income tax asset balance of \$6.8 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 September 30, 2010, Bellatrix had approximately \$439 million in tax pools available for deduction against future income as follows:

(\$000s)	Rate %	
Intangible resource pools:		
Canadian exploration expenses	100	44,000
Canadian development expenses	30	264,000
Canadian oil and gas property expenses	10	16,000
Foreign resource expenses	10	1,000
Attributed Canadian Royalty Income	100 (Alberta)	16,000
Undepreciated capital cost ⁽¹⁾	6 - 55	95,000
Non-capital losses	100	-
Financing costs	20 straight line	3,000
		439,000

⁽¹⁾ Approximately \$89 million of undepreciated capital cost pools are class 41, which is claimed at a 25% rate.

As a result of the issuance of the Flow-Through Shares on August 12, 2010, Bellatrix is committed to incur approximately \$20.0 million in qualifying Canadian Exploration Expenses (“CEE”) prior to December 31, 2011.

Cash Flow from Operating Activities, Funds Flow from Operations and Net 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 realization of imputed interest costs on 7.5% Debentures, 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 September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash flow from operating activities	13,466	12,150	32,987	27,928
Realization of imputed interest costs on 7.5% Debentures	-	-	5,050	-
Asset retirement costs incurred	304	218	907	1,269
Change in non-cash working capital	2,572	(1,278)	(1,794)	(853)
Funds flow from operations	16,342	11,090	37,150	28,344

Bellatrix generated funds flow from operations of \$16.3 million (\$0.17 per diluted share) for the three months ended September 30, 2010, up 47% from \$11.1 million (\$0.14 per diluted share) for the same period in 2009. Bellatrix’s cash flow from operating activities for the three months ended September 30, 2010 was \$13.5 million (\$0.14 per diluted share) compared to \$12.2 million (\$0.15 per diluted share) in the same 2009 period. The increase in cash flows and funds flow from the 2009 third quarter to that in 2010 was primarily due to the early crystallization of three of Bellatrix’s forward fixed price natural gas contracts for \$4.9 million.

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 loss for the three month period ended September 30, 2010 was \$8.6 million (\$0.09 per diluted share) compared to a net loss of \$9.6 million (\$0.12 per diluted share) for the same period in 2009. The decrease in net loss from the third quarter of 2009 to that in 2010 was primarily due to a reduction in general and administrative expenses and interest on debt.

In comparison, Bellatrix recorded a loss of 10.8 million for the three months ended June 30, 2010. The loss recorded in the third quarter of 2010 compared to the loss in the second quarter of 2010 is impacted by a \$3.7 million non-cash difference between a \$3.1 million unrealized loss on commodity price risk management contracts in Q2 2010 compared to a \$6.8 million unrealized loss on commodity price risk management contracts recorded in Q3 2010.

The net loss for the nine month period ended September 30, 2010 was \$19.4 million (\$0.21 per diluted share) compared to a net loss of \$108.9 million (\$1.51 per diluted share) for the same period in 2009. The decrease in net loss from the nine month period ended September 30, 2009 to that in 2010 was primarily due to the non-cash \$114.2 million loss recognized in Q2 2009 on the sale of petroleum and natural gas properties.

Cash Flow from Operating Activities, Funds Flow from Operations and Net Loss

(\$000s, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Funds flow from operations	16,342	11,090	37,150	28,344
Basic (\$/share)	0.17	0.14	0.39	0.36
Diluted (\$/share)	0.17	0.14	0.39	0.36
Cash flow from operating activities	13,466	12,150	32,987	27,928
Basic (\$/share)	0.14	0.15	0.35	0.36
Diluted (\$/share)	0.14	0.15	0.35	0.36
Net loss	(8,555)	(9,633)	(19,360)	(108,878)
Basic (\$/share)	(0.09)	(0.12)	(0.21)	(1.51)
Diluted (\$/share)	(0.09)	(0.12)	(0.21)	(1.51)

Capital Expenditures

Bellatrix invested \$30.4 million on exploration and development activities during the third quarter of 2010, before \$0.3 million of drilling incentive credits, compared to \$2.7 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.

Capital Expenditures

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Lease acquisitions and retention	85	170	337	478
Geological and geophysical	24	80	696	131
Drilling and completion costs	28,736	1,570	59,122	3,017
Facilities and equipment	1,566	862	6,476	2,612
	30,411	2,682	66,631	6,238
Drilling incentive credits	(315)	-	(3,128)	-
Exploration and development ⁽¹⁾	30,096	2,682	63,503	6,238
Corporate ⁽²⁾	327	28	362	378
Property acquisitions	-	-	3,187	1
Total capital expenditures – cash	30,423	2,710	67,052	6,617
Property dispositions – cash	(7)	(84,696)	(587)	(92,977)
Total net capital expenditures – cash	30,416	(81,986)	66,465	(86,360)
Other – non-cash ⁽³⁾	458	178	2,122	(1,043)
Total net capital expenditures	30,874	(81,808)	68,587	(87,403)

⁽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 \$30.7 million capital program, before drilling incentive credits, for the three months ended September 30, 2010 was financed with funds flow from operations, bank indebtedness, proceeds from equity financings and joint venture partners.

Despite the extremely wet weather experienced during the third quarter of 2010, Bellatrix drilled and/or participated in 9 gross (6.23 net) wells resulting in 6 gross (4.23 net) Cardium light wells including 2 in West Pembina, 3 in Lodgepole and 1 in the Willesden Green area, 1 gross (0.50 net) Frog Lake McLaren heavy oil well, and 2 gross (1.50 net) Notikewin horizontal gas wells in Brazeau and Willesden Green.

Based on the current economic conditions and Bellatrix's operating forecast for 2010, the Company budgets a 2010 capital program of \$95 million funded by \$85 million from the Company's cash flows, debt facilities, and equity financings and \$10 million funded by joint venture partners.

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 September 30, 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 September 30, 2010.

The ceiling test calculation is 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 September 30, 2010, Bellatrix has recorded an Asset Retirement Obligation (“ARO”) of \$28.5 million, compared to \$25.7 million at December 31, 2009, for future abandonment and reclamation of the Company’s properties. For the nine month period ended September 30, 2010, the ARO increased by \$2.8 million total as a result of \$1.6 million of accretion expense, \$1.5 million incurred on changes in estimates and liabilities, \$1.1 million incurred through property acquisitions and operations, offset by \$1.0 million for liabilities settled during the period and \$0.4 million reversed on dispositions.

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 completed a January 2010 equity offering, issued the 4.75% Debentures in April 2010 and completed a Flow-Through Share offering in August 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 2010, Bellatrix has concentrated on executing its considerable drilling program and improving its balance sheet. Bellatrix has taken advantage of several financial opportunities that have improved the Company's financial flexibility. In January 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 \$42.4 million after transaction costs). The net proceeds from this financing were used to temporarily reduce outstanding indebtedness. On April 20, 2010, the Company issued \$55 million of 4.75% Debentures, in order to facilitate the repayment of its 7.5% Debentures. The balance of the repayment of the 7.5% Debentures was funded through bank indebtedness.

On August 12, 2010, Bellatrix issued 4.2 million Flow-Through Shares at \$4.25 each for gross proceeds of \$20.0 million. Proceeds of the Flow-Through Shares will be used to accelerate the Company's Cardium light oil exploration program by incurring expenditures eligible for Canadian exploration expenses which will be renounced to subscribers of the Flow-Through Shares effective on or before December 31, 2010. The Company is committed to incur the \$20.0 million CEE expenditures on or before December 31, 2011.

Total net debt levels at September 30, 2010 have decreased \$30.2 million from \$107.3 million at December 31, 2009, primarily as a consequence of the January 2010 equity issuance and the Flow-Through Share financing. 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 54% and 59% of the funding requirements for Bellatrix's capital expenditures for the three and nine months ended September 30, 2010, respectively. The remainder has been funded through bank indebtedness, equity financings and funds available through joint venture partners.

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 1.25% and 4.25%, depending on the type of borrowing and the Company's debt to cash flow ratio. Based on the current debt to cash flow ratio, interest is being charged at the lowest floating rate in the range. 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 0.55% and 1.02% 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 28, 2011, unless extended for a further 364-day period. 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 28, 2011. 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 flows, Bellatrix has 500 bbl/d of oil for calendar 2010 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. For calendar 2011, Bellatrix has 1,000 bbl/d and 500 bbl/d of oil protected by fixed price swaps at CDN\$88.18/bbl and CDN\$89.00/bbl, respectively.

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 \$95 million by utilizing undrawn amounts on its credit facility, funds available through joint venture partners, ongoing cash flows and proceeds from equity financings.

Pursuant to Bellatrix's credit facilities, the Company is permitted to pay the semi-annual interest payments on the 4.75% Debentures, and payments by the Company to debenture holders in relation to the redemption of the 4.75% Debentures and in relation to normal course issuer bids for the 4.75% 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.

As at October 29, 2010, Bellatrix had outstanding a total of 6,020,873 options exercisable at an average exercise price of \$2.63 per share, \$55.0 million principal amount of 4.75% Debentures convertible into common shares (at a conversion price of \$5.60 per share) and 97,211,865 common shares.

Commitments

As at September 30, 2010, the Company had committed to drill 8 wells pursuant to farm-in agreements. Bellatrix expects to satisfy this drilling commitment at an estimated cost of approximately \$8.8 million. As a result of the issuance of the Flow-Through Shares on August 12, 2010, Bellatrix is committed to incur approximately \$20.0 million in qualifying Canadian Exploration Expenses on or before December 31, 2011.

The following are the contractual maturities of financial liabilities as at September 30, 2010:

Financial liability (\$000s)	< 1 Year	1-2 Years	2-5 Years	Thereafter
Accounts payable and accrued liabilities ⁽¹⁾	\$ 34,510	\$ -	\$ -	\$ -
Long-term debt	-	28,522	-	-
4.75% Debentures – principal	-	-	55,000	-
4.75% Debentures – interest ⁽²⁾	2,613	5,232	4,130	-
Total	\$ 37,123	\$ 33,754	\$ 59,130	\$ -

⁽¹⁾ As at September 30, 2010, \$1.2 million of accrued interest payable in relation to the 4.75% Debentures is included in Accounts Payable and Accrued Liabilities.

⁽²⁾ The 4.75% Debentures outstanding at September 30, 2010 bear interest at a rate of 4.75% per annum, which currently requires total annual interest payments of \$2.6 million.

Interest due on the bank credit facilities 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 September 30, 2010.

Business Prospects and 2010 and 2011 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 228,585 net acres of undeveloped land and has expanded its inventory of low risk development locations to 675, providing in excess of 10 years of drilling inventory. The Company possesses up to 312 drilling locations in the Cardium oil horizontal play and 94 Notikewin horizontal drilling locations in West Central Alberta.

Bellatrix's 2010 capital program of \$95 million is funded by \$85 million from the Company's cash flows, debt facilities, and equity financings and \$10 million is funded by joint venture partners. 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, the proceeds from the January 2010 equity financing and the Flow-Through Share financing. The Company intends to continue to maintain reductions in per boe 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, Bellatrix has 500 bbl/d of oil for calendar 2010 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. For calendar 2011, Bellatrix has 1,000 bbl/d and 500 bbl/d of oil protected by fixed price swaps at CDN\$88.18/bbl and CDN\$89.00/bbl, respectively.

Based on the timing of proposed expenditures in the 2010 capital program, 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.

In 2011, Bellatrix will continue to be active in drilling its two core resource plays, the Cardium and Notikewin, utilizing horizontal drilling multi fracturing technology. An initial capital budget of \$85 million has been set for fiscal 2011. Based on the timing of the 2011 capital program, downtime for anticipated plant turnarounds and normal production declines, execution of the 2011 budget is anticipated to provide 2011 average daily production of approximately 11,500 – 12,000 boe/d and an exit rate of approximately 12,000 – 12,500 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 current Canadian 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. 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. Throughout 2010 to date, efforts are underway to fully quantify the impact of IFRS on the Company's January 1, 2010 transition date balance sheet and the 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 currently anticipates electing on transition date. The quantification of certain of the effects of the adoption of IFRS discussed below are an estimate of the impact based on the policy elections currently proposed which may change prior to finalization. The following also is not exhaustive as to all actual or potential differences, which remain subject to determination and change.

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. The Company anticipates an impairment to its PP&E on 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 the 3,571,955 unvested options outstanding on the transition date of January 1, 2010. As a result of applying IFRS 2, the Company anticipates a decrease to contributed surplus of less than \$0.5 million with an offsetting increase to the January 1, 2010 deficit. The adjustment is a result of applying an estimated forfeiture rate of 3%, 5% and 10% for options vesting in year 1, 2 and 3, respectively.

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. The Company has calculated its decommissioning liabilities using risk free rates that coincide with the expected time frame of the abandonments which range from 1.45% to 4.1%. As a result of applying IAS 37, the Company anticipates its opening January 1, 2010 decommissioning liability to increase by approximately \$10 million to \$15 million, with an offsetting charge to the January 1, 2010 deficit.

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.

Future Income Taxes

The transition to IFRS will require the Company to re-measure its future income taxes for its January 1, 2010 balance sheet. Adjustments to future income taxes will be made accordingly in conjunction with other transitional IFRS adjustments discussed earlier, with an offsetting adjustment to the January 1, 2010 deficit.

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 still in the process of testing the requirements and amending system modifications. Based on the test environment set up, minor modifications are needed.

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.

Bellatrix continues to quantify the effects of choices available under IFRS which impact the opening balance sheet and the Company's external auditors have commenced their review process. The Company previously anticipated finalizing the opening balance sheet adjustments in the third quarter of 2010, but is still in the process of calculating all of the anticipated adjustments. Once the opening balance sheet adjustments are finalized, the Company will present the results to its Audit Committee and Board of Directors. Subsequently, the Company will commence roll-forward of the first to third quarter 2010 financial statements to IFRS.

During the third quarter of 2010, the Company completed a preliminary draft of the first quarter 2011 IFRS based financial statements presentation and disclosure. These draft financial statements have been presented to the Company's Audit Committee and Board of Directors.

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 September 30, 2010. There were no changes in accounting policies for the nine month period ended September 30, 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 July 1, 2010 and ended on September 30, 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 third quarter of 2010 and average production volumes of 9,119 boe/d during that period, as well as the same level of debt outstanding as at September 30, 2010. Diluted weighted average shares are based upon the third 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:

	Funds Flow from Operations ⁽¹⁾ (annualized) (\$000s)	Funds Flow from Operations ⁽¹⁾ Per Diluted Share (\$)
Sensitivity Analysis		
Change of US \$1/bbl WTI	700	0.00
Change of \$0.10/ mcf	1,200	0.01
Change of US \$0.01 Cdn/ US exchange rate	400	-
Change in prime of 1%	285	-

(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 September 30, 2010.

2010 – Quarter ended (unaudited) (\$000s, except per share amounts)	March 31	June 30	Sept. 30	
Revenues before royalties and risk management	26,929	25,574	27,344	
Funds flow from operations ⁽¹⁾	10,198	10,610	16,342	
Funds flow from operations per share ⁽¹⁾				
Basic	\$0.12	\$0.11	\$0.17	
Diluted	\$0.11	\$0.11	\$0.17	
Cash flow from operating activities	13,456	6,065	13,466	
Cash flow from operating activities per share				
Basic and Diluted	\$0.15	\$0.07	\$0.14	
Net income (loss)	7	(10,812)	(8,555)	
Net income (loss) per share				
Basic and Diluted	\$0.00	\$(0.12)	\$0.09	
Net capital expenditures (cash)	18,393	17,656	30,423	
<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
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
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
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
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
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
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 September 30 and December 31 (unaudited)

<i>(\$000s)</i>	2010	2009
ASSETS		
Current assets		
Accounts receivable	\$ 29,834	\$ 20,722
Deposits and prepaid expenses	3,307	4,940
Commodity contract asset (note 13)	689	3,374
	33,830	29,036
Property, plant and equipment (note 4)	428,422	410,566
Future income taxes (note 11)	7,036	1,368
Total assets	\$ 469,288	\$ 440,970
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,510	\$ 23,345
Future income taxes (note 11)	195	960
	34,705	24,305
Long-term debt (note 5)	28,522	27,902
Convertible debentures (note 6)	47,246	81,684
Asset retirement obligations (note 7)	28,527	25,728
Total liabilities	139,000	159,619
SHAREHOLDERS' EQUITY		
Shareholders' capital (note 8)	315,068	252,592
Equity component of convertible debentures (note 6)	5,881	5,037
Contributed surplus (note 9)	30,294	28,232
Deficit	(20,955)	(4,510)
Total shareholders' equity	330,288	281,351
Total liabilities and shareholders' equity	\$ 469,288	\$ 440,970

COMMITMENTS (note 14)

See accompanying selected notes to the consolidated financial statements.

BELLATRIX EXPLORATION LTD.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and nine months ended September 30 (unaudited)

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
REVENUES				
Petroleum and natural gas sales	\$ 27,344	\$ 23,860	\$ 79,847	\$ 85,010
Royalties	(5,142)	(2,570)	(15,269)	(14,202)
Gain on commodity contracts (note 13)	1,727	1,721	12,450	15,281
	23,929	23,011	77,028	86,089
EXPENSES				
Production	9,761	9,089	27,557	34,951
Transportation	950	340	2,635	3,170
General and administrative	2,400	2,744	7,651	8,167
Interest and financing charges	1,373	3,573	5,766	11,093
Provision for uncollectible accounts (note 13)	250	500	250	500
Share-based compensation (recovery) (notes 8 and 9)	667	(3)	1,388	(363)
Depletion, depreciation and accretion	19,939	19,683	53,264	74,312
Loss on redemption of 7.5% Debentures (note 6)	-	-	3,514	-
Loss on sale of marketable securities	-	-	-	501
Loss on petroleum and natural gas properties held for sale (note 4)	-	-	-	114,182
	35,340	35,926	102,025	246,513
LOSS BEFORE TAXES	(11,411)	(12,915)	(24,997)	(160,424)
TAXES				
Future income tax recovery (note 11)	(2,856)	(3,243)	(5,637)	(41,546)
NET LOSS BEFORE NON-CONTROLLING INTEREST	(8,555)	(9,672)	(19,360)	(118,878)
Non-controlling interest	-	(39)	-	(474)
NET LOSS	(8,555)	(9,633)	(19,360)	(118,404)
Realized loss on available for sale marketable securities	-	-	-	620
COMPREHENSIVE LOSS	\$ (8,555)	\$ (9,633)	\$ (19,360)	\$ (117,784)
Net loss per share				
Basic	\$ (0.09)	\$(0.12)	\$ (0.21)	\$(1.51)
Diluted	\$ (0.09)	\$(0.12)	\$ (0.21)	\$(1.51)

See accompanying selected notes to the consolidated financial statements.

BELLATRIX EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the three and nine months ended September 30 (unaudited)

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
SHAREHOLDERS' CAPITAL				
Trust units of True Energy Trust				
Balance, beginning and end of period	\$ -	\$ 917,012	\$ -	\$ 917,012
Common shares of Bellatrix Exploration Ltd.				
Balance, beginning of period	295,867	-	252,592	-
Issued for cash, net of transaction costs	19,193	-	62,357	-
Issued on exercise of share options	5	-	87	-
Contributed surplus transferred on exercised options	3	-	32	-
Balance, end of period	315,068	-	315,068	-
	315,068	917,012	315,068	917,012
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES				
Balance, beginning of period	5,881	5,119	5,037	5,119
Conversion feature of 7.50% Debentures redeemed (note 6)	-	-	(5,037)	-
Conversion feature on 4.75% Debentures issued (note 6)	-	-	5,881	-
Balance, end of period	5,881	5,119	5,881	5,119
CONTRIBUTED SURPLUS				
Balance, beginning of period	29,289	27,943	28,232	28,240
Share-based compensation expense (note 8 and 9)	1,008	174	2,115	564
Adjustment of prior period share-based compensation expense for forfeitures of unvested share options	-	(143)	(21)	(830)
Transferred to share capital for exercised options	(3)	-	(32)	-
Balance, end of period	30,294	27,974	30,294	27,974
DEFICIT				
Balance, beginning of period	(12,400)	(653,631)	(4,510)	(543,290)
Distributions declared	-	-	-	(1,570)
Adjustment for redemption of 7.5% Debentures (note 6)	-	-	2,915	-
Net loss	(8,555)	(9,633)	(19,360)	(118,404)
Balance, end of period	(20,955)	(663,264)	(20,955)	(663,264)
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Balance, beginning of period	-	-	-	(620)
Realized loss on sale of marketable securities	-	-	-	620
Balance, end of period	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	\$ 330,288	\$ 286,841	\$ 330,288	\$ 286,841

See accompanying selected notes to the consolidated financial statements.

BELLATRIX EXPLORATION LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30 (unaudited)

<i>(\$000s)</i>	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash provided by (used in):				
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss	\$ (8,555)	\$ (9,633)	\$ (19,360)	\$ (118,404)
Adjustments:				
Non-controlling interest	-	(39)	-	(474)
Depletion, depreciation and accretion	19,939	19,683	53,264	74,312
Share-based compensation (recovery) (notes 8 and 9)	667	(3)	1,388	(363)
Unrealized loss (gain) on commodity contracts (note 13)	6,807	3,851	2,685	(1,289)
Accretion on convertible debentures (note 6)	340	474	1,296	1,425
Loss on sale of marketable securities	-	-	-	501
Loss on petroleum and natural gas properties (note 4)	-	-	-	114,182
Future income tax recovery (note 11)	(2,856)	(3,243)	(5,637)	(41,546)
Loss on redemption of 7.5% Debentures (note 6)	-	-	3,514	-
Realization of imputed interest costs on 7.5% Debentures (note 6)	-	-	(5,050)	-
Asset retirement costs incurred (note 7)	(304)	(218)	(907)	(1,269)
Change in non-cash working capital (note 10)	(2,572)	1,278	1,794	853
	<u>13,466</u>	<u>12,150</u>	<u>32,987</u>	<u>27,928</u>
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Increase (decrease) in bank debt	(5,879)	(93,720)	620	(105,903)
Issuance of share capital, net of share issue costs (note 8)	18,872	-	61,318	-
Issuance of 4.75% Debentures, net of issue costs (note 6)	-	-	52,520	-
Redemption of 7.50% Debentures (note 6)	-	-	(88,009)	-
Realization of imputed interest costs on 7.5% Debentures allocated to operating activities (note 6)	-	-	5,050	-
Proceeds from exercise of options (note 8)	5	-	87	-
Distributions declared	-	-	-	(1,570)
	<u>12,998</u>	<u>(93,720)</u>	<u>31,586</u>	<u>(107,473)</u>
Change in non-cash working capital (note 10)	577	861	1,170	52
	<u>13,575</u>	<u>(92,859)</u>	<u>32,756</u>	<u>(107,421)</u>
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Additions to property, plant and equipment	(30,423)	(2,710)	(67,052)	(6,617)
Proceeds on sale of property, plant and equipment	7	84,696	587	92,977
Proceeds on sale of marketable securities	-	-	-	349
	<u>(30,416)</u>	<u>81,986</u>	<u>(66,465)</u>	<u>86,709</u>
Change in non-cash working capital (note 10)	3,375	(1,277)	722	(7,216)
	<u>(27,041)</u>	<u>80,709</u>	<u>(65,743)</u>	<u>79,493</u>
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

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 and executing 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
September 30, 2010			
Petroleum and natural gas properties	\$ 1,019,075	\$ 592,459	\$ 426,616
Office furniture and equipment	4,371	2,565	1,806
	\$ 1,023,446	\$ 595,024	\$ 428,422
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 \$47.8 million (2009: \$39.4 million) for future development costs and excluded \$19.8 million (2009: \$22.6 million) for undeveloped land and \$27.9 million (2009: \$27.8 million) for estimated salvage from the depletion calculation during the nine month period ended September 30, 2010.

For the nine month period ended September 30, 2010, the Company capitalized \$1.5 million (2009: \$0.3 million) of general and administrative expenses and \$0.9 million (2009: \$0.1 million), including the future tax effect thereon of \$0.2 million (2009: nil), of share-based compensation expense directly related to exploration and development activities.

Petroleum and Natural Gas Properties Sold

On July 30, 2009, the Company closed a divestiture for the majority of its petroleum and natural gas properties in Saskatchewan (the "Saskatchewan Divestiture") for net proceeds of approximately \$85 million, net of closing adjustments and closing costs. These petroleum and natural gas properties were classified as held for sale on June 30, 2009.

The disposition was accounted for in accordance with Accounting Guideline 16 – "Oil and Gas Accounting – Full Cost". Under full cost accounting, if crediting the proceeds from disposition to costs results in a change of 20 percent or more to the depletion rate then a gain or loss on disposition should be recognized. When a gain or loss is to be recognized the total net book value of capitalized costs should be allocated between the properties sold and the properties retained. The carrying amount of the assets sold was an allocation of the Company's historical full cost pool based on a pro-rata ratio of future cash flows of proved reserves associated with the assets sold, discounted at 10%, as compared to all oil and gas assets on June 30, 2009. In the second quarter of 2009, the Company recorded a \$114.2 million loss on the assets sold for the excess of the allocated net book value of the assets, compared to the total net proceeds, after purchase adjustments and closing costs, of approximately \$85 million.

5. LONG-TERM DEBT

(\$000s)	September 30, 2010	December 31, 2009
Operating facility	\$ 8,522	\$ 2,656
Revolving term facility	20,000	25,246
Balance, end of period	\$ 28,522	\$ 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 1.25% and 4.25%, 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 0.55% and 1.02% 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 28, 2011, unless extended for a further 364-day period. 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 28, 2011. 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

<i>(\$000s except number of debentures)</i>	7.5%	4.75%	Total
Number of Debentures			
Balance, December 31, 2009	84,884	-	84,884
Issued	-	55,000	55,000
Redeemed	(84,884)	-	(84,884)
Balance, September 30, 2010	-	55,000	55,000
Debt Component			
Balance, December 31, 2009	\$ 81,684	\$ -	\$ 81,684
Issued	-	48,841	48,841
Issue costs	-	(2,202)	(2,202)
Accretion	689	607	1,296
Redeemed	(82,373)	-	(82,373)
Balance, September 30, 2010	\$ -	\$ 47,246	\$ 47,246
Equity Component			
Balance, December 31, 2009	\$ 5,037	-	\$ 5,037
Issued	-	6,159	6,159
Issue costs	-	(278)	(278)
Redeemed	(5,037)	-	(5,037)
Balance, September 30, 2010	\$ -	\$ 5,881	\$ 5,881

On April 20, 2010, Bellatrix issued \$55 million of convertible unsecured subordinated debentures (the "4.75% Debentures") on a bought deal basis. The 4.75% Debentures have a face value of \$1,000, 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 4.75% 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 4.75% 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 4.75% Debentures are not redeemable by the

Corporation before April 30, 2013. On and after April 13, 2013 and prior to April 30, 2014, the 4.75% 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 4.75% Debentures are redeemable at the Corporation's option, in whole or in part, at any time at par plus accrued and unpaid interest. The 4.75% Debentures are listed and posted for trading on the TSX under the symbol "BXE.DB.A".

As the 4.75% Debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal and has been determined to be \$48.8 million. Using the residual method, the carrying amount of the conversion feature is the difference between the principal amount and the carrying value of the financial liability. Within the Shareholder's Equity section of the consolidated financial statements, \$5.9 million has been recorded as the carrying amount of the conversion feature of the debentures, net of \$0.3 million of issue costs. The 4.75% Debentures, net of the equity component and issue costs, of \$46.9 million, is accreted using the effective interest rate method over the term of the 4.75% Debentures such that the carrying amount of the financial liability will equal the principal balance at maturity.

On April 20, 2010, Bellatrix deposited with Computershare Trust Company of Canada, the trustee (the "Trustee") for Bellatrix's previously outstanding series of debentures, being the 7.5% convertible unsecured subordinated debentures due June 30, 2011 (the "7.5% Debentures"), sufficient funds to satisfy the principal amount and interest owing on the 7.5% Debentures and on May 3, 2010 the trustee provided notice to the registered holders of the 7.5% Debentures of its intention to redeem the 7.5% Debentures on July 2, 2010. The 7.5% Debentures were redeemed for an amount of \$1,025 for each \$1,000 principal amount of the 7.5% Debentures plus accrued and unpaid interest, or a total of \$88.0 million. Proceeds from the issuance of the 4.75% Debentures have been used by Bellatrix to partially fund the redemption of the 7.5% Debentures and the balance of the redemption amount has been funded through bank indebtedness. The funds deposited with the Trustee on April 20, 2010 and acknowledgment by the Trustee thereof discharged and extinguished the Company's financial liability for the 7.5% Debentures as of that date.

The Company recorded a \$3.6 million loss and a reduction of the deficit of \$2.9 million in connection with the redemption of the 7.5% Debentures.

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 \$64.9 million which will be incurred between 2013 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)	September 30, 2010	December 31, 2009
Balance, beginning of period	\$ 25,728	\$ 33,682
Incurred on development activities	1,076	584
Changes in prior period estimates	1,475	1,652
Reversed on dispositions	(456)	(10,999)
Settled during the period	(907)	(1,510)
Accretion expense	1,611	2,319
Balance, end of period	\$ 28,527	\$ 25,728

8. SHAREHOLDERS' EQUITY

a. Common Shares

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

	September 30, 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 \$1.1 million	18,350,000	62,357	-	-
Shares issued on exercise of options	42,827	87	-	-
Contributed surplus transferred on exercised options	-	32	-	-
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	97,201,866	\$ 315,068	78,809,039	\$ 252,592

On January 28, 2010, Bellatrix closed a bought deal equity financing whereby 13,640,000 common shares were issued for gross proceeds of \$45.0 million (net proceeds of \$42.4 million after transaction costs and before tax effect). The net proceeds of the issuance were used to temporarily reduce outstanding indebtedness.

On August 12, 2010, Bellatrix issued 4,170,000 common shares on a flow-through basis ("Flow-Through Shares") at \$4.25 each for gross proceeds of \$20.0 million (net proceeds of \$18.9 after transaction costs and before tax effect). The net proceeds from the issuance of the Flow-Through Shares will be used to incur eligible Canadian exploration expenses ("CEE") which will be renounced to subscribers effective on or before December 31, 2010. Bellatrix is committed to incur the \$20.0 million CEE expenditures on or before December 31, 2011.

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 and exchangeable shares 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
Granted	\$ 3.83	2,058,500
Exercised	\$ 2.05	(42,827)
Forfeited and cancelled	\$ 3.23	(73,534)
Balance, September 30, 2010	\$ 2.61	6,155,872

As of September 30, 2010, a total of 9,720,186 share options were reserved, leaving an additional 3,564,314 available for future grants.

Share Options Outstanding, September 30, 2010

Exercise Price	Outstanding			Exercisable	
	At September 30, 2010	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	At September 30, 2010	Weighted Average Exercise Price
\$ 0.65 - \$ 0.83	444,186	\$ 0.69	3.5	139,468	\$ 0.69
\$ 1.07 - \$ 1.50	1,008,177	\$ 1.35	3.6	276,914	\$ 1.37
\$ 1.64 - \$ 2.00	1,840,174	\$ 1.88	3.6	491,355	\$ 1.88
\$ 2.47 - \$ 3.94	2,448,335	\$ 3.64	4.2	264,992	\$ 2.56
\$ 3.98 - \$ 5.57	415,000	\$ 4.93	1.7	400,500	\$ 4.95
\$ 0.65 - \$ 5.57	6,155,872	\$ 2.61	3.7	1,573,229	\$ 2.58

9. CONTRIBUTED SURPLUS

(\$000s)	September 30, 2010	December 31, 2009
Balance, beginning of period	\$ 28,232	\$ 28,240
Share-based compensation expense	2,115	812
Adjustment of prior period share-based compensation expense for forfeitures of unvested share options	(21)	(820)
Transferred to share capital for exercised options	(32)	-
Balance, end of period	\$ 30,294	\$ 28,232

Share-based Compensation Expense

During the nine months ended September 30, 2010, the Company granted 2,058,500 share options to employees, consultants, directors and officers. For the nine months ended September 30, 2010, the Company recorded share-based compensation of \$2.1 million, of which \$0.7 million was capitalized to property, plant and equipment.

The fair values of all incentive rights granted are estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average fair market value of share options granted during the nine month period ended September 30, 2010 and the assumptions used in their determination are as noted below:

	2010
Assumptions:	
Risk free interest rate (%)	1.3-3
Expected life (years)	2-5
Expected volatility (%)	71-75
Results:	
Weighted average fair value of each option granted	\$ 2.07

10. SUPPLEMENTAL CASH FLOW INFORMATION

Cash Interest and Taxes Paid

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash paid:				
Interest	\$ 214	\$ 1,416	\$ 2,851	\$ 6,589
Taxes (net of refunds)	\$ -	\$ 1	\$ -	\$ (272)

Change in Non-cash Working Capital

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Changes in non-cash working capital items:				
Accounts receivable	\$ (7,146)	\$ 6,112	\$ (9,112)	\$ 11,444
Deposits and prepaid expenses	638	(1,181)	1,633	443
Accounts payable and accrued liabilities	7,888	(4,069)	11,165	(16,628)
Distributions payable	-	-	-	(1,570)
	\$ 1,380	\$ 862	\$ 3,686	\$ (6,311)
Changes related to:				
Operating activities	\$ (2,572)	\$ 1,278	\$ 1,794	\$ 853
Financing activities	577	861	1,170	52
Investing activities	3,375	(1,277)	722	(7,216)
	\$ 1,380	\$ 862	\$ 3,686	\$ (6,311)

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 September 30, 2010, Bellatrix has approximately \$439 million in tax pools available for deduction against future income.

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rate of 28.06% (2009: 29.48%) to income before taxes. This difference results from the following items:

(\$000s)	Nine months ended September 30,	
	2010	2009
Expected income recovery	\$ (7,014)	\$ (47,594)
Distribution deducted for tax purposes	-	(219)
Share based compensation expense (recovery)	390	(106)
Change in tax rates	964	6,314
Other	23	59
Future income tax recovery	\$ (5,637)	\$ (41,546)

12. PER SHARE AMOUNTS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Basic common shares outstanding	97,201,866	78,496,581	97,201,866	78,496,581
Dilutive effect of:				
Share options outstanding	6,155,872	4,039,229	6,155,872	4,039,229
Units issuable for exchangeable shares	-	312,467	-	312,467
Shares issuable for convertible debentures	9,821,429	5,390,625	9,821,429	5,390,625
Diluted common shares outstanding	113,179,167	88,238,902	113,179,167	88,238,902
Weighted average shares outstanding	94,999,409	78,496,581	93,586,167	78,496,581
Dilutive effect of exchangeable shares, share options and convertible debentures ⁽¹⁾	-	-	-	-
Diluted weighted average shares outstanding	94,999,409	78,496,581	93,586,167	78,496,581

(1) A total of 6,155,872 (2009: 4,039,229) share options, nil (2009: 312,467) exchangeable shares, 9,821,429 (2009: 5,390,625) common shares issuable pursuant to the conversion of the convertible debentures were excluded from the calculation for the three and nine month period ended September 30, 2010 as they were not dilutive.

13. FINANCIAL RISK MANAGEMENT

a. Credit risk

As at September 30, 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	\$ 10,057	\$ 2,017	\$ 12,074
Amounts due from government agencies	899	2,867	3,766
Revenue and other accruals	9,375	578	9,953
Cash call receivables	1,127	1,299	2,426
Plant revenue allocation receivable	-	2,855	2,855
Less: Allowance for doubtful accounts	-	(1,240)	(1,240)
Total accounts receivable	21,458	8,376	29,834
Less:			
Accounts payable due to same partners	(1,101)	(316)	(1,417)
Subsequent receipts	(12,569)	(1,055)	(13,624)
	\$ 7,788	\$ 7,005	\$ 14,793

Amounts due from government agencies include drilling royalty credits, Alberta Royalty Tax Credit, GST and royalty and other adjustments. During the three and nine month period ended September 30, 2010, the Company has collected \$2.0 million and \$2.6 million attributable to drilling credits, respectively. 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 September 30, 2010 of \$1.2 million.

b. Liquidity risk

The following are the contractual maturities of financial liabilities as at September 30, 2010:

Financial liability (\$000s)	< 1 Year	1-2 Years	2-5 Years	Thereafter
Accounts payable and accrued liabilities ⁽¹⁾	\$ 34,510	\$ -	\$ -	\$ -
Long-term debt	-	28,522	-	-
4.75% Debentures – principal	-	-	55,000	-
4.75% Debentures – interest ⁽²⁾	2,613	5,232	4,130	-
Total	\$ 37,123	\$ 33,754	\$ 59,130	\$ -

⁽¹⁾ As at September 30, 2010, \$1.2 million of accrued coupon interest payable in relation to the 4.75% Debentures is included in Accounts Payable and Accrued Liabilities.

⁽²⁾ The 4.75% Debentures outstanding at September 30, 2010 bear interest at a coupon rate of 4.75%, which currently requires total annual interest payments of \$2.6 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 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 September 30, 2010, the Company had entered into commodity price risk management arrangements as follows:

Type	Period	Volume	Price Floor	Price Ceiling	Index
Natural Gas call option	Jan. 1, 2010 to Dec. 31, 2010	5,000 GJ/day	\$ -	\$ 8.05 CDN	AECO
Oil collar	Jan. 1, 2010 to Dec. 31, 2010	500 bbl/d	\$ 75.00 CDN	\$ 101.15 CDN	WTI
Oil fixed	June 1, 2010 to Dec. 31, 2010	500 bbl/d	\$ 91.76 CDN	\$ 91.76 CDN	WTI
Oil fixed	January 1, 2011 to Dec. 31, 2011	1,000 bbl/d	\$ 88.18 CDN	\$ 88.18 CDN	WTI
Oil fixed	January 1, 2011 to Dec. 31, 2011	500 bbl/d	\$ 89.00 CDN	\$ 89.00 CDN	WTI

For the three and nine months ended September 30, 2010 and 2009, the gain (loss) on commodity contracts was comprised of the following:

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gain (loss) on commodity contracts				
Realized ⁽¹⁾	\$ 8,534	\$ 5,572	\$ 15,135	\$ 13,992
Unrealized ⁽²⁾	(6,807)	(3,851)	(2,685)	1,289
	\$ 1,727	\$ 1,721	\$ 12,450	\$ 15,281

⁽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.

d. Interest rate risk

The Company had no interest rate swap or financial contracts in place as at or during the three month period ended September 30, 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 realization of imputed interest costs on 7.5% Debentures, 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. On April 20, 2010 (note 6), the Company closed an offering of \$55 million of 4.75% Debentures on a bought deal basis in order to facilitate the redemption of the Company's 7.5% Debentures. On August 12, 2010 (note 8), Bellatrix issued \$20.0 million of Flow-Through shares on a bought deal private placement 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 below 1.2 times. As at September 30, 2010, the Company's ratio of total net debt to annualized funds flow based on third quarter results

was 1.2 times. The total net debt to annualized funds flow ratio as at September 30, 2010 decreased from that at September 30, 2009 of 2.4 times due to the significant reduction in the Company's long term debt and higher annualized funds flow. The total net debt to annualized funds flow as at September 30, 2010 of 1.2 times decreased in comparison to the ratio of 1.9 times as at June 30, 2010 as a result of decreased total net debt levels and higher annualized funds flow. Bellatrix continues to take a balanced approach to the priority use of funds flows. The 4.75% Debentures have a maturity date of April 30, 2015. Upon maturity, the Company may settle the principal in cash or issuance of additional common shares.

Excluding Debentures, net debt to annualized funds flow based on third quarter results was 0.5 times.

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		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Shareholders' equity	330,288	286,841	330,288	286,841
Long-term debt	28,522	26,485	28,522	26,485
Convertible debentures (liability component)	47,246	82,549	47,246	82,549
Working capital deficiency (surplus)	1,369	(4,701)	1,369	(4,701)
Total net debt ⁽¹⁾ at period end	77,137	104,333	77,137	104,333
Debt to funds flow from operations ratio (annualized)⁽²⁾				
Funds flow from operations (annualized)	65,368	44,360	49,533	37,792
Total net debt ⁽¹⁾ to periods funds flow from operations ratio (annualized)	1.2x	2.4x	1.6x	2.8x
Debt to funds flow from operations ratio (trailing)⁽³⁾				
Funds flow from operations ratio trailing	44,831	51,953	44,831	51,953
Total net debt ⁽¹⁾ to periods funds flow from operations ratio (trailing)	1.7x	2.0x	1.7x	2.0x
Net debt ⁽¹⁾ (excluding convertible debentures) to periods funds flow from operations ratio (trailing)	0.7x	0.4x	0.7x	0.4x

⁽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 the 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 third quarter and year to date funds flow from operations annualized, respectively.

⁽³⁾ Trailing periods funds flow from operations is based on the twelve-months period ended September 30, 2010 and September 30, 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.

f. Fair value of financial instruments

The Company's financial instruments as at September 30, 2010 include accounts receivable, deposits, commodity contract asset, accounts payable and accrued liabilities, long-term debt and convertible debentures. The fair value of 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 September 30, 2010 was an asset of \$0.7 million (2009: \$5.0 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 4.75% Debentures of \$55.1 million is based on exchange traded values. The 4.75% Debentures are classified as level 1 within the fair value hierarchy.

14. COMMITMENTS

As at September 30, 2010, the Company had committed to drill 8 wells pursuant to farm-in agreements. Bellatrix expects to satisfy this drilling commitment at an estimated cost of approximately \$8.8 million.

As a result of the issuance of the Flow-Through shares on August 12, 2010, Bellatrix is committed to incur approximately \$20.0 million in qualifying Canadian Exploration Expenses on or before December 31, 2011.

An updated corporate presentation is available at 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 and BXE.DB.A, respectively. For further information, please contact:

Raymond G. Smith, P.Eng., President and CEO (403) 750-2420

or

Edward J. Brown, CA, Vice President, Finance and CFO (403) 750-2655

or

Troy Winsor, Investor Relations (800) 663-8072

Bellatrix Exploration Ltd.
2300, 530 – 8th Avenue SW
Calgary, Alberta, Canada T2P 3S8
Phone: (403) 266-8670
Fax: (403) 264-8163
www.bellatrixexploration.com