

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws. Accordingly, the securities offered hereby may not be offered or sold to, or for the account or benefit of, a person in the United States unless an exemption from such registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation at 700, 444 – 7th Avenue S.W., Calgary, Alberta, T2P 0X8, telephone: (403) 215-8313 and are also available electronically at www.sedar.com.

Short Form Prospectus

New Issue

April 30, 2009



PEARL EXPLORATION AND PRODUCTION LTD.

52,334,000 Common Shares issuable on exercise of outstanding Special Warrants

Pearl Exploration and Production Ltd. ("**Pearl**" or the "**Corporation**") is hereby qualifying for distribution 52,334,000 common shares of the Corporation (the "**Qualified Shares**") issuable upon exercise of 52,334,000 issued and outstanding special warrants (the "**Special Warrants**"). The Special Warrants were issued on April 20, 2009 (the "**Closing Date**") pursuant to the Special Warrant Indenture (as defined herein) and sold to purchasers in the provinces of Alberta, British Columbia and Ontario (the "**Filing Provinces**") and certain other jurisdictions outside of Canada on a private placement basis pursuant to prospectus exemptions under applicable securities legislation (the "**Special Warrant Offering**") through GMP Securities L.P., Canaccord Capital Corporation, RBC Dominion Securities Inc. and Tristone Capital Inc. (collectively, the "**Underwriters**") at a price of \$0.88 per Special Warrant. **The Special Warrants are not available for purchase pursuant to this short form prospectus and no additional funds are to be received by the Corporation from the distribution of the Common Shares upon exercise of the Special Warrants.** The issue price of \$0.88 per Special Warrant was determined by negotiation between the Corporation and the Underwriters. See "Plan of Distribution".

Each Special Warrant entitles the holder to acquire one Qualified Share, subject to adjustment in certain circumstances, at no additional cost at any time before 4:30 p.m. (Calgary time) (the "**Expiry Time**") on the earlier of: (i) five business days following the date on which a receipt for the final short form prospectus qualifying the distribution of the Qualified Shares has been issued by the Alberta Securities Commission, as principal regulator of the Corporation, confirming that a receipt has been issued or is deemed to have been issued by the securities regulatory authorities in the Filing Provinces (the "**Final Receipt Date**"); and (ii) August 21, 2009. Any Special Warrants that have not been exercised prior to the Expiry Time will be deemed to have been exercised at the Expiry Time in accordance with the terms of the Special Warrant Indenture.

PRICE: \$0.88 PER SPECIAL WARRANT

	Offering Price	Underwriters' Fee ⁽¹⁾	Net Proceeds ⁽²⁾
Per Special Warrant	\$0.88	\$0.0396	\$0.8404
Total	\$46,053,920	\$2,072,426	\$43,981,494

Notes:

- (1) The Corporation paid the Underwriters a fee of 4.5% of the gross proceeds from the sale of the Special Warrants and reimbursed the Underwriters for certain expenses in connection with the Special Warrant Offering. No commission or fee is payable to the Underwriters in connection with the distribution of the Qualified Shares upon the exercise of the Special Warrants.
- (2) Before deducting expenses in connection with the Special Warrant Offering and qualification for distribution of the Qualified Shares, estimated to be approximately \$315,000, which together with the Underwriters' fees, were or will be paid from the gross proceeds of the Special Warrant Offering.

Any common shares of the Corporation (the "Common Shares") issued upon the exercise of Special Warrants prior to the Final Receipt Date will be subject to relevant hold periods under applicable securities legislation.

An investment in the Qualified Shares is highly speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and resources. The Corporation's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The reserve and recovery information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from the Corporation's properties may be greater or less than the estimates contained in this short form prospectus. The success of further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. In addition, certain of the Corporation's activities are conducted jointly with others and the Corporation's activities may be impacted by the ability, expertise, judgment and financial capability of such joint partners. See "Risk Factors".

The Common Shares of the Corporation are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "PXX". The TSX has conditionally approved the listing of the Qualified Shares subject to the Corporation fulfilling all of the requirements of the TSX. On April 6, 2009, the day of negotiation of the issue price of the Special Warrants, the closing price of the Common Shares on the TSX was \$0.95. On April 29, 2009, the last day on which the Common Shares traded prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$1.32. See "Trading Price and Volume".

The Corporation has issued book-entry only certificates representing the Special Warrants issued pursuant to the Special Warrant Offering (the "Global Certificates") registered in the name of CDS Clearing and Depository Services Inc. ("CDS") or its nominee and deposited with CDS. No certificates representing Special Warrants will be issued to subscribers, except in certain limited circumstances, and registration will be made through the depository services of CDS. On exercise of the Special Warrants, it is anticipated that certificates representing the Qualified Shares will be issued in book-entry only form and registered to CDS or its nominee and deposited with CDS on the day following the Expiry Time. No certificates evidencing Qualified Shares will be issued to subscribers, except in certain limited circumstances, and registration will be made through the depository services of CDS. Holders of Qualified Shares will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Qualified Shares is acquired.

Provided the Common Shares remain listed on a designated stock exchange (including the TSX), the Special Warrants and the Common Shares issuable on the exercise of the Special Warrants will generally qualify as investments, under the *Income Tax Act* (Canada) (the "Tax Act"), for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and tax free savings accounts.

Certain legal matters in connection with the Special Warrant Offering have been or will be reviewed on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Heenan Blaikie LLP.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Qualified Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.

The registered and head office of the Corporation is located at 700, 444 – 7th Avenue S.W., Calgary, Alberta T2P 0X8.

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FORWARD-LOOKING STATEMENTS

This short form prospectus, including the documents incorporated by reference herein, contains certain forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this short form prospectus contains forward-looking statements pertaining to the following:

- use of proceeds from the Special Warrant Offering;
- business plans and strategies;
- capital expenditure programs;
- operating expenses;
- the quantity of reserves;
- net present values of future net revenues from reserves;
- production levels;
- abandonment and reclamation costs;
- projections of market prices;
- projections of costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development; and
- treatment under governmental regulatory regimes.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and

specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Corporation and its shareholders.

Forward-looking statements are based on the Corporation's current beliefs as well as assumptions made by, and information currently available to, the Corporation concerning anticipated financial performance, business prospects, strategies, regulatory developments, future commodity prices, future production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market oil and natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production and reserves through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to risks associated with oil and gas exploration, financial risks, substantial capital requirements, bank financing, government regulation, environmental matters, prices, markets and marketing, dependence on key personnel, availability of drilling equipment and access, uninsurable risks, management of growth, expiration of licenses and leases, reserves estimates, seasonality, competition, conflicts of interest, issuance of debt, title to properties, variations in exchange rates and hedging and uncertainty in global financial markets. Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this short form prospectus are made as of the date hereof, and neither the Corporation nor the Underwriters undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation at 700, 444 – 7th Avenue S.W., Calgary, Alberta T2P 0X8, telephone: (403) 215-8313. In addition, copies of documents incorporated by reference may be obtained from the securities commissions or similar authorities in Canada through the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com.

The following documents of the Corporation are specifically incorporated by reference in this short form prospectus:

1. the revised annual information form of the Corporation dated April 30, 2009 for the year ended December 31, 2008 (the "**Annual Information Form**");
2. the audited consolidated financial statements of the Corporation, together with the accompanying notes to the financial statements, for the year ended December 31, 2008 and for the 15 month period ended December 31, 2007 and the auditors' report thereon;
3. management's discussion and analysis of the operating and financial results of operations of the Corporation for the year ended December 31, 2008 ("**MD&A**");
4. the management information circular dated March 19, 2009 relating to the annual and special meeting of shareholders of the Corporation to be held on May 6, 2009;

5. the management information circular dated March 26, 2008 relating to the annual and special meeting of shareholders of the Corporation held on May 15, 2008; and
6. the material change report of the Corporation dated April 7, 2009 relating to the Special Warrant Offering.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors' report thereon, interim financial statements, management's discussion and analysis of financial conditions and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, filed by the Corporation after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

THE CORPORATION

Pearl was incorporated under the *Business Corporations Act* (Alberta) as "Kilo Gold Mines Ltd." on October 15, 1984. On April 22, 1998, Kilo Gold Mines Ltd. changed its name to Newmex Minerals Inc. On July 22, 2002, Newmex Minerals Inc. continued under the *Canada Business Corporations Act*. On February 28, 2006, Newmex Minerals Inc. changed its name to Pearl Exploration and Production Ltd.

The registered and head office of Pearl is located at 700, 444 – 7th Avenue S.W., Calgary, Alberta T2P 0X8.

BUSINESS OF THE CORPORATION

Pearl is engaged in the exploration for, and the acquisition, development and production of oil and natural gas reserves located in North America and, more specifically, primarily heavy oil in North America. Pearl has oil and gas interests in both Canada and the United States. For further information on the general development and the business of the Corporation, see "General Development of the Business" and "Description of the Business and Operations" in the Annual Information Form.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Special Warrants was approximately \$44 million after deducting the fees of \$2,072,426 payable to the Underwriters and the estimated expenses of the Special Warrant Offering and the qualification for distribution of the Qualified Shares, estimated to be \$315,000.

The Corporation will not receive any cash proceeds upon the exercise of the Special Warrants. All of the net proceeds from the Special Warrant Offering will initially be used for general working capital purposes. The proceeds from the Special Warrant Offering will enhance the Corporation's liquidity and financial flexibility. Ultimately, the Corporation intends to use the proceeds to fund its oil and gas capital expenditure program, primarily on its existing properties. More specifically, with respect to these existing properties, the Corporation is currently planning to undertake a steam assisted gravity drainage ("SAGD") thermal pilot at Blackrod, Alberta, move toward a commercial enhanced oil recovery scheme ("**polymer flood**") at Mooney, Alberta and continue primary

development and assess the feasibility of a steam recovery scheme at Onion Lake, Saskatchewan. The Corporation currently intends to allocate the proceeds of the Special Warrant Offering and existing working capital towards one or both of the SAGD at Blackrod and the polymer flood at Mooney, as well as ongoing conventional development at Onion Lake. The pilot SAGD at Blackrod is expected to cost approximately \$20 million, the first phase of commercial development of the polymer flood at Mooney is expected to cost approximately \$20 million and conventional development at Onion Lake is expected to cost up to approximately \$10 million. Conventional development at Onion Lake will likely consist of drilling approximately 10 to 20 wells over the next two years. The number of wells drilled and the aggregate capital expenditures at Onion Lake will depend on a number of factors including, but not limited to, negotiations with the Onion Lake First Nation. Final cost estimates for all of the planned projects will require more detailed engineering estimates. The amount of proceeds to be allocated to each of the projects identified above is not currently known, and will depend on receipt of regulatory and other approvals which must be obtained before development on such projects can commence. Full development of each of these projects will require significant additional capital that exceeds the net proceeds of the Special Warrant Offering.

The projects to which the Corporation intends to allocate the proceeds of the Special Warrant Offering, including the SAGD and polymer flood, are at an early stage of development. The principal milestone for these projects at the present time is the receipt of certain regulatory and other approvals which must be obtained before development on these projects can commence. Once that milestone is achieved, the Corporation's principal business objective is to utilize its available capital, including the proceeds of the Special Warrant Offering, for the development of these projects and its other properties with a view to profitably growing the Corporation's production and reserves primarily through the development of heavy oil prospects in Canada.

Due to the nature of the oil and natural gas industry, budgets are regularly reviewed in light of the success of expenditures and other opportunities which may become available to the Corporation. In addition, the ability of the Corporation to carry out operations will depend upon the decisions of other working interest owners of the properties. Accordingly, while the Corporation anticipates that it will spend the funds available to it as set forth above, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. While actual expenditures may differ from these amounts and allocations, the net proceeds will be used by the Corporation in furtherance of its business.

CAPITALIZATION OF THE CORPORATION

The following table sets forth the capitalization of the Corporation as at December 31, 2008 before and after giving effect to the Offering.

<u>Designation</u>	<u>Authorized</u>	<u>Outstanding as at December 31, 2008 before giving effect to the Special Warrant Offering</u>	<u>Outstanding as at December 31, 2008 after giving effect to the Special Warrant Offering⁽¹⁾</u>
Share Capital			
Common Shares ⁽²⁾	Unlimited	\$723,122,000 (189,241,716 shares)	\$766,788,494 (241,575,716 shares)
Special Warrants ⁽¹⁾	52,334,000	-	-
Indebtedness			
Credit Facility ⁽³⁾	\$47,000,000	Nil	Nil

Notes:

- (1) Based on the issuance of 52,334,000 Common Shares on the exercise or deemed exercise of 52,334,000 Special Warrants issued pursuant to the Special Warrant Offering for gross proceeds of \$46,053,920 less the Underwriters' fee of \$2,072,426 and other expenses of the Special Warrant Offering and qualification for distribution of the Qualified Shares, estimated to be approximately \$315,000.
- (2) The Corporation is authorized to issue an unlimited number of Common Shares, of which 209,341,716 Common Shares are issued and outstanding as fully paid and non-assessable shares as at April 30, 2009. In addition, as at April 30, 2009, 11,392,833 Common Shares have been reserved for issuance on exercise of a like number of outstanding options to purchase Common Shares issued under the Corporation's stock option plan. On January 8, 2009, the Corporation acquired all of the issued and outstanding common shares of BlackCore Resources Inc. (the "**BlackCore Acquisition**"). In connection with the BlackCore Acquisition, the

Corporation issued: (i) 17,600,000 Common Shares at a deemed price of \$0.60 per Common Share; (ii) 5,000,160 Class A share purchase warrants (the "**Class A Warrants**"); and (iii) 5,000,160 Class B share purchase warrants (the "**Class B Warrants**"). Each Class A Warrant and Class B Warrant entitles the holder thereof to acquire one Common Share for a price of \$0.60 when the price of the Common Shares reaches a volume weighted average price for 30 consecutive days of \$1.50 and \$2.00, respectively. On January 8, 2009, the Corporation issued 2,500,000 Common Shares to extinguish potential contingency payments related to the acquisition of certain lands in the Athabasca oilsands (the "**Blackrod project**").

- (3) The Corporation has a credit facility with a Canadian chartered bank which is comprised of a \$37 million revolving extendible term facility and a \$10 million demand revolving operating facility. The facility is subject to annual reviews. The next scheduled review will occur on May 31, 2009. The credit facility bears interest at the bank's prime lending rate, bankers' acceptance, or LIBOR loan rates plus applicable margins. Loans are secured by a floating charge debenture over all assets and guarantees by material subsidiaries. As at April 30, 2009, the outstanding bank debt of the Corporation is nil.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of Pearl consists of an unlimited number of Common Shares. As at April 30, 2009, there were: 209,341,716 Common Shares; 5,000,160 Class A Warrants; 5,000,160 Class B Warrants; and 52,334,000 Special Warrants issued and outstanding. See "Capitalization of the Corporation".

Each Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote at such meetings. The holders of Common Shares are, at the discretion of the board of directors of the Corporation (the "**Board**") and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board. The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX and trade under the symbol "PXX". The Corporation's Swedish Depository Receipts trade on First North, OMX Nordic Exchange under the symbol "PXXS". The following sets forth the price range and trading volume of the Common Shares on the TSX for the periods indicated as reported by the TSX.

	High (\$/Share)	Low (\$/Share)	Volume
2008			
April.....	2.05	1.60	9,263,946
May.....	2.73	1.82	18,839,789
June.....	2.55	1.90	8,997,017
July.....	2.48	1.60	5,448,628
August.....	1.94	1.52	5,179,376
September.....	1.65	0.91	6,814,288
October.....	1.49	0.36	12,936,424
November.....	0.80	0.39	13,949,235
December.....	0.90	0.47	15,440,636
2009			
January.....	1.05	0.78	7,408,110
February.....	0.95	0.67	3,965,510
March.....	0.97	0.62	5,017,000
April 1 – 29.....	1.35	0.86	13,260,980

PRIOR SALES

Other than as set out below, during the 12 month period preceding the date of this short form prospectus, no Common Shares or securities exchangeable or convertible into Common Shares have been issued by the Corporation.

On January 8, 2009, in connection with the BlackCore Acquisition, the Corporation issued: (i) 17,600,000 Common Shares at a deemed price of \$0.60 per Common Share; (ii) 5,000,160 Class A Warrants; and (iii) 5,000,160 Class B Warrants. Each Class A Warrant and Class B Warrant entitles the holder thereof to acquire one Common Share for a price of \$0.60 when the price of Common Shares reaches a volume weighted average price for 30 consecutive days of \$1.50 and \$2.00, respectively.

On January 8, 2009, the Corporation also issued 2,500,000 Common Shares at a deemed price of \$0.60 per Common Share to extinguish potential contingency payments related to the acquisition of the Blackrod Project.

The Corporation granted an aggregate 8,773,000 options with an average exercise price of \$0.86 during the 12 month period preceding the date of this short form prospectus.

PLAN OF DISTRIBUTION

This short form prospectus is being filed in the Filing Provinces to qualify the distribution of 52,334,000 Qualified Shares issuable upon exercise of 52,334,000 Special Warrants.

On the Closing Date, the Corporation completed a private placement of 52,334,000 Special Warrants pursuant to prospectus exemptions under applicable securities legislation through the Underwriters pursuant to an underwriting agreement dated effective April 6, 2009 between the Corporation and the Underwriters (the "**Underwriting Agreement**"). Pursuant to the Underwriting Agreement, the Underwriters agreed to purchase for resale the Special Warrants in the Filing Provinces and certain other jurisdictions outside of Canada on a private placement basis at a price of \$0.88 per Special Warrant. Pursuant to the Underwriting Agreement, Pearl has paid a fee of approximately \$2,072,426 to the Underwriters (excluding reimbursement for certain expenses incurred in connection with the Special Warrant Offering by the Underwriters in the amount of \$63,500). The Underwriters will receive no other fees in connection with the distribution of the Qualified Shares under this short form prospectus. The offering price of the Special Warrants was determined by negotiation between the Corporation and the Underwriters.

The Corporation has agreed to prepare and file this short form prospectus under the applicable securities laws of the Filing Provinces, to satisfy all comments from the regulators in each of the Filing Provinces with respect to this short form prospectus and to obtain a receipt for a final short form prospectus qualifying the distribution of the Qualified Shares in each of the Filing Provinces as soon as practicable following the Closing Date and, in any event, by no later than 5:00 p.m. (Calgary time) on May 7, 2009, provided that if the Corporation has not obtained a receipt for a final short form prospectus qualifying the distribution of the Qualified Shares it will continue to use its reasonable best efforts to obtain such receipt until the Expiry Time. **Any Special Warrants that have not been exercised prior to the Expiry Time will be deemed to have been exercised at the Expiry Time in accordance with the terms of the Special Warrant Indenture.**

The Special Warrants were issued pursuant to a special warrant indenture dated April 20, 2009 (the "**Special Warrant Indenture**") between the Corporation and Computershare Trust Company of Canada (the "**Trustee**"). Since the Closing Date, no Special Warrants have been exercised. Each Special Warrant entitles the holder to acquire, at no additional cost, one Qualified Share at any time prior to the Expiry Time.

Any Common Shares issued upon exercise of Special Warrants prior to the Final Receipt Date will be subject to relevant hold periods under applicable securities legislation.

The Corporation has issued the Global Certificates registered in the name of CDS or its nominee and deposited with CDS. No certificates representing Special Warrants will be issued to subscribers, except in certain limited circumstances, and registration will be made through the depository services of CDS.

All transfers or exercises of Special Warrants represented by Global Certificates shall occur in accordance with CDS' rules and procedures. The rights of a holder of Special Warrants shall be exercised only through CDS and the CDS participants and shall be limited to those established by law and agreements between such holders and CDS and the CDS participants upon instructions from the CDS participants. Each of the Trustee and the Corporation may deal with CDS for all purposes as the authorized representative of the respective holders of Special Warrants and such dealing with CDS shall constitute satisfaction or performance, as applicable, of their respective obligations under the Special Warrant Indenture.

The Special Warrant Indenture provides that in the event of certain alterations of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of any form of reorganization of the Corporation, including any amalgamation, merger or arrangement, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional common shares will be issued upon the exercise of the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in the Special Warrant Indenture.

The Special Warrant Indenture provides that all holders of Special Warrants shall be bound by any resolution passed at a meeting of the holders of Special Warrants held in accordance with the provisions of the Special Warrant Indenture and resolutions signed by the holders of Special Warrants entitled to acquire a specified majority of the Common Shares which may be acquired pursuant to all the then outstanding Special Warrants.

The Qualified Shares offered hereby have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended, (the "**U.S. Securities Act**") or the securities laws of any state of the United States. Accordingly, the Qualified Shares may not be offered or sold to, or for the account or benefit of, a person in the United States unless registered under the U.S. Securities Act and applicable state securities laws or in certain transactions exempt from the registration requirements of the U.S. Securities Act and any applicable state securities laws. In addition, until 40 days after the commencement of this offering, any offer or sale of the Qualified Shares offered hereby within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from the registration requirements of the U.S. Securities Act.

The Corporation has agreed to indemnify the Underwriters and their affiliates and their respective directors, officers, employees and agents against certain liabilities and expenses.

The Corporation has agreed that it will not, without the prior consent of GMP Securities L.P., which consent may not be unreasonably withheld, directly or indirectly, issue, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Common Shares or any securities convertible or exercisable into Common Shares (other than pursuant to the Corporation's stock option plan, the Special Warrants, the Class A Warrants or the Class B Warrants), agree to become bound to do so, or disclose to the public any intention to do so at any time prior to 120 days after the closing of the Special Warrant Offering.

The Common Shares are currently listed on the TSX under the symbol "PXX". The TSX has conditionally approved the listing of the Qualified Shares subject to the Corporation fulfilling all of the requirements of the TSX. On April 6, 2009, the day of negotiation of the issue price of the Special Warrants, the closing price of the Common Shares on the TSX was \$0.95. On April 29, 2009, the last day on which the Common Shares traded prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$1.32.

It is anticipated that certificates for the Qualified Shares will be issued in book-entry only form to CDS or its nominee and will be deposited with CDS on the day following the Expiry Time. No certificates evidencing Qualified Shares will be issued to subscribers, except in certain limited circumstances, and registration will be made through the depository services of CDS. Holders of Qualified Shares will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Qualified Shares is acquired.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Corporation, the following summary fairly describes the principal Canadian federal income tax consequences under the Tax Act generally applicable to persons who have acquired Special Warrants pursuant to the Special Warrant Indenture and who will acquire and dispose of Common Shares issuable on the exercise of the Special Warrants and who, for the purposes of the Tax Act and at all relevant times, are resident in Canada, hold such Special Warrants and Common Shares as capital property, and deal at arm's length and are not affiliated with the Corporation. Generally, the Special Warrants and Common Shares will be considered capital property to a holder unless such securities are held in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying and selling securities or such securities are acquired in a transaction or transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Common Shares as capital property may in certain circumstances be entitled to have them treated as capital property by making an irrevocable election permitted by subsection 39(4) of the Tax Act to have every "Canadian security" owned by them in the taxation year of the election and in all subsequent taxation years deemed to be capital property. **Any holders contemplating making such an election should consult their own tax advisors for advice with respect to making the election.**

This summary is not applicable to a holder that is a "financial institution", a "specified financial institution" or to a holder an interest in which would be a "tax shelter investment", all as defined in the Tax Act.

This summary is based upon the current provisions of the Tax Act, counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency and proposed amendments to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). This summary assumes that the Proposed Amendments will be enacted as proposed, but otherwise does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax considerations.

The following discussion of the income tax consequences is of a general nature only and is not exhaustive of all income tax consequences and is not intended to constitute legal or income tax advice to any particular holder. Accordingly, holders should consult their own income tax advisors with respect to the tax consequences which will result from holding Special Warrants and acquiring, holding and disposing of Common Shares issuable on the exercise of the Special Warrants.

Exercise or Disposition of Special Warrants

A holder will not realize a gain or loss upon the exercise or deemed exercise of Special Warrants to acquire Common Shares. The cost for tax purposes to a holder of a Common Share acquired pursuant to the exercise of a Special Warrant will generally be equal to the tax cost to the holder of such Special Warrant. In computing the adjusted cost base of a holder's Common Shares acquired pursuant to the exercise of the Special Warrants, the cost of such Common Shares must be averaged with the cost of any other Common Shares of the Corporation held by the holder as capital property at that time.

A disposition or deemed disposition of Special Warrants by a holder (other than on the exercise of such Special Warrants) will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition received by the holder exceed (or are exceeded by) the adjusted cost base to the holder of such Special Warrants, net of any reasonable disposition costs.

Disposition of Common Shares

Any disposition or deemed disposition by a holder (other than to the Corporation) of Common Shares acquired on the exercise of Special Warrants will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition received by the holder exceed (or are exceeded by) the adjusted cost base to the holder of such Common Shares, net of any reasonable disposition costs.

Taxation of Capital Gains (Capital Losses)

One half of any capital gain realized by a holder on a disposition of a Special Warrant or a Common Share acquired on the exercise of a Special Warrant will be included in the holder's income under the Tax Act for the year of the disposition as a taxable capital gain. Subject to certain detailed rules in the Tax Act, one half of any capital loss realized on a disposition of a Special Warrant or a Common Share acquired on the exercise of a Special Warrant may be deducted against taxable capital gains realized by the holder in the year of the disposition, in the three preceding taxation years or in any subsequent taxation year.

In the case of a holder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition of Common Shares may be reduced by the amount of certain dividends previously received or deemed to have been received on such shares or other shares for which such shares were exchanged, to the extent and under the circumstances prescribed in the Tax Act. Similar rules may apply where shares are owned by a trust or partnership of which a corporation is a beneficiary or member.

A holder that is, throughout the relevant year, a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6 2/3% on certain investment income including capital gains. In certain circumstances, taxable capital gains realized by an individual may give rise to liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

Provided the Common Shares remain listed on a designated stock exchange (including the TSX), the Special Warrants and the Common Shares issuable on the exercise of the Special Warrants will generally qualify as investments, under the Tax Act, for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and tax free savings accounts.

RISK FACTORS

An investment in the Qualified Shares is highly speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and resources. The Corporation's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The reserve and recovery information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from the Corporation's properties may be greater or less than the estimates contained in this short form prospectus. The success of further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. In addition, certain of the Corporation's activities are conducted jointly with others and the Corporation's activities may be impacted by the ability, expertise, judgment and financial capability of such joint partners.

Risk factors relating to the Corporation are discussed in the Annual Information Form and MD&A incorporated by reference in this short form prospectus. These risk factors, together with all of the other information included or incorporated by reference in this short form prospectus, should be carefully reviewed and considered before a decision is made to invest in the securities offered hereunder. Such risks may not be the only risks facing the Corporation. Additional risks not currently known may also impair the Corporation's business operations and results of operation.

Market for the Common Shares

The TSX has conditionally approved the listing of the Qualified Shares. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that an active public market for trading in the Common Shares will persist and the share price may decline below the issue price for the Special Warrants.

The Corporation may use the Proceeds of this Offering for Purposes other than those set out in this Short Form Prospectus

The Corporation currently intends to allocate the net proceeds received from the Special Warrant Offering as described under "Use of Proceeds" in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

Volatility of Market Price of Common Shares

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

LEGAL PROCEEDINGS

The Corporation is not involved in or aware of any present or pending legal proceedings against the Corporation involving it jointly or separately as a party.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Accountants, 3100, 111 – 5th Avenue S.W., Calgary, Alberta T2P 5L3.

Computershare Trust Company of Canada is the registrar and transfer agent for the Common Shares at its principal offices in Calgary and Toronto.

LEGAL MATTERS AND INTEREST OF EXPERTS

Certain legal matters relating to the Special Warrant Offering will be passed upon by Bennett Jones LLP on behalf of the Corporation and Heenan Blaikie LLP on behalf of the Underwriters. Each of Bennett Jones LLP and Heenan Blaikie LLP and its designated professionals, as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Corporation and its associates and affiliates.

Reserves estimates incorporated by reference in this short form prospectus are based upon a report prepared by DeGolyer and MacNaughton Canada Limited ("**DeGolyer and MacNaughton**"). As at the date hereof, the principals of DeGolyer and MacNaughton beneficially own, directly or indirectly, less than 1% of the securities of the Corporation and its associates and affiliates.

PricewaterhouseCoopers LLP, auditors of the Corporation, are independent of the Corporation pursuant to the rules of professional conduct applicable to auditors in all provinces of Canada.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

The Corporation has granted to each holder of a Special Warrant a contractual right of rescission pursuant to the Special Warrant Indenture. The contractual right of rescission provides that if a holder of a Special Warrant who acquires a Common Share on exercise of the Special Warrant as provided for in this short form prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the short form prospectus or an amendment to the short form prospectus containing a misrepresentation: (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the special warrant was initially acquired; (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation or the Underwriters, as the case may be, on the acquisition of the Special Warrant; and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

AUDITORS' CONSENT

We have read the short form prospectus of Pearl Exploration and Production Ltd. (the "**Corporation**") dated April 30, 2009 relating to the qualification for distribution of common shares of the Corporation issuable upon the exercise of issued and outstanding special warrants of the Corporation (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the year ended December 31, 2008 and for the 15 month period ended December 31, 2007. Our report is dated February 27, 2009.

Calgary, Canada
April 30, 2009

(signed) "*PricewaterhouseCoopers LLP*"
Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: April 30, 2009

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Alberta, British Columbia and Ontario.

(Signed) "*John L. Festival*"
President and Chief Executive Officer

(Signed) "*Don Cook*"
Chief Financial Officer

On behalf of the Board of Directors

(Signed) "*Keith C. Hill*"
Director

(Signed) "*Victor Luhowy*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: April 30, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Alberta, British Columbia and Ontario.

GMP Securities L.P.
(Signed) "Daryl Rudichuk"
Managing Director, Investment Banking

Canaccord Capital Corporation
(Signed) "Karl Staddon"
Managing Director, Investment Banking

RBC Dominion Securities Inc.
(Signed) "Kent Ferguson"
Managing Director, Corporate Finance

Tristone Capital Inc.
(Signed) "Tom Ebbert"
Managing Director, Investment Banking