

FINANCIAL STATEMENTS

BALANCE SHEETS (unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Accounts receivable	\$ 1,031,695	\$ 1,129,297
Income taxes receivable	---	321,580
Prepaid expenses	132,680	93,686
	1,164,375	1,544,563
Property and equipment (note 3)	15,926,327	13,348,169
	\$ 17,090,702	\$ 14,892,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,598,804	\$ 2,478,424
Bank debt (note 4)	1,486,822	282,866
	6,085,626	2,761,290
Asset retirement obligations (note 5)	929,342	733,572
Future income taxes	1,572,435	1,921,926
	8,587,403	5,416,788
Shareholders' Equity		
Share capital (note 6)	3,509,336	3,558,569
Contributed surplus (note 7)	283,521	264,664
Retained earnings	4,710,442	5,652,711
	8,503,299	9,475,944
	\$ 17,090,702	\$ 14,892,732
Subsequent events (note 12)		

See accompanying notes to financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS, LOSS AND RETAINED EARNINGS (unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
REVENUE				
Petroleum and natural gas sales	\$ 1,609,142	\$ 1,176,605	\$ 4,254,044	\$ 3,474,167
Royalties	(242,377)	(129,299)	(601,004)	(408,141)
	1,366,765	1,047,306	3,653,040	3,066,026
EXPENSES				
Operating	438,397	252,369	989,632	852,593
Processing and transportation	45,230	98,366	309,328	302,879
Bad debt (note 9)	225,551	---	604,861	---
General and administrative	377,557	377,784	1,373,610	1,174,997
Depletion and depreciation	609,422	549,780	1,602,254	1,600,259
Stock-based compensation	3,500	4,000	10,500	9,000
Interest	19,147	2,537	46,551	4,245
Accretion	15,592	6,888	46,438	18,554
	1,734,397	1,291,724	4,983,174	3,962,527
Loss before income taxes	(367,632)	(244,418)	(1,330,134)	(896,501)
Provision (reduction) for income taxes				
Current	(38,374)	(13,000)	(38,374)	(66,000)
Future	(141,491)	17,000	(349,491)	(137,000)
	(179,865)	4,000	(387,865)	(203,000)
Net loss	(187,767)	(248,418)	(942,269)	(693,501)
Retained earnings, beginning of period	4,898,209	5,912,884	5,652,711	6,357,967
Retained earnings, end of period	4,710,442	5,664,466	4,710,442	5,664,466
Basic and diluted net loss per common share (note 6)	\$ (0.03)	\$ (0.04)	\$ (0.16)	\$ (0.12)
Weighted average number of common shares outstanding (basic and diluted) (note 6)	5,754,575	5,782,472	5,764,155	5,763,103

See accompanying notes to financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS (unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss	\$ (187,767)	\$ (248,418)	\$ (942,269)	\$ (693,501)
Add (deduct) non-cash items:				
Accretion	15,592	6,888	46,438	18,554
Depletion and depreciation	609,422	549,780	1,602,254	1,600,259
Future tax expense (reduction)	(141,491)	17,000	(349,491)	(137,000)
Stock-based compensation	3,500	4,000	10,500	9,000
Cash flow from operations	299,256	329,250	367,432	797,312
Change in non-cash operating working capital (note 8)	(5,373)	(524,847)	243,568	(1,867,827)
	293,883	(195,597)	611,000	(1,070,515)
FINANCING				
Repurchase and cancellation of shares	(26,895)	---	(40,876)	---
Increase in bank debt	97,326	519,849	1,203,956	519,849
	70,431	519,849	1,163,080	519,849
INVESTMENTS				
Additions to property and equipment	(2,221,314)	(445,104)	(4,031,080)	(2,480,879)
Change in non-cash investing working capital (note 8)	1,857,000	(420,000)	2,257,000	354,000
	(364,314)	(865,104)	(1,774,080)	(2,126,879)
Change in cash	---	(540,852)	---	(2,677,545)
Cash, beginning of period	---	540,852	---	2,677,545
Cash, end of period	\$ ---	\$ ---	\$ ---	\$ ---

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2008 and 2007

1. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of TRAFINA Energy Ltd. (“TRAFINA” or the “Company”) have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2007, except as discussed in note 2. The disclosures provided below are incremental to those included with the annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2007.

2. CHANGES IN ACCOUNTING POLICIES

Financial Instruments Disclosure and Presentation

Effective January 1, 2008, the Company adopted new standards for “Financial Instruments – Disclosures” and “Financial Instruments – Disclosure and Presentation”. These standards require entities to assess the significance of financial instruments for an entity’s financial position and performance and the nature and extent of the entity’s exposure to risks arising from financial instruments and how the entity manages those risks.

Effective January 1, 2008, the Company adopted new standards for “Capital Disclosures” which requires an entity to disclose its objectives, policies and processes for managing capital and also disclose compliance with any externally imposed capital requirements.

Inventories

Effective January 1, 2008, the Company adopted new standards for “Inventories”, establishes new standards for the measurement of inventories, allocation of overhead, accounting for write-downs and disclosures. The adoption of this new accounting standard did not impact the Company’s net earnings or financial position.

General Standards of Financial Statement Presentation

Effective January 1, 2008, the Company adopted new standards for “General Standards of Financial Statement Presentation”, which was amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The adoption of this new accounting standard did not impact the Company’s net earnings or financial position.

3. PROPERTY AND EQUIPMENT

Property and Equipment	September 30, 2008	December 31, 2007
Oil and gas properties	\$ 18,803,824	\$ 16,532,899
Production equipment	8,569,478	6,660,741
Office equipment	278,685	277,935
	27,651,987	23,471,575
Accumulated depletion and depreciation	(11,725,660)	(10,123,406)
Net book value of property and equipment	\$ 15,926,327	\$ 13,348,169

During the three and nine months ended September 30, 2008, \$0 (three and nine months ended September 30, 2007 - \$41,097 and \$107,000) of general and administrative costs were capitalized pertaining to the Company’s exploration, development, and property acquisition program.

In determining the Company’s depletion and amortization at September 30, 2008, future development and abandonment costs on proved undeveloped properties of \$2,249,300 (September 30, 2007 - \$2,577,900) were included in the depletion and amortization calculation. For the nine months ended September 30, 2008 and 2007 the Company did not exclude the cost of unproved properties in the depletion and amortization calculation.

Included in property and equipment at September 30, 2008 is \$495,305 net of accumulated depletion related to asset retirement costs.

NOTES TO FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2008 and 2007

4. BANK DEBT

At September 30, 2008, the Company had bank debt \$1,486,822 pursuant to a demand revolving operating credit facility with a Canadian chartered bank under which it can borrow up to \$3,500,000. The facility bears interest at the bank's prime rate plus 0.75 percent per annum. The facility is secured by a floating charge demand debenture in the amount of \$10,000,000 over the Company's property and equipment and a general assignment of book debts. The revolving operating credit facility revolves until October 31, 2008 and is currently under review. The Company is not in violation of its banking covenants.

5. ASSET RETIREMENT OBLIGATIONS (ARO)

Total future asset retirement obligations were estimated by management, based on TRAFINA's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. TRAFINA has estimated the total undiscounted amount to settle the asset retirement obligations was \$1,278,000 as at September 30, 2008 (December 31 2007 - \$1,216,000) with the majority of the costs to be incurred between 2010 and 2040. TRAFINA's credit adjusted risk free rate of 7 percent and an inflation rate of 1.5 percent were used to calculate the net present value of the asset retirement obligations. The following table reconciles change in the Company's total asset retirement obligation.

	Nine months ended September 30, 2008	Year ended December 31, 2007
ARO, beginning of the period	\$ 733,572	\$ 431,900
Liabilities incurred during the period	149,332	55,945
Adjustment due to change in estimate	---	197,736
Accretion expense	46,438	47,991
ARO, end of period	\$ 929,342	\$ 733,572

6. SHARE CAPITAL

	Nine months ended September 30, 2008		Year ended December 31, 2007	
	Number	Amount	Number	Amount
Balance, beginning of the period	5,782,472	\$ 3,558,569	5,756,250	\$ 3,484,627
Repurchased and cancelled	(80,000)	(49,233)	---	---
Issued on exercise of options	---	---	26,222	73,942
Balance, end of period	5,702,472	\$ 3,509,336	5,782,472	\$ 3,558,569

Normal Course Issuer Bid ("NCIB")

In December 2007, TRAFINA initiated a normal course issuer bid through the facilities of the TSX Venture Exchange. TRAFINA is permitted to purchase, for cancellation, up to 289,000 of its Class A common shares under the normal course issuer bid. As at September 30, 2008, 80,000 shares had been purchased by TRAFINA at an average price of \$0.51 per share.

NOTES TO FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2008 and 2007

Stock Option Plan

The Company has an employee stock option plan under which employees and directors are eligible to receive options. At September 30, 2008, 30,000 common stock options were outstanding, with exercise prices of \$1.50 and \$2.87 per share. 10,000 common stock options were exercisable at September 30, 2008. For the three and nine months ended September 30, 2008, compensation expense of \$3,500 and \$10,500 respectively (three and nine months ended September 30, 2007 - \$4,000 and \$9,000) has been recorded for stock options. No options were granted for the nine months ended September 30, 2008

Details of the outstanding common stock options are as follows:

Stock Option Plan	Nine months ended September 30, 2008		Year ended December 31, 2007	
	Number	Average Exercise Price	Number	Average Exercise Price
Balance, beginning of the period	30,000	\$2.19	444,000	\$1.70
Granted	---	---	15,000	1.50
Exercised	---	---	(100,000)	1.66
Expired	---	---	(329,000)	1.66
Balance, end of period	30,000	\$2.19	30,000	\$2.19

Earnings per Share

Basic weighted average shares outstanding for the three and nine months ended September 30, 2008 was 5,754,575 and 5,764,155 respectively (three and nine months ended September 30, 2007 – 5,782,472 and 5,763,103). Since the Company had net losses in all four periods any adjustments for options would have an anti-dilutive effect and as a result are excluded from diluted per share amounts.

7. CONTRIBUTED SURPLUS

The following schedule shows the continuity of contributed surplus:

	Nine months ended September 30, 2008	Year ended December 31, 2007
Balance, beginning of the period	\$ 264,664	\$ 324,606
Stock based compensation	10,500	14,000
Stock options exercised	---	(73,942)
Stock repurchased and cancelled under NCIB	8,357	---
Balance, end of the period	\$ 283,521	\$ 264,664

NOTES TO FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2008 and 2007

8. SUPPLEMENTAL CASH FLOWS DISCLOSURE

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Accounts receivable	\$ 177,836	\$ (778,513)	\$ 97,602	\$ (628,716)
Income taxes receivable	321,580	19,853	321,580	(77,868)
Prepaid expenses	(1,631)	35,297	(38,994)	7,510
Accounts payable and accrued liabilities	1,353,842	(221,484)	2,120,380	(544,180)
Income taxes payable	---	---	---	(270,573)
	\$ 1,851,627	\$ (944,847)	\$ 2,500,568	\$ (1,513,827)
Change in non-cash working capital				
Operating	\$ (5,373)	\$ (524,847)	\$ 243,568	\$ (1,867,827)
Investing	1,857,000	(420,000)	2,257,000	354,000

The following net cash payments were made:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Interest paid	\$ 19,147	\$ 2,537	\$ 46,551	\$ 4,200

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company carries a number of financial instruments, such as accounts receivable, accounts payable and bank debt and is exposed to risks such as credit risk, liquidity risk and market risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Credit Risk

Credit risk is generally related to the collection of the Company's accounts receivable from petroleum and natural gas purchasers and joint interest partners. At September 30, 2008 30 percent of the Company's accounts receivable balance was from petroleum and natural gas purchasers and the remaining 70 percent was from joint interest partners.

On July 22, 2008 SemGroup, (the parent organization of the Canadian firms that market the majority of the company's oil and natural gas) filed under chapter 11 of the US Bankruptcy code. Subsequently, our marketers, SemCanada Energy (natural gas) and SemCanada Crude (oil) filed for creditor protection in Canada. As a result, the Company wrote off as bad debt expense for the nine months ended September 30, 2008 a total of \$604,861 representing all of the exposure pertaining to the SemCanada Crude and SemCanada Energy.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by ensuring, as far as possible, that it will have sufficient liquidity under both normal and stressed conditions.

The Company also has a revolving operating loan facility with a Canadian Chartered bank. At September 30, 2008 the Company was in compliance with its bank covenants.

NOTES TO FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2008 and 2007

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although all of the Company's petroleum and natural gas sales are in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company has no forward exchange rate contracts in place as at or during the nine months ended September 30, 2008.

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 level of supply and demand. A one dollar change in the price per barrel of crude oil would have impacted net earnings for the nine months ended September 30, 2008 by \$9,400 and a \$0.25 change to the price of a thousand cubic feet of natural gas would have impacted net earnings over the same period by \$61,000. The Company currently has no financial derivative sale contracts in place.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. At September 30, 2008, the Company is exposed to changes in interest rates on its bank debt which bears a floating rate of interest and has no interest rate swap or financial contracts in place. A 1.0 percent change in the prime rate would have impacted net earnings by \$5,800.

Capital Management

The Company manages its capital structure and considers adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. The Company considers its capital structure to include share capital, bank debt and working capital. The Company has the ability to manage its share capital by issuing shares or repurchasing shares through a normal course issuer bid. As of September 30, 2008 the Company's bank had certain restrictions on bank debt as follows:

(i) Funded debt to cash flow, calculated on a rolling four quarter basis, is to be maintained at all times at 3.00:1 or better. Funded debt is defined as all short term and long term interest bearing debt and cash flow is defined as net income plus interest, taxes, depletion, depreciation and amortization.

(ii) Total committed funded debt is not to exceed 133% of the Company's Borrowing Base.

The following outlines the Company's capital structure:

	September 30, 2008	December 31, 2007
Working capital deficit	\$ 3,434,429	\$ 933,861
Bank debt	1,486,822	282,866
Shareholders equity	8,503,299	9,475,944

10. COMMITMENTS

Effective December 1, 2008 TRAFINA has entered into a lease arrangement for office space. The Company's total rent obligation for 2008 is \$23,000 and its remaining rent obligation for 2009 is \$117,000

NOTES TO FINANCIAL STATEMENTS (unaudited)

For the three and nine months ended September 30, 2008 and 2007

11. RELATED PARTY TRANSACTIONS

A law firm of which the Corporate Secretary is a partner provides general and corporate legal services to the Company. For the nine months ended September 30, 2008, general and administrative expenses billed from this related party are approximately \$160,000. Included in accounts payable and accrued liabilities at September 30, 2008 is approximately \$30,000 owing to this related party

12. SUBSEQUENT EVENTS

In October, 2008 the Board of Directors' approved the Company to sell Class A common shares to the CEO and CFO of the Company. The total amount of shares available to be purchased is 900,000 at a price of \$0.40 per share.

On November 17, 2008 the Company entered into an engagement agreement with a syndicate of underwriters, relating to the private placement offering, on a bought deal basis of 4,700,000 Class A shares on a Flow-Through basis at a price of \$0.43 per share for aggregate gross proceeds of \$2,021,000. Closing is anticipated to occur on or about November 28, 2008 and is subject to various TSX Venture Exchange approvals.