

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") is a review of TRAFINA Energy Ltd's (the "Company" or "TRAFINA") financial results for the three and nine month periods ended September 30, 2008 and should be read in conjunction with the unaudited interim financial statements and accompanying notes as at and for the three and nine months ended September 30, 2008 and the audited financial statements and MD&A for the year ended December 31, 2007. The MD&A is dated November 24, 2008.

All references to dollar values refer to Canadian dollars, unless otherwise stated.

In this MD&A, reserves and production are commonly stated in barrels of oil equivalent (BOEs) on the basis that six thousand cubic feet (Mcf) of natural gas is equivalent to one barrel of oil (Bbl). BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent an equivalency of value at the wellhead.

## FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A contains forward-looking statements. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Corporation. These risks include, but are not limited to: the risks associated with the oil and natural gas industry, commodity prices, and exchange rate changes. Industry related risks include, but are not limited to: operational risks in exploration, development and production of oil and natural gas and production risks associated with sour hydrocarbons, dependence on third-party owned and operated production facilities, availability of skilled personnel and services, failure to obtain industry partners, regulatory and other third-party consents and approvals, delays or changes in plans, risks associated with the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of reserves, production, costs and expenses. The risks outlined above should not be construed as exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by applicable securities laws, the Corporation undertakes no obligation to update or revise any forward-looking statements.

## NON-GAAP MEASURES

The MD&A uses the term "cash flow from (used in) operations", which is not defined under Canadian GAAP ("GAAP") and should not be considered an alternative to, or more meaningful than, cash flow from (used in) operating activities as determined in accordance with Canadian GAAP as an indicator of the Corporation's performance. TRAFINA's determination of cash flow from (used in) operations may not be comparable to that reported by other companies. The Corporation also presents cash flow from (used in) operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Management believes that in addition to cash flow from operating activities, cash flow from (used in) operations is a useful supplemental measure as it demonstrates TRAFINA's ability to generate cash necessary to repay debt or fund future growth through capital investment before changes in non-cash working capital balances. Investors are cautioned, however, that the measure should not be construed as an alternative to cash flow from operating activities determined in accordance with GAAP as an indication of TRAFINA's performance.

The following table reconciles cash flow from (used in) operating activities to cash flow from (used in) operations:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Cash flow from operations	\$299,256	\$329,250	\$367,432	\$797,312
Change in non-cash operating items	(5,373)	(524,847)	243,568	(1,867,827)
Cash flow from (used in) operating activities	293,883	\$(195,597)	\$611,000	\$(1,070,515)

## SELECTED FINANCIAL INFORMATION

	For the three months ended September 30		
	2008	2007	% Change
Total gross oil and gas revenue (\$)	1,609,142	1,176,605	+37
Royalties (\$)	242,377	129,299	+87
Operating, processing, and transportation expenses (\$)	483,627	350,735	+38
Cash flow from operations <sup>(1)</sup> (\$)	299,256	329,250	-9
per basic common share (\$)	0.05	0.06	
per diluted common share (\$)	0.05	0.06	
Weighted average basic shares	5,754,575	5,782,472	---
Weighted average diluted shares	5,754,575	5,782,472	---
Loss before income taxes (\$)	(367,632)	(244,418)	---
Net loss (\$)	(187,767)	(248,418)	---
per basic common share (\$)	(0.03)	(0.04)	
per diluted common share (\$)	(0.03)	(0.04)	
Capital expenditures (\$)	2,221,314	445,104	+399
Total assets (\$)	17,090,702	15,234,828	+12
Net debt <sup>(2)</sup> (\$)	4,921,251	943,873	+421

(1) Cash flow from (used in) operations is a Non-GAAP Measure. See "Non-GAAP Measures" in this Management's Discussion and Analysis.

(2) Net debt consists of accounts payable and accrued liabilities plus bank debt less current assets.

	For the nine months ended September 30		
	2008	2007	% Change
Total gross oil and gas revenue (\$)	4,254,044	3,474,167	+22
Royalties (\$)	601,004	408,141	+47
Operating, processing, and transportation expenses (\$)	1,298,960	1,155,472	+12
Cash flow from operations <sup>(1)</sup> (\$)	367,432	797,312	-54
per basic common share (\$)	0.06	0.14	
per diluted common share (\$)	0.06	0.14	
Weighted average basic shares	5,764,155	5,763,103	---
Weighted average diluted shares	5,764,155	5,763,103	---
Loss before income taxes (\$)	(1,330,134)	(896,501)	---
Net loss (\$)	(942,269)	(693,501)	---
per basic common share (\$)	(0.16)	(0.12)	
per diluted common share (\$)	(0.16)	(0.12)	
Capital expenditures (\$)	4,031,080	2,480,879	+62
Total assets (\$)	17,090,702	15,234,828	+12
Net debt (\$)	4,921,251	943,873	+421

(1) Cash flow from (used in) operations is a Non-GAAP Measure. See "Non-GAAP Measures" in this Management's Discussion and Analysis.

(2) Net debt consists of accounts payable and accrued liabilities plus bank debt less current assets.

## PRODUCTION

Production for the three and nine months ended September 30, 2008 and 2007

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Natural gas	<b>1,343 mcf/day</b>	1,191 mcf/day	13 %	<b>1,249 mcf/day</b>	1,314 mcf/day	-5 %
Oil and natural gas liquids	<b>55 bbls/day</b>	52 bbls/day	6 %	<b>51 bbls/day</b>	43 bbls/day	19 %
Total production	<b>279 boe/day</b>	251 boe/day	12 %	<b>259 boe/day</b>	262 boe/day	1 %

TRAFINA's production for the three months ended September 30, 2008 increased 12% over the same period in 2007. The main reason for the increase was the September commencement of new production from 16 gas wells relating to TRAFINA's 2008 capital program, in addition to 2 oil wells, which started production in July. Production for the nine months ended September 30, 2008 remained flat compared to the nine months ended September 30, 2007, mainly due to natural declines being offset by new production.

## BENCHMARK PRICES

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
AECO daily spot price	<b>\$7.73/mcf</b>	\$5.17/mcf	<b>\$8.63/mcf</b>	\$6.55/mcf
West Texas Intermediate (WTI)	<b>US\$118.21/bbl</b>	US\$75.38/bbl	<b>US\$113.34/bbl</b>	US\$66.10/bbl
Edmonton Par	<b>\$122.50/bbl</b>	\$80.70/bbl	<b>\$115.82/bbl</b>	\$73.69/bbl
US/CDN \$ average exchange rate	<b>0.97</b>	0.94	<b>0.99</b>	0.89

The Alberta daily AECO spot price started to decline in the third quarter of 2008 to average \$7.73/mcf for the three months ended September 30, 2008. Lower demand for natural gas and an absence of turbulent weather conditions have been contributing factors to the decline in natural gas prices. Crude oil prices also started to decline over the three months ended September 30, 2008, as demand weakened with concerns regarding the global credit crisis and a possible global recession.

## CORPORATE REALIZED PRICES

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Natural gas	<b>\$7.89/mcf</b>	\$7.97/mcf	<b>\$8.64/mcf</b>	\$8.11/mcf
Oil and natural gas liquids	<b>\$125.39/bbl</b>	\$63.00/bbl	<b>\$93.38/bbl</b>	\$48.42/bbl
Total	<b>\$62.75/boe</b>	\$50.99/boe	<b>\$59.89/boe</b>	\$48.61/boe

TRAFINA's average natural gas price for the three and nine months ended September 30, 2008 was \$7.89/mcf and \$8.64/mcf respectively, which was relatively flat compared to the same period in 2007. The Company's average oil and natural gas liquids pricing for the three and nine months ended September 30, 2008 was \$125.39/bbl and \$93.38/bbl respectively. The significant increase in the 2008 average oil and natural gas liquids pricing over the same periods in 2007 was mostly due to increased global demand.

## REVENUE

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Natural gas	<b>\$974,897</b>	\$872,865	<b>\$2,948,380</b>	\$2,910,359
Oil and natural gas liquids	<b>634,245</b>	303,740	<b>1,305,664</b>	563,808
Total revenue	<b>\$1,609,142</b>	\$1,176,605	<b>\$4,254,044</b>	\$3,474,167

Revenues for the three months ended September, 2008 were \$1,609,142, representing a 36% increase over the same period in 2007. The increase in price was a result of higher average crude oil and natural gas liquids prices and an increase in gas production. For the period of nine months ended September 30, 2008, revenues increased 22% over 2007 numbers, mostly a result of higher oil and natural gas liquids prices.

## ROYALTIES

	Three Months Ended September 30				Nine Months Ended September 30			
	2008	Royalty as % of sales	2007	Royalty as % of sales	2008	Royalty as % of sales	2007	Royalty as % of sales
Royalty	\$242,377	15%	\$129,299	11%	\$601,004	14%	\$408,141	12%

Royalties increased in amount and percentage of sales for the three and nine months ended September 30, 2008 compared to the same periods in 2007. The increase was mainly due to an increase in sales prices and new producing wells with higher royalty ratios.

## OPERATING EXPENSE

	Three Months Ended September 30				Nine Months Ended September 30			
	2008	\$/boe	2007	\$/boe	2008	\$/boe	2007	\$/boe
Operating expenses	\$483,627	\$18.86	\$350,735	\$15.20	\$1,298,960	\$18.30	\$1,155,472	\$16.17

Operating expenses including processing and transportation costs in the three months ended September 30, 2008 were \$18.86/boe, which increased 24% over the same period in 2007. The increase was mainly due to non-operated workover costs for wells in the Company's Wetaskiwin area and a general increase in field servicing charges. Operating expenses for the nine months ended September 30, 2008 and September 30, 2007 were \$18.30/boe and \$16.17/boe respectively. In addition to the general increase in field servicing charges period over period, operating costs increased in 2008 due to the introduction of sour oil production at Wetaskiwin and a prior period salt water disposal adjustment.

## FIELD NETBACK

	Three Months Ended September 30				Nine Months Ended September 30			
	2008	\$/boe	2007	\$/boe	2008	\$/boe	2007	\$/boe
Petroleum and natural gas sales	\$1,609,142	\$62.75	\$1,176,605	\$50.99	\$4,254,044	\$59.90	\$3,474,167	\$48.61
Royalty	(242,377)	\$9.45	(129,299)	\$5.60	(601,004)	\$8.46	(408,141)	\$5.71
Operating expenses	(483,627)	\$18.86	(350,735)	\$15.20	(1,298,960)	\$18.30	(1,155,472)	\$16.17
Field netback	\$883,138	\$34.44	\$696,571	\$30.19	\$2,354,080	\$33.14	\$1,910,554	\$26.73
Sales volumes (boe)	25,644		23,077		71,025		71,468	

TRAFINA's average field netback increased 14% to \$34.44/boe and 24% to \$33.14/bble for the three and nine months ended September 30, 2008, compared to the same periods in 2007. Higher revenues, partially offset by higher royalty and operating expenses in 2008 were the main reason for the lift in field netback per boe.

## GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSE

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
G&A	\$377,557	\$377,784	\$1,373,610	\$1,174,997
G&A per boe	\$14.72	\$16.37	\$19.34	\$16.44

General and administrative expenses for the three months ended September 30, 2008 were mainly flat compared to the same period in 2007. The increase in G & A expense in the nine months ended September 30, 2008 was mainly due to a severance payment of \$284,000 to an executive officer in the first quarter of 2008.

## PROVISION FOR SEMCANADA RECEIVABLE

On July 22, 2008 SemGroup (the parent organization of the Canadian firms that market the majority of the Corporation’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. After review, the Company increased its initial bad debt expense by another \$225,551. At September 30, 2008 TRAFINA has recorded a total amount of \$604, 861 of bad debt expense pertaining to the SemCanada Crude and SemCanada Energy.

## STOCK BASED COMPENSATION EXPENSE

Stock based compensation expense totaled \$3,500 and \$10,500 for the three and nine months ended September 30, 2008 compared to \$4,000 and \$9,000 in the same periods for 2007. The stock based compensation expense relates to 30,000 stock options granted in December 2006 and May 2007.

## DEPLETION, DEPRECIATION, AND ACCRETION

Depletion, depreciation and accretion expense was \$625,014 and \$1,648,692 for the three and nine months ended September 30, 2008 compared to \$556,668 and \$1,618,813 for the same periods in 2007. The average rate for depletion, depreciation and accretion of oil and gas assets for the three and nine months ended September 30, 2008 (\$24.37 - \$23.21) was relatively flat compared to the same periods in 2007 (\$24.12 - \$22.65)

## INCOME TAXES

The Company recorded an income tax reduction of \$179,865 and \$387,865 in the three and nine months ended September 30, 2008. For the three months ended September 30, 2007, the Company recorded \$4,000 as a provision for income taxes and recorded a reduction for income taxes of \$203,000 in the nine months ended September 30, 2007.

## NET LOSS

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Net loss	\$187,767	\$248,418	\$942,269	\$693,501

For the three months ended September 30, 2008, the Company recorded a net loss of \$187,767, which was lower than the net loss of \$248,418 reported in the three months ended September 30, 2007. Higher revenues and a future tax reduction, partially offset by higher royalties, higher operating costs and bad debt expense resulted in a reduction in net loss over the period. For the nine months ended September 30, 2008 the Company had a net loss of \$942,269 versus a net loss of \$693,501 in the same period over 2007. Higher revenues and a reduction for income taxes in the nine months ended September 30, 2008, were offset by higher royalties, operating expenses and higher G&A costs due to severances. In addition, the Company recorded bad debt expense totaling \$604,861.

## CASH FLOW FROM OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Net loss	<b>\$(187,767)</b>	\$(248,418)	<b>\$(942,269)</b>	\$(693,501)
Add back items not involving cash:				
Depletion and accretion	<b>625,014</b>	556,668	<b>1,648,692</b>	1,618,813
Future income taxes	<b>(141,491)</b>	17,000	<b>(349,491)</b>	(137,000)
Stock-based compensation	<b>3,500</b>	4,000	<b>10,500</b>	9,000
Cash flow from operations	<b>\$299,256</b>	\$329,250	<b>\$367,432</b>	\$797,312
Cash flow per share –basic	<b>\$0.05</b>	\$0.06	<b>\$0.06</b>	\$0.14

Cash flow from operations for the three and nine months ended September 2008 decreased 9% to \$299,256 and decreased 54% to \$367,432 respectively from the same periods in 2007. This was mostly due to higher revenues, partially offset by higher royalty and operating costs, in addition to an increase in administration costs relating to bad debt expense and a severance payment.

## NETBACK ANALYSIS

The following table reconciles field netback (non-GAAP) to cash flow from operations (non-GAAP) to net earnings (GAAP) for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenue	<b>\$1,609,142</b>	\$1,176,605	<b>\$4,254,044</b>	\$3,474,167
Royalty	<b>(242,377)</b>	(129,299)	<b>(601,004)</b>	(408,141)
Operating expenses	<b>(483,627)</b>	(350,735)	<b>(1,298,960)</b>	(1,155,472)
Field netback	<b>883,138</b>	696,571	<b>2,354,080</b>	1,910,554
General and Administrative	<b>(377,557)</b>	(377,784)	<b>(1,373,610)</b>	(1,174,997)
Interest	<b>(19,147)</b>	(2,537)	<b>(46,551)</b>	(4,245)
Current tax	<b>38,374</b>	13,000	<b>38,374</b>	66,000
Bad debt	<b>(225,551)</b>	---	<b>(604,861)</b>	---
Cash flow from operations	<b>299,256</b>	329,250	<b>367,432</b>	797,312
Depletion and accretion	<b>(625,014)</b>	(556,668)	<b>(1,648,692)</b>	(1,618,813)
Future income taxes	<b>141,491</b>	(17,000)	<b>349,491</b>	137,000
Stock-based compensation	<b>(3,500)</b>	(4,000)	<b>(10,500)</b>	(9,000)
Net loss	<b>\$(187,767)</b>	\$(248,418)	<b>\$(942,269)</b>	\$(693,501)

## BANK DEBT

TRAFINA had bank debt of \$1,486,822 as at September 30, 2008. TRAFINA has a demand revolving operating credit facility with a Canadian chartered bank under which it can borrow up to \$3.5 million. The facility bears interest at the bank's prime rate plus 0.75 percent per annum. The loan is secured by a floating charge demand debenture in the amount of \$10,000,000 over the Corporation'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.

## WORKING CAPITAL

At September 30, 2008, the Company had a working capital deficit, excluding bank debt, of \$3,434,429 primarily due to its capital program. At September 30, 2008, the Company had access to un-drawn credit facilities of \$2,013,178. The net debt and working capital deficiency at September 30, 2008 was \$4,921,251. 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.

## CAPITAL EXPENDITURES

The following table summarizes the capital expenditures for the three and nine months ending September 30, 2008 and 2007.

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Land and Seismic	\$2,685	\$---	\$2,685	\$14,215
Drilling, completions and recompletions	513,497	233,826	2,069,620	1,542,215
Equipping and facilities	1,704,382	135,091	1,958,025	781,066
Other	750	76,187	750	143,383
Total capital expenditures	\$2,221,314	\$445,104	\$4,031,080	\$2,480,879

Capital expenditures for the nine months ended September 30, 2008 were mostly comprised of drilling and equipping a total of 21 gross (8 net) wells, with 19 gross (7.75 net) wells drilled in the Company's Wetaskiwin area and 2 gross (0.25 net) wells drilled in the Company's Jenner area. The remaining capital expenditures consisted of equipping and tie-in costs for wells drilled in 2007 and facility costs.

## OUTSTANDING SHARE DATA

TRAFINA is authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares and an unlimited number of preferred shares. As at November 24, 2008, 5,702,472 Class A voting common shares were issued and outstanding.

## CONTRACTUAL OBLIGATIONS

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.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates. Estimates which are critical and/or significant for TRAFINA include the estimates of reserves, depletion and depreciation, asset retirement obligation, stock-based compensation and the ceiling test. Changes in these estimates could have a material impact on the Corporation's financial results and financial condition.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

In February 2008, the CICA Accounting Standard Board (“AcSB”) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The AcSB issued the “omnibus” exposure draft of IFRS with comments due by July 31, 2008, wherein early adoption by Canadian entities is also permitted. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking and the impacts on our financial statements are unknown at this time.

The use of IFRS for financial reporting in Canada will become applicable for TRAFINA for the year beginning January 1, 2011. We are currently in the process of researching and developing an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS.

## **TRANSACTIONS WITH RELATED PARTIES**

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.

## **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

In the fourth quarter of 2007, TRAFINA entered into a consulting agreement with an executive officer of TRAFINA, on terms and conditions customary for a public company such as TRAFINA. In that regard, the executive officer of TRAFINA is entitled to receive a monthly consulting fee and benefits, as well as other compensation for services provided to TRAFINA. The consulting contract is due to expire on October 31, 2008.

Directors of TRAFINA are paid a fee of \$300 for each Board meeting attended, \$300 for each Audit Committee, Reserve Committee, and Compensation Committee meeting attended, and an annual retainer of \$2,000. The directors are also entitled to reimbursement for out-of-pocket expenses incurred in connection with attending board meetings, committee meetings or information meetings.

During the three and nine months ended September 30, 2008, \$41,700 and \$156,000 in aggregate was paid or payable by TRAFINA to an executive officer and directors of TRAFINA. TRAFINA paid consulting fees of \$35,700 and \$101,700 to another executive officer of TRAFINA during the three and nine months ended September 30, 2008.

## HISTORICAL QUARTERLY FINANCIAL INFORMATION

Outlined below is a table of historical quarterly financial information over the last eight quarters:

	2008			2007			2006	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Production (boepd)	279	281	248	290	251	264	271	314
Revenue (\$)	1,609,142	1,505,335	1,124,135	1,123,890	1,176,605	1,164,516	1,133,046	1,417,387
Fund flow from (used-in) operations (\$)	299,256	80,645	(12,469)	340,948	329,250	288,472	179,590	471,892
Funds flow per basic common share	\$0.05	\$0.01	---	\$0.06	\$0.06	\$0.05	\$0.03	\$0.08
Funds flow per diluted common share	\$0.05	\$0.01	---	\$0.06	\$0.06	\$0.05	\$0.03	\$0.08
Net loss (\$)	(187,767)	(417,464)	(337,038)	(11,755)	(248,418)	(219,302)	(225,781)	(43,143)
Net loss per basic common share	\$(0.03)	\$(0.07)	\$(0.06)	---	\$(0.04)	\$(0.04)	\$(0.04)	\$(0.01)
Net loss per basic common share	\$(0.03)	\$(0.07)	\$(0.06)	---	\$(0.04)	\$(0.04)	\$(0.04)	---

Commencing in 2007 funds flow from (used-in) operations increased quarter over quarter except for the fourth quarter. In the first quarter of 2008, the Company had funds used-in operations of \$12,469. This was a result of increased administrative expenses relating to a severance payment. In the following two quarters the Company recorded bad debt expense of \$379,310 and \$225,551 respectively. Total bad debt expense related to the filing for creditor protection of SemCanada Energy (natural gas) and SemCanada Crude (oil). In the fourth quarter of 2007, the Company had a net loss amount that was lower compared to other quarters as a result of income tax recoveries. In the first two quarters of 2008, larger net losses were recorded mainly as a result of a severance payment and bad debt expense. The third quarter of 2008 slightly recovered mostly due to higher commodity prices.