



TRAFINA ENERGY LTD.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD ON THURSDAY, JUNE 2, 2011**

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the "**Meeting**") of the holders of Class A common shares ("**Shares**") of Trafina Energy Ltd. (the "**Corporation**") will be held in the Cardium Room, Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta on Thursday, June 2, 2011 at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive the audited financial statements of the Corporation as at and for the year ended December 31, 2010 together with the report of the auditors thereon;
2. to fix the number of directors to be elected at six and to elect directors of the Corporation for the ensuing year, as described in the Management Information Circular accompanying this Notice;
3. to appoint auditors of the Corporation for the ensuing year at a remuneration to be determined by the board of directors of the Corporation, as described in the Management Information Circular accompanying this Notice;
4. to approve the Corporation's existing stock option plan, as described in the Management Information Circular accompanying this Notice;
5. the transaction of such other business as may properly be brought before the Meeting or any adjournment(s) thereof.

Shareholders are referred to the accompanying Management Information Circular dated April 29, 2011 (the "**Management Information Circular**") for more detailed information with respect to the matters to be considered at the Meeting.

If you are a *registered* shareholder of the Corporation and are unable to attend the Meeting in person, please date, complete and sign the enclosed form of proxy and hand deliver, mail or fax it to the office of Computershare Trust Company of Canada (Attention: Proxy Department), 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, facsimile: toll free in North America 1-866-249-7775, and outside North America (416) 263-9524. In order to be valid and acted upon at the Meeting or any adjournment thereof, proxies must be received at the aforesaid address by no later than forty-eight (48) hours (excluding Saturday, Sunday and statutory holidays) prior to the commencement of the Meeting of adjournment thereof.

If you are an *unregistered* shareholder of the Corporation and receive these materials through your broker or another intermediary, please date, complete, sign and return the form of proxy or voting instruction form provided by your broker or other intermediary in accordance with the instructions provided therein.

Only registered shareholders as at April 28, 2011, the record date for the Meeting, and their duly appointed proxyholders will be entitled to vote at the Meeting.

DATED at Calgary, Alberta this 29th day of April, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

By: (signed) "Kelly J. Ogle"
Kelly J. Ogle
President and Chief Executive Officer

TRAFINA ENERGY LTD.

MANAGEMENT INFORMATION CIRCULAR

For the Annual General and Special Meeting of Shareholders
to be held at 10:00 a.m. (Calgary time) on Thursday, June 2, 2011
in the Cardium Room, Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta

GENERAL PROXY INFORMATION

Solicitation of Proxies by Management

This management information circular (the "**Information Circular**") is furnished in connection with the solicitation by management of Trafina Energy Ltd. (the "**Corporation**") of proxies to be used at the Annual General and Special Meeting (the "**Meeting**") of the holders ("**Shareholders**") of Class A common shares ("**Shares**") of the Corporation to be held at 10:00 a.m. (Calgary time) on Thursday, June 2, 2011 in the Cardium Room, Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta for the purposes set forth in the accompanying Notice of Annual General and Special Meeting ("**Notice of Meeting**") and in this Information Circular, and at any adjournments thereof.

Solicitation of proxies will be primarily by mail, but may also be by telephone, facsimile, electronic or oral communication by directors, officers and employees of the Corporation. Such directors, officers and employees of the Corporation will not receive any extra compensation for such activities. The Corporation may pay to intermediaries holding Shares in their names for others prescribed fees for the sending of the Notice of Meeting, this Information Circular and the instrument of proxy ("**Instrument of Proxy**") furnished by the Corporation and accompanying this Information Circular to the persons for whom they hold Shares. The cost of the solicitation of proxies will be borne by the Corporation.

No director of the Corporation has informed management in writing that he intends to oppose any action intended to be taken by management at the Meeting.

Information contained in this Information Circular is given as of April 29, 2011, unless otherwise specifically stated.

Appointment and Revocation of Proxy

A Shareholder wishing to have their Shares voted at the Meeting by proxy must deposit a properly executed Instrument of Proxy or other appropriate form of proxy in accordance with the instructions set forth in this Information Circular.

In order to be valid and acted upon at the Meeting, a properly executed Instrument of Proxy or other appropriate form of proxy must be deposited at the office of Computershare Trust Company of Canada, Attention: Proxy Department by hand delivery or mail: 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 or by facsimile: toll free in North America 1-866-249-7775, and outside North America (416) 263-9524, not later than forty-eight (48) hours (excluding Saturday, Sundays and statutory holidays) prior to the commencement of the Meeting or any adjournment thereof.

The persons named in the accompanying Instrument of Proxy are officers and directors of the Corporation. A Shareholder entitled to vote at the Meeting may appoint a person (who need not be a Shareholder) other than the individuals named in the accompanying Instrument of Proxy to represent the Shareholder at the Meeting by inserting the name of the desired representative in the blank space provided in the Instrument of Proxy or by submitting another appropriate proxy.

A Shareholder that has given a proxy may revoke it: (a) by depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, in its corporate name under its corporate seal or by an officer or attorney thereof authorized in writing, (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the chair of the Meeting on the day of the Meeting or any adjournment thereof, prior to the commencement of the Meeting; or (b) in any other manner permitted by law.

The registered and head office of the Corporation is located at Suite 2210, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8.

The foregoing information regarding appointment of proxyholders and revocation of proxies is generally applicable only to *registered* Shareholders, being persons who are recorded as holders of Shares on the register of shareholders maintained on behalf of the Corporation by its registrar and transfer agent. A significant number of persons who beneficially own Shares hold such Shares in a brokerage account or through some other intermediary. In almost all cases, a person whose Shares are held through a broker or other intermediary will not be a registered Shareholder, and should refer to the information set forth below under the heading "Advice to Beneficial Holders of Shares".

Exercise of Discretion by Proxyholders

On any ballot that may be called for at the Meeting or any adjournment thereof, the persons named in the accompanying Instrument of Proxy will vote or withhold from voting the Shares in respect of which they are appointed proxyholder in accordance with the instructions of the Shareholder appointing them. **In the absence of such direction, such Shares will be voted FOR each of the matters referred to in the Notice of Meeting and in this Information Circular.**

The accompanying Instrument of Proxy confers discretionary authority on the persons named therein to vote Shares and otherwise act in the proxyholder's discretion with respect to any amendments or variations to matters identified in the Notice of Meeting and with respect to any other matters that may properly come before the Meeting or any adjournment thereof. As at the date hereof, management of the Corporation knows of no such amendments or variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Signing of Proxy

An instrument appointing a proxyholder must be in writing and must be executed by the Shareholder or their attorney authorized in writing or, if the Shareholder is a corporation, in its corporate name under its corporate seal or by an officer or attorney thereof authorized in writing. A proxy signed by a person acting as attorney, executor, administrator, trustee or in some other representative capacity should indicate their capacity following their signature and be accompanied by evidence of their qualification and authority to act.

Voting Securities

As at the date hereof, there are 55,676,262 Shares issued and outstanding, each carrying the right to one vote per share at the Meeting.

Record Date

The directors of the Corporation have established the close of business on April 28, 2011 as the record date for determining the Shareholders entitled to receive notice of the Meeting. In accordance with the provisions of the *Business Corporations Act* (Alberta), the Corporation will prepare a list of the Shareholders recorded as holders of Shares on its register of shareholders as of the close of business on April 28, 2011, each of whom shall be entitled to vote the Shares shown opposite their name on the list at the Meeting or any adjournment thereof, except to the extent that: (a) a Shareholder has transferred the ownership of any of their Shares subsequent to that record date; and (b) the transferee produces properly endorsed share certificates or otherwise establishes that the transferee owns the transferred Shares and demands, not later than 10 days before the Meeting, that the transferee's name be included on the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Shares at the Meeting or any adjournment thereof.

Principal Holders of Shares

To the knowledge of the directors and executive officers of the Corporation, as at the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to all issued and outstanding Shares of the Corporation, except as follows:

<u>Name and Province/ Country of Residence</u>	<u>Number of Shares</u>	<u>Percentage of Total Shares Outstanding⁽¹⁾</u>
The Absolute Resource Company L.P. ("Absolute") ⁽²⁾ <i>Road Town, Tortola, British Virgin Islands</i>	6,799,500	12.21%

Notes:

- (1) Based on 55,676,262 Shares issued and outstanding.
- (2) The Absolute Resource Company L.P. is managed by its Investment Manager and Portfolio Manager, Mackie Research Capital Corporation. Absolute holds 3,429,500 Common Share purchase warrants exercisable at a price of \$0.45 per Share prior to October 21, 2012. Each Common Share purchase warrant entitles Absolute to purchase one Common Share for each Common Share purchase warrant held.

Advice to Beneficial Holders of Shares

The following information is important to a Shareholder (referred to in this Information Circular as a "**Beneficial Shareholder**") that beneficially owns Shares but does not appear on the records of the Corporation as the *registered* holder thereof. Such Shares are instead typically registered in the name of a broker or other intermediary (including trustees or administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans) or in the name of a depository of which the intermediary is a participant.

Beneficial Shareholders are advised that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the *registered* holders of Shares will be recognized and acted upon at the Meeting.

Shares listed in an account statement provided to a Shareholder by a broker will, in most cases, *not* be registered in the Shareholder's own name on the records of the Corporation. Such Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Shares are registered in the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. The directors and officers of the Corporation do not know for whose benefit Shares registered in the name of brokers or their agents or nominees are held. Without specific instructions, a broker and its agents and nominees are prohibited from voting Shares on behalf of their clients. **Beneficial Shareholders should therefore ensure that instructions regarding the voting of their Shares are communicated to the appropriate person well in advance of the Meeting.**

Applicable regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to their clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. In some cases, a form of proxy supplied to a Beneficial Shareholder by its broker (or the broker's agent or nominee) will be identical to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or its agent or nominee) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares and mails to Beneficial Shareholders a machine-readable voting instruction form and asks Beneficial Shareholders to return the forms to Broadridge or otherwise communicate their voting instructions to Broadridge by calling a toll-free telephone number or accessing Broadridge's dedicated voting website. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote Shares directly at the Meeting. Voting instructions must be communicated to Broadridge (in accordance with the instructions provided by it) well in advance of the Meeting in order to have the Shares to which such instructions relate voted at the Meeting.**

Although a Beneficial Shareholder will not be recognized directly at the Meeting for the purposes of voting Shares that are registered in the name of his or her broker or other intermediary (or an agent or nominee thereof), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the Instrument of Proxy provided to them and return the same to their broker or other intermediary (or its agent) in accordance with the instructions provided by such broker or other intermediary (or agent) well in advance of the Meeting.

Beneficial Shareholders should contact their broker or other intermediary if they have any questions regarding the voting of Shares held through that broker or other intermediary.

ANNUAL MEETING MATTERS

Financial Statements and Auditors' Report

The audited financial statements of the Corporation as at and for the year ended December 31, 2010, together with the report of the auditors thereon, were mailed to Shareholders together with this Information Circular and will be placed before the Shareholders at the Meeting. No formal action will be taken at the Meeting to approve the financial statements, which have already been approved by the board of directors ("**Board**" or "**Board of Directors**") of the Corporation.

Election of Directors

The articles of the Corporation provide for the Board to consist of between three and ten directors, the number to be determined by resolution of the directors. The articles further provide that the directors may appoint additional directors until the next annual meeting of Shareholders but the total number of directors so appointed shall not exceed one-third of the number of directors who held office at the expiration of the last annual meeting of the Corporation. The Board presently consists of six directors and it is proposed that six directors be elected at the Meeting.

Number of Directors to be Elected

The size of the Board of Directors is currently six directors. As stated above, it is proposed that six directors be elected at the Meeting. At the Meeting, Shareholders will be asked to consider and, if deemed advisable, approve an ordinary resolution that the number of directors to be elected be fixed at six.

Unless otherwise directed by the Shareholders appointing them as proxyholder, the persons named in the accompanying Instrument of Proxy intend to vote FOR fixing the number of directors to be elected at six.

Nominees for Election as a Director

It is proposed that the following persons be elected as Directors of the Corporation: Robert W. Lamond, Kelly J. Ogle, Charles A. (Tony) Teare, Donald J. Douglas, Roland T. Valentine and Russell J. Kalmacoff. As stated above, all of the current nominees were directors of the Corporation during 2010. Each person elected as a director of the Corporation will hold office until the next annual meeting of the Shareholders or until his successor is duly elected or appointed or his office is earlier vacated in accordance with the *Business Corporations Act* (Alberta) and the articles and by-laws of the Corporation.

The following table sets forth the name and province and country of residence of each person proposed to be nominated for election as a director, the date each first became a director of the Corporation, the current principal occupation, business or employment of each proposed nominee and their principal occupation, business or employment during the past five years, and the number of Shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as at the date hereof.

Name and Province/Country of Residence	Principal Occupation	Date First Became a Director	Securities Beneficially Owned or Controlled ⁽¹⁾
Robert W. Lamond ⁽⁴⁾⁽⁵⁾ Alberta, Canada	Chairman of the Board. Also, Chairman of the Board and President and Chief Executive Officer of; Diaz Resources Ltd. (" Diaz Resources ") (a Toronto Stock Exchange (" TSX ") listed oil and gas exploration and development company), Humboldt Capital Corporation (" Humboldt ") (a TSX Venture Exchange (" TSXV ") listed investment company), Sharon Energy Ltd. (" Sharon "), and Tuscany Energy Ltd. (" Tuscany ") (both TSXV listed oil and gas exploration and development companies.)	October 3, 2008	3,001,000 Shares ⁽⁶⁾ 743,100 Warrants ⁽⁶⁾ 75,000 Options ⁽⁸⁾
Kelly J. Ogle ⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	President and Chief Executive Officer of the Corporation. Previously, President and Chief Executive Officer of Upper Lake Oil and Gas Ltd. (a TSX listed oil and gas exploration and development company). Prior thereto, Mr. Ogle was President of Diamond Tree Energy Ltd. (a TSX listed oil and gas company) (and Diamond Tree Resources Ltd., a private oil and gas company) from October 2004 until October 12, 2007.	October 3, 2008	779,185 Shares ⁽⁷⁾ 274,685 Warrants ⁽⁷⁾ 650,000 Options ⁽⁸⁾
Charles A. (Tony) Teare ⁽²⁾⁽⁵⁾ Alberta, Canada	Executive Vice-President and director of; Diaz Resources, Humboldt, Sharon, and Tuscany.	October 3, 2008	65,800 Shares 75,000 Options ⁽⁸⁾
Donald J. Douglas ⁽²⁾⁽³⁾ Alberta, Canada	President and Chief Executive Officer of United Inc. (" United ") (a private property development company).	December 24, 1991	1,141,383 Shares ⁽⁹⁾ 214,400 Warrants ⁽⁹⁾ 45,000 Options ⁽⁸⁾
Roland T. Valentine ⁽²⁾⁽³⁾ Alberta, Canada	Independent businessman. Previously Chairman of the Board and Chief Executive Officer of the Corporation from March 2004 to February 2008 and President of the Corporation from December 1991 to March 2004.	December 24, 1991	1,488,000 Shares ⁽¹⁰⁾ 75,000 Options ⁽⁸⁾

Name and Province/Country of Residence	Principal Occupation	Date First Became a Director	Securities Beneficially Owned or Controlled ⁽¹⁾
Russell J. Kalmacoff ⁽²⁾⁽⁴⁾ Alberta, Canada	President, Rockmount Financial Corporation (" Rockmount ") (a private investment company). Mr. Kalmacoff been a director of Olympia Financial Group Inc. (" OFGI ") and its wholly owned subsidiary, Olympia Trust Company, since June 17, 2010. The common shares of OFGI are listed on the TSX Venture Exchange. Mr. Kalmacoff serves on the Compensation, Compliance, Governance and Risk Management Committees of both OFGI and its subsidiary.	July 21, 2000	10,000 Shares ⁽¹¹⁾ 75,000 Options ⁽⁸⁾

Notes:

- (1) Information as to Shares, Warrants and stock options ("Options") granted pursuant to the Stock Option Plan (as defined herein) beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective directors and proposed directors or derived from public filings available at www.sedi.ca.
- (2) Member of the Audit Committee, of which Mr. Teare is the Chairman.
- (3) Member of the Reserves Committee, of which Mr. Valentine is the Chairman.
- (4) Member of the Compensation Committee, of which Mr. Lamond is the Chairman.
- (5) Member of the Governance Committee, of which Mr. Teare is the Chairman.
- (6) Includes Shares or Warrants, as applicable, beneficially owned by Mr. Lamond personally and through holding companies controlled by Mr. Lamond.
- (7) Includes Shares and Warrants, as applicable, beneficially owned by Mr. Ogle personally and through a company controlled by Mr. Ogle.
- (8) See "Executive Compensation - Director Compensation" below.
- (9) Includes Shares and Warrants, as applicable, beneficially owned by Mr. Douglas personally and through holding companies controlled by Mr. Douglas.
- (10) Includes Shares beneficially owned by Mr. Valentine personally and through holding companies controlled by Mr. Valentine.
- (11) Comprised of Shares beneficially owned by Mr. Kalmacoff and through a company controlled by Mr. Kalmacoff.
- (12) No proposed director of the Corporation has, within ten years prior to the date of this Information Circular: (a) been or is, as at the date of this Information Circular, a director or executive officer of any company that: (i) while such person was acting in that capacity or after such person ceased to act in that capacity and one or more of the following events occurred while such person was acting in such capacity, was subject to a cease trade or similar order or an order that denied the company access to any statutory exemption under securities legislation for a period of more than 30 consecutive days; or (ii) while such person was acting in that capacity or within one year of such person ceasing to act in such capacity, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director except as hereinafter set forth. Mr. Douglas was a director of Whitemud Resources Inc. ("Whitemud") from June 2008 until December 20, 2010. On December 15, 2010, Whitemud's senior creditor successfully petitioned to have a receiver and manager appointed of all of Whitemud's assets. On December 16, 2010 the Alberta Securities Commission issued a cease trade order resulting from Whitemud not filing interim unaudited financial statements, interim management's discussion and analysis and certification of interim filings for the interim periods ended September 30, 2010.

At the Meeting, management of the Corporation proposes to nominate for election as directors of the Corporation the persons identified in the table above. **Unless otherwise directed by the Shareholders appointing them as proxyholder, the persons named in the accompanying Instrument of Proxy intend to vote FOR the election of such persons as directors of the Corporation.**

Appointment of Auditors

At the Meeting, management proposes to nominate KPMG LLP for appointment as the auditor of the Corporation for the ensuing year at a remuneration to be determined by the board of directors of the Corporation. KPMG LLP was first appointed auditor of the Corporation on February 23, 1999.

Unless otherwise directed by the Shareholders appointing them as proxyholder, the persons named in the accompanying Instrument of Proxy intend to vote FOR the appointment of KPMG LLP, Chartered Accountants, as the auditor of the Corporation, to hold office until the next annual meeting of the Shareholders, at a remuneration to be determined by the board of directors of the Corporation.

SPECIAL MEETING MATTERS

Annual Approval of Stock Option Plan

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, approve an ordinary resolution approving the Corporation's existing stock option plan (the "**Stock Option Plan**"). Annual shareholder approval of the Stock Option Plan is required by the TSXV. The material terms of the Stock Option Plan are described in this Information Circular (see "Executive Compensation - Stock Option Plan"). The form of ordinary resolution to be considered by Shareholders at the Meeting is as follows:

"BE IT RESOLVED THAT:

1. the Corporation's existing stock option plan is hereby approved; and
2. any one officer or director of the Corporation is hereby authorized to execute and deliver all such documents and to do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution."

Unless otherwise directed by the Shareholders appointing them as proxyholder, the persons named in the accompanying Instrument of Proxy intend to vote FOR the approval of the Corporation's existing stock option plan.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Board of the Corporation as a whole reviews the compensation for the directors and identified executive officers (the "**Named Executive Officers**") annually in consultation with the Compensation Committee. The Compensation Committee is comprised of three members: Robert W. Lamond, Kelly J. Ogle and Russell Kalmacoff. Each of Messrs. Lamond and Kalmacoff are independent directors within the meaning of National Instrument 52-110 *Audit Committees* ("**NI 52-110**"). The primary objective of the Corporation's compensation program is to encourage growth in the Corporation's reserves, production, cash flow and earnings, while focusing on achieving attractive returns on capital in order to enhance shareholder value. To achieve these objectives, the Corporation believes it is critical to create and maintain compensation programs that attract and retain committed, highly qualified personnel by providing appropriate rewards and incentives that align the interest of the officers of the Corporation with those of the Shareholders and provide incentive to the officers to enhance shareholder value.

The Corporation's compensation program is designed to reward performance that contributes to the achievement of the Corporation's business strategy on both a short-term and long-term basis. The Corporation's compensation program is comprised of the following elements: base salary and benefits, annual incentive compensation and long-term equity incentive compensation.

The Corporation pays a base salary to each Named Executive Officer comparable to the Corporation's industry peer group. The Corporation's employee benefit plan consists of medical and dental coverage, life insurance, parking and professional association membership fees. The Named Executive Officers are eligible to participate in the same benefits as offered to all full-time employees. The Corporation does not view these benefits as a significant element of its compensation structure but does believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

Annual incentive compensation consists of bonuses determined and payable at the end of the year based on that year's performance. Upon the recommendation of the Compensation Committee, the Board determined to pay an aggregate bonus of \$115,000 to the Named Executive Officers of the Corporation. In determining to pay the bonuses, the Compensation Committee and the Board considered the overall industry economic environment and based the decision on the ability of each Named Executive Officer to raise funds, increase production and make advantageous asset acquisitions and divestitures in order to mitigate the impact of the economic recession.

Long-term equity-based incentive compensation is an element of the Corporation's compensation policy because it aligns the Named Executive Officers' interests with the interests of Shareholders and rewards long-term performance by allowing the Named Executive Officers to participate in the long-term market appreciation of the Shares. The Named Executive Officers, together with directors, employees and consultants of the Corporation, are entitled to participate in the Stock Option Plan. The Stock Option Plan is the Corporation's only equity compensation plan. See "Compensation Discussion and Analysis - Stock Option Plan" for description of certain terms and provisions of the Stock Option Plan.

The Compensation Committee and Board's approach to determining incentive compensation is subjective in nature, and is not determined based on specified performance criteria, formulaic analysis or specific weighting of results. In this way the Compensation Committee and Board are able to determine incentive compensation in a reasonable and flexible manner, having regard for a variety of factors that influenced the Corporation's performance during the year.

Summary Compensation Table

The following table provides a summary of compensation information for each of the Named Executive Officers for the year ended December 31, 2010.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽¹⁾⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans ⁽³⁾ (\$)	Long-Term Incentive Plans (\$)			
Kelly J. Ogle President and Chief Executive Officer	2010	110,000	-	-	40,000	-	-	-	150,000
	2009	102,000	-	138,306	30,000	-	-	-	270,306
	2008	22,500	-	87,165	3,000	-	-	-	112,665
Gary Taylor Chief Financial Officer	2010	110,000	-	14,017	25,000	-	-	-	149,017
	2009	102,000	-	26,751	15,000	-	-	-	143,751
	2008	21,250	-	26,150	2,000	-	-	-	49,400
Ben VanRootselaar ⁽⁴⁾ Vice-President, Engineering	2010	110,000	-	30,428	30,000	-	-	-	170,428
	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-
Ed Marcinew, ⁽⁵⁾ Vice-President, Exploration	2010	27,500	-	44,821	20,000	-	-	-	92,321
	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-

Notes:

- (1) Value of the Options granted under the Stock Option Plan is calculated using the Black-Scholes model.
- (2) Stock options granted under the Stock Option Plan expire five years following the date of grant and vest as to one-third on the first day following the date of grant, one-third on the first day following the first anniversary of the date of grant and one-third on the first day following the second anniversary of the date of grant.
- (3) Value of annual bonus paid to the Named Executive Officers.
- (4) Mr. VanRootselaar was a consultant to the Corporation from April, 2007 to December 31, 2009 and was remunerated for his services in that capacity.
- (5) Mr. Marcinew was a consultant to the Corporation from December, 2008 to September, 2010. In addition to his compensation as a NEO, from January 1, 2010 until September 30, 2010 Mr. Marcinew received \$70,304 in fees and \$16,001 in option-based awards as a consultant to the Corporation.

Incentive Plan Awards - Outstanding Option-Based Awards

The following table sets forth information with respect to outstanding stock options granted to the Named Executive Officers under the Stock Option Plan as of December 31, 2010, which includes awards granted prior to January 1, 2010. There are no outstanding share-based awards.

Name	Option-Based Awards				
	Number of Securities Underlying Unexercised Options ⁽¹⁾ (#)	Option Grant Date	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽¹⁾⁽²⁾ (\$)
Kelly J. Ogle President and Chief Executive Officer	100,000	December 11, 2009	0.39	December 11, 2014	6,000
	300,000	May 29, 2009	0.40	May 29, 2014	15,000
	250,000	October 8, 2008	0.40	October 8, 2013	12,500
Gary Taylor Chief Financial Officer	50,000	December 22, 2010	0.38	December 22, 2015	3,500
	50,000	December 11, 2009	0.39	December 11, 2014	3,000
	50,000	January 15, 2009	0.30	January 15, 2014	7,500
	100,000	October 30, 2008	0.30	October 30, 2013	15,000
Ben VanRootselaar Vice-President, Engineering	80,000	December 22, 2010	0.38	December 22, 2015	5,600
	20,000	January 21, 2010	0.46	January 21, 2015	Nil
	50,000	December 11, 2009	0.39	December 11, 2014	3,000
	100,000	January 15, 2009	0.30	January 15, 2014	15,000
Ed Marcinew, Vice-President, Exploration	90,000	December 22, 2010	0.38	December 22, 2015	6,300
	70,000	October 1, 2010	0.33	October 1, 2015	8,400
	40,000	January 21, 2010	0.46	January 21, 2015	Nil
	50,000	December 11, 2009	0.39	December 11, 2014	3,000

Notes:

- (1) See Note 2 to "Summary Compensation Table" for more information regarding the vesting of stock options.
- (2) Aggregate dollar amount of in-the-money unexercised stock options held as at December 31, 2010 is calculated based on the difference between the market value of the Shares underlying the stock options as at December 31, 2010, being \$0.45 per Share, and the stock option exercise price.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the aggregate dollar value of option-based awards and non-equity incentive plan compensation that vested or was earned during 2010. There are no outstanding share-based awards.

Name	Option-Based Awards - Value Vested During Year ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation- Value Earned During Year (\$)
Kelly J. Ogle President and Chief Executive Officer	1,667	-
Gary Taylor Chief Financial Officer	4,833	-
Ben VanRootselaar Vice-President, Engineering	8,033	-
Ed Marcinew, Vice-President, Exploration	4,067	-

Note:

- (1) The value of option-based awards vested during the year is the value that would have been realized if the options had been exercised on the vesting date and is calculated as the difference between the price of the Shares on the TSXV on the exercise date and the stock option exercise price. See Note 2 to "Summary Compensation Table" for more information regarding the vesting of stock options.

Stock Option Plan

The Corporation has established the Stock Option Plan for directors, officers, employees and consultants or advisors to the Corporation and its subsidiaries. The Board may designate which directors, officers, employees and other key personnel of the Corporation or its subsidiaries are to be granted stock options to acquire Shares, subject to the restriction that the aggregate number of Shares issuable upon the exercise of stock options granted thereunder shall not exceed 10% of the total number of Shares outstanding, calculated on a non-diluted basis, currently being 55,676,262 Shares. The directors, in compliance with the requirements of the TSX Venture Exchange, determine the exercise price associated with any stock options granted under the Stock Option Plan. The stock options vest on a date set by the directors and expire at a time set by the directors, being not more than five years from the date of grant, provided that any outstanding stock options will expire on a date not exceeding 45 days following the date of termination of employment or service or, in the event of the permanent disability or normal retirement of the optionee, on a date not to exceed 90 days from the date of termination or, in the event of the death of the optionee, on a date not to exceed 180 days from the date of death of the optionee. Stock options granted under the Stock Option Plan are non-assignable. Outstanding stock options granted under the Stock Option Plan may be adjusted in certain events, as to exercise price and number of Shares, to prevent dilution or enlargement.

Stock options are subject to early or accelerated termination upon the occurrence of certain events such as termination of employment (with or without cause), permanent disability, normal retirement or death of the optionholder ("**Optionholder**"). Although stock options are not transferable, stock options held by a deceased or permanently disabled Optionholder may be exercised by the person to whom the Optionholder's rights pass by will or by operation of law. The Stock Option Plan also provides that, in the event of a "change of control" (as defined therein), all outstanding stock options shall immediately vest and become exercisable.

An Optionholder may exercise stock options held to purchase Shares at the exercise price per share provided for under the stock options by making a cash payment to the Corporation of the applicable exercise price.

The Stock Option Plan is the Corporation's only equity compensation plan or arrangement.

Termination of Employment or Change of Control Arrangements

None of the Corporation's Named Executive Officers have written employment agreements with the Corporation.

Director Compensation

The following table provides a summary of compensation information for each of the directors of the Corporation for the year ended December 31, 2010.

Name	Fees Earned⁽¹⁾ (\$)	Share-Based Awards (\$)	Option-Based Awards⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation (\$)	Total (\$)
Robert W. Lamond	-	-	-	-	-	-	-
Charles A. (Tony) Teare	-	-	-	-	-	-	-
Donald J. Douglas	-	-	-	-	-	-	-
Roland T. Valentine	-	-	-	-	-	-	-
Russell J. Kalmacoff	-	-	-	-	-	-	-

Notes:

- (1) Effective October 30, 2008, the Board resolved to cease paying director meeting fees. No other compensation is paid by the Corporation to directors; however, the directors are entitled to reimbursement for out-of-pocket expenses incurred in connection with attending Board meetings, audit committee meetings or information meetings.
- (2) Directors are entitled to participate in the Stock Option Plan. Value of the stock options granted under the Stock Option Plan is calculated using the Black-Scholes model. No Options were granted to directors of the Corporation in 2010.

Director Compensation - Option-Based Awards and Incentive Plan Compensation

The following table sets forth information with respect to outstanding stock options granted to the directors of the Corporation under the Stock Option Plan as of December 31, 2010. There were no option-based awards granted to the directors prior to January 1, 2010, and no Options were granted to directors of the Corporation in 2010. There are no outstanding share-bases awards.

Name	Option-Based Awards				
	Number of Securities Underlying Unexercised Options ⁽¹⁾ (#)	Option Grant Date	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽¹⁾⁽²⁾ (\$)
Robert W. Lamond	30,000 45,000	December 11, 2009 January 15, 2009	0.39 0.30	December 11, 2014 January 15, 2014	1,800 6,750
Charles A. (Tony) Teare	30,000 45,000	December 11, 2009 January 15, 2009	0.39 0.30	December 11, 2014 January 15, 2014	1,800 6,750
Donald J. Douglas	30,000 15,000	December 11, 2009 January 15, 2009	0.39 0.30	December 11, 2014 January 15, 2014	1,800 2,250
Roland T. Valentine	30,000 45,000	December 11, 2009 January 15, 2009	0.39 0.30	December 11, 2014 January 15, 2014	1,800 6,750
Russell J. Kalmacoff	30,000 45,000	December 11, 2009 January 15, 2009	0.39 0.30	December 11, 2014 January 15, 2014	1,800 6,750

Notes:

- (1) As at December 31, 2010, two-thirds of the Options have vested. See Note 2 to "Summary Compensation Table" for more information regarding the vesting of stock options.
- (2) Aggregate dollar amount of in-the-money unexercised stock options held as at December 31, 2010 is calculated based on the difference between the market value of the Shares underlying the stock options as at December 31, 2010, being \$0.45 per Share, and the stock option exercise price.

Mr. Ogle does not receive any compensation for serving as a director of the Corporation. See "Incentive Plan Awards - Outstanding Option-Based Awards" for information with respect to the outstanding stock options granted under the Stock Option Plan to Mr. Ogle as of December 31, 2010.

Director Compensation - Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth information with respect to the amount of the value of the stock options granted to the directors of the Corporation under the Stock Option Plan that vested during the period ending December 31, 2010. There are no outstanding share-based awards.

Name	Option-Based Awards - Value Vested During Year ⁽¹⁾ (\$)
Robert W. Lamond	2,750
Charles A. (Tony) Teare	2,750
Donald J. Douglas	500
Roland T. Valentine	2,750
Russell J. Kalmacoff	2,750

Note:

- (1) The value of option-based awards vested during the year is the value that would have been realized if the options had been exercised on the vesting date and is calculated as the difference between the price of the Shares on the TSXV on the exercise date and the stock option exercise price. See Note 2 to "Summary Compensation Table" for more information regarding the vesting of stock options.

See "Incentive Plan Awards - Value Vested or Earned During the Year" for information with respect to the outstanding stock options granted under the Stock Option Plan to Mr. Ogle as of December 31, 2010.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding the total number of Shares authorized for issuance under the Stock Option Plan as at December 31, 2010.

Plan Category	Number of Shares to be issued upon exercise of outstanding stock options (a)	Weighted average exercise price of outstanding stock options (b)	Number of Shares remaining available for future issuance under equity compensation plans (excluding Shares reflected in column (a)) (c)
Equity compensation plans approved by securityholders	2,195,000	0.37	791,126
Total (other than for price)	2,195,000		791,126

Note:

- (1) Based on **29,861,262** issued and outstanding at December 31, 2010, the total number of shares available for issuance under the Stock Option Plan: **2,986,126**

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Neither the directors or officers of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them is, or was, indebted, directly or indirectly, to the Corporation at any time since the beginning of the year ended December 31, 2010.

AUDIT COMMITTEE

Composition and Qualifications

The members of the Audit Committee are Messrs. Teare (Chair), Douglas, Kalmacoff and Valentine, all of whom are considered to be independent and financially literate within the meaning of NI 52-110. In considering criteria for the determination of financial literacy, the Board looks at the ability to read and understand financial statements of a publicly traded corporation. The education and experience of each member of the Corporation's Audit Committee relevant to the performance of his responsibilities are as set forth below:

Charles A. Teare, Chair

Mr. Teare holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant. Mr. Teare currently serves as an Executive Vice President of Diaz Resources, Humboldt, Sharon and Tuscany.

Donald J. Douglas

Mr. Douglas holds a Bachelor of Commerce degree from the University of Alberta and a Masters degree in Business Administration. Mr. Douglas currently serves as a President and Chief Executive Officer of United.

Russell J. Kalmacoff

Mr. Kalmacoff holds a Bachelor of Commerce degree from the University of Manitoba and a Masters of Business Administration degree from the University of California, Berkeley. Currently, Mr. Kalmacoff holds the position of President of Rockmount.

Roland T. Valentine

Mr. Valentine holds a Bachelor of Science degree from the University of Alberta. Mr. Valentine previously served as the Chairman of the Board and Chief Executive Officer of the Corporation.

For more information relating to the members of the Audit Committee see "Annual Meeting Matters - Election of Directors - Nominees for Election as a Director" and "Corporate Governance Practices - Board of Directors" in Appendix A to this Information Circular.

Responsibilities and Terms of Reference

The Audit Committee reviews the annual financial statements and related financing reporting of the Corporation and meets with the external independent auditors to review and consider audit procedures and financial reporting related matters. The members of the Audit Committee have direct access to the external auditors of the Corporation. The Audit Committee also reviews the unaudited quarterly financial statements, management's discussion and analysis of financial results and earnings, and related press releases. The charter of the Corporation's Audit Committee is attached Appendix B to this Information Circular.

All permissible categories of non-audit services require pre-approval from the Audit Committee.

Fees Charged by External Auditors

The following table sets out the aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for the category of fees described.

	<u>2010</u>	<u>2009</u>
Audit Fees	\$60,000	\$ 50,000
Audit-Related Fees	25,200	29,705
Tax Fees	14,500	4,988
All Other Fees	8,786	Nil
Total	<u>\$108,486</u>	<u>\$ 84,693</u>

Notes:

- (1) Audit fees were for professional services rendered by KPMG LLP for the audit of the Corporation's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the Corporation's financial statements, but which were not reported under "Audit Fees" above. These services included review of the Corporation's quarterly financial statements.
- (3) Tax fees were for professional services related to tax compliance, tax advice and tax planning.
- (4) All other fees disclosed in the table above under this category were for products and services other than those described under "Audit Fees", "Audit-Related Fees" and "Tax Fees" above. No fees were paid in 2009.

CORPORATE GOVERNANCE PRACTICES

See Appendix A for discussion regarding corporate governance practices of the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, to the knowledge of the directors and executive officers of the Corporation, none of the directors or executive officers of the Corporation, nor any proposed director, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to all outstanding voting securities of the Corporation, nor any director of executive officer of any such holder, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction since January 1, 2010 or in any proposed transaction which has materially affected or would materially affect the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available through the internet via the System for Electronic Document Analysis and Retrieval (SEDAR) maintained by the Canadian Securities Administrators at www.sedar.com. Financial information of the Corporation is provided in the comparative financial statements and related management's discussion and analysis for the most recently completed financial year and interim periods. Copies of the financial statements and related management's discussion and analysis are available on SEDAR or may be obtained from the Corporation at Suite 2210, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8 or by facsimile at (403) 263-0811.

Dated April 29, 2011

Appendix A
to the Information Circular of Trafina Energy Ltd.
dated April 29, 2011

CORPORATE GOVERNANCE PRACTICES

In establishing its corporate governance practices, the Board of the Corporation has been guided by Canadian securities legislation and the guidelines for effective corporate governance, including National Policy 58-201 *Corporate Governance Guidelines* and other regulatory requirements such as NI 52-110.

Board of Directors

The Board is comprised of six members. Under NI 52-110, a director is independent if he has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director's independent judgment. Under this definition, four directors of the Corporation are independent. The Board facilitates its exercise of independent judgment by appointing an independent director (Mr. Lamond) to be the Chairman of the Board. The Board is therefore comprised of a majority of independent directors, as set forth in the following table:

Independence Status of Current Directors				
Name	Management	Independent	Not Independent	Reason for Non-Independent Status
Robert W. Lamond		√		-
Kelly J. Ogle	√		√	Mr. Ogle is the President and Chief Executive Officer of the Corporation.
Charles A. Teare		√		-
Donald D. Douglas		√		-
Roland T. Valentine		√		-
Russell J. Kalmacoff		√		-

Directorships

Mr. Douglas is a director of the following reporting issuers: Grande Cache Coal Corporation and PFB Corporation. Mr. Lamond and Mr. Teare are currently directors of the following reporting issuers: Humboldt Capital Corporation, Diaz resources Ltd., Paris Energy Inc., Sharon Energy Ltd. and Tuscany Energy Ltd. Mr. Ogle is currently a director of Connacher Oil and Gas Corporation, which is a reporting issuer. Mr. Kalmacoff is currently a director of Olympia Financial Group Inc., which is a reporting issuer. Other than disclosed herein, none of the other directors of the Corporation are currently directors of other reporting issuers.

Orientation and Continuing Education

New directors to the Board are provided, upon request, with historical information about the Corporation. Members of the Board are provided with ongoing education respecting the Corporation's operations by way of management presentations.

Ethical Business Conduct

The Board encourages and promotes a culture of ethical business conduct by actively overseeing the management of the business. Additionally, the Board has adopted a policy regarding the interests of insiders which addresses conflicts of interests. Under the policy, a director or officer of the Corporation with a material interest in a transaction or a proposed transaction involving the Corporation is required to disclose the interest to the Board, and the agreement is required to be approved by a majority of directors of the Corporation that have no direct or indirect material interest in the agreement. The policy also addresses the approval by the Board of certain compensation arrangements, discussed below under "Compensation."

Nomination and Assessment of Directors

The members of the Board share responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis. Due to the small number of Board members, this duty is not delegated to a committee.

Compensation

The Board as a whole reviews the compensation for the directors and senior management annually in consultation with the Corporation's Compensation Committee. Additionally, under the Corporation's policy regarding the interests of insiders, all employment, consulting or other compensation arrangements between the Corporation and any director or senior officer of the Corporation or between any subsidiary of the Corporation and any director or senior officer must be considered and approved by the independent directors of the Corporation.

Board Committees

The Board currently has four committees: (i) the Audit Committee; (ii) the Reserves Committee; (iii) the Compensation Committee; and (iv) the Governance Committee.

Audit Committee

As a company listed on the TSXV, the Corporation is exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of NI 52-110.

The members of the Audit Committee are Messrs. Teare (Chair), Douglas, Kalmacoff and Valentine, all of whom are independent and financially literate within the meaning of NI 52-110. The Audit Committee reviews the annual financial statements and related financing reporting of the Corporation and meets with the external independent auditors to review and consider audit procedures and financial reporting related matters. The members of the Audit Committee have direct access to the external auditors of the Corporation. The Audit Committee also reviews the unaudited quarterly financial statements, management's discussion and analysis of financial results and earnings, and related press releases. The charter of the Corporation's Audit Committee is attached as Appendix B to this Information Circular.

Reserves, Safety and Environment Committee

The members of the Reserves, Safety and Environment Committee are Messrs. Valentine (Chair), Ogle and Douglas. The committee coordinates matters relating to the Corporation's annual reserves report and reserves disclosure including working in conjunction with management of the Corporation and the Corporation's independent reserves evaluator on matters relating to the reserves report, preparing and reviewing the annual reserves disclosure and recommending its approval to the Board. The Reserves, Safety and Environment Committee does not have a formal charter.

Compensation Committee

The members of the Compensation Committee are Messrs. Lamond (Chair), Ogle and Kalmacoff. The committee addresses compensation related issues as they arise from time to time, including negotiation (on behalf of the Board) of executive officer employment agreements and executive officer severance arrangements. The Compensation Committee does not have a formal charter.

Governance Committee

The members of the Governance Committee are Charles A. Teare (Chair), Kelly J. Ogle and Robert W. Lamond. The purpose of the Governance Committee is to assist the Board in fulfilling its responsibilities in relation to the monitoring and oversight of the quality and effectiveness of our corporate governance practices and policies.

Assessments

The Chairman of the Board assesses on an ongoing basis the effectiveness of the Board, its committees and individual directors. The Board as a whole considers the attendance records of individual directors at board meetings to be a useful indicator of individual director participation and engagement in the affairs of the Corporation. During 2010, the Board held 10 board meetings. The following table sets forth information with respect to the attendance of each member of the Board at meetings of the Board held during 2010.

	<u>Board Meetings Attended</u>
Robert W. Lamond	9/10
Kelly J. Ogle	10/10
Charles A. Teare	10/10
Donald J. Douglas	8/10
Roland T. Valentine	10/10
Russell J. Kalmacoff	9/10

Appendix B
to the Information Circular of Trafina Energy Ltd.
dated April 29, 2011

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee (the "**Committee**") of the Board of the Corporation shall have the oversight responsibility, authority and specific duties as described below.

COMPOSITION

The Committee will be comprised of three or more directors as determined by the Board, and to the extent possible, none of whom shall be or shall have been, unless the period prescribed by applicable securities rules has elapsed since the end of service or employment, an officer or employee of the Corporation or any subsidiary of the Corporation. Each Committee member shall, to the extent possible, satisfy the independence, financial literacy and experience requirements of applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board.

Members of the Committee shall be appointed by the Board. Each member shall serve until his successor is appointed, unless he shall resign or be removed by the Board or he shall otherwise cease to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.

COMMUNICATION, AUTHORITY TO ENGAGE ADVISORS AND EXPENSES

The Committee shall have access to such officers and employees of the Corporation, the Corporation's external auditor and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The Committee provides an avenue for communication, particularly for outside directors, with the external auditor and financial and senior management and the Board. The external auditor shall have a direct line of communication to the Committee through its Chair and shall report directly to the Committee. The Committee, through its Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee, on a confidential basis, any matter involving the Corporation's financial practices or transactions.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and advisors. Any engagement of independent counsel or other advisors is to be at the Corporation's expense.

The Corporation shall be responsible for all expenses of the Committee that are deemed necessary or appropriate by the Committee in carrying out its duties.

MEETINGS AND RECORD KEEPING

Meetings of the Committee shall be conducted as follows:

1. the Committee shall meet at least four times annually at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit timely review of the quarterly and annual financial statements and reports. The external auditor or any two members of the Committee may also request a meeting of the Committee. The Chair of the Committee shall hold *in camera* sessions of the Committee, without management present, at every meeting;
2. the quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other;
3. if the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting;
4. the Chair shall, in consultation with the Chief Executive Officer and management and in consultation with the auditor, establish the agenda for the meetings and instruct management to ensure that properly prepared agenda materials are circulated to the Committee;
5. every question at a Committee meeting shall, if necessary, be decided by a majority of the votes cast;
6. the President, the Chief Executive Officer and the Chief Financial Officer shall be available to advise the Committee, shall receive notice of meetings and may attend meetings of the Committee at the invitation of the Chair of the Committee. Other management representatives may be invited to attend as necessary; and
7. the Secretary or, in the absence of the Secretary, a Committee member or any other person selected by the Committee, shall act as secretary for the purpose of recording the minutes of each meeting.

The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee. All information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

RESPONSIBILITIES

The Committee is part of the Board. Its primary functions are to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the oversight, review and approval of the financial statements and the accounting and financial reporting processes of the Corporation; (ii) the assessment of the system of internal controls that management has established; and (iii) the external audit process. In addition, the Committee shall assist the Board, as requested, in fulfilling its oversight responsibilities with respect to (i) financial policies and strategies; (ii) financial risk management practices; and (iii) transactions or circumstances which could materially affect the financial profile of the Corporation.

The Committee shall be directly responsible, in its capacity as a committee of the Board, for appointing the external auditor, approving the compensation and retention of the external auditor and overseeing the work of the external auditor and the relationship of the external auditor with the Corporation (including the resolution of disagreements between management and the external auditor regarding financial reporting).

The Committee should have a clear understanding with the independent auditor that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditor is to the shareholders of the Corporation.

SPECIFIC DUTIES

A. Relationship with External Auditor

The Committee shall:

1. consider and make a recommendation to the Board as to the appointment or re-appointment of the external auditor, ensuring that such auditor is a participant in good standing pursuant to applicable securities laws;
2. consider and make a recommendation to the Board as to the compensation of the external auditor which is to be paid by the Corporation;
3. oversee the work of the external auditor in performing their audit or review services and oversee the resolution of any disagreements between management of the Corporation and the external auditor;
4. review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:
 - (a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
 - (b) discussing with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor; and
 - (c) recommending that the Board take appropriate action in response to the external auditor's report to satisfy itself of the external auditor's independence;
5. review and discuss the audit plan of the external auditor with the external auditor, including the staffing thereof, prior to the commencement of the audit;

6. as may be required by applicable securities laws, rules and guidelines, either:
 - (a) pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any), or, in the case of *de minimus* non-audit services, approve such non-audit services prior to the completion of the audit; or
 - (b) adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services; and
7. review and approve the hiring policies of the Corporation regarding partners and employees and former partners and employees of the present and former external auditor of the Corporation.

B. Financial Statements and Financial Reporting

The Committee shall:

1. review with management and the external auditor, and recommend to the Board for approval, the annual financial statements of the Corporation and related financial reporting, including management's discussion and analysis and earnings press releases. In particular, the Committee's review of such financial statements should include, but not be limited to:
 - (a) reviewing changes in accounting principles, or in their application, which may have a material effect on the current or future years' financial statements;
 - (b) reviewing significant accruals, reserves or other estimates;
 - (c) reviewing the accounting treatment of unusual or non-recurring transactions; and
 - (d) reviewing disclosure requirements for commitments and contingencies;
2. upon completion of each audit, review with the external auditor the results of such audit. This process should include but not be limited to:
 - (a) reviewing the scope and quality of the audit work performed;
 - (b) reviewing the capability of the Corporation's financial personnel;
 - (c) reviewing the co-operation received from the Corporation's financial personnel during the audit;
 - (d) reviewing the internal resources used;
 - (e) reviewing significant transactions outside of the normal business of the Corporation; and
 - (f) reviewing significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

3. review with management, and recommend to the Board for approval, the interim financial statements of the Corporation and related financial reporting, including management's discussion and analysis and earnings press releases;
4. review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus or other public disclosure document of the Corporation;
5. consider and be satisfied that adequate policies and procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than public disclosure referred to in clauses B.1 and B.3 above), and periodically assess the adequacy of such procedures;
6. review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements; and
7. review accounting, tax, legal and financial aspects of the operations of the Corporation as the Committee considers appropriate.

C. Internal Controls

The Committee shall review with management and the external auditor, the adequacy and effectiveness of the internal control and management information systems and procedures of the Corporation (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Corporation is in compliance with applicable legal and regulatory requirements and with the Corporation's policies.

D. Financial Risk Management

The Committee may, if requested:

1. review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to insurance, accounting, management reporting and risk management;
2. review with management and the external auditor their assessment of the significant financial risks and exposures of the Corporation and discuss with management the steps which the Corporation has taken to monitor and control such exposures;
3. review current and expected future compliance with covenants under any financing agreements;
4. review the activities of the Corporation's marketing group and the financial risks arising from such activities;
5. review the insurance program including coverage for such things as business interruption, general liabilities, and directors and officers liability;

6. review any other significant financial exposures including such things as tax audits, government audits or any other activities that expose the Corporation to the risk of a material financial loss;
7. report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of the Corporation; and
8. review the appropriateness of the policies and procedures used in the preparation of the Corporation's financial statements and other required disclosure documents, and consider recommendations for any material change to such policies.

E. Procedure For Complaints and Employee Submissions

The Committee shall establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

APPROVAL

This Audit Committee Terms of Reference has been approved and adopted by the board of directors of the Corporation effective February 15, 2007.

TRAFINA
ENERGY LTD.