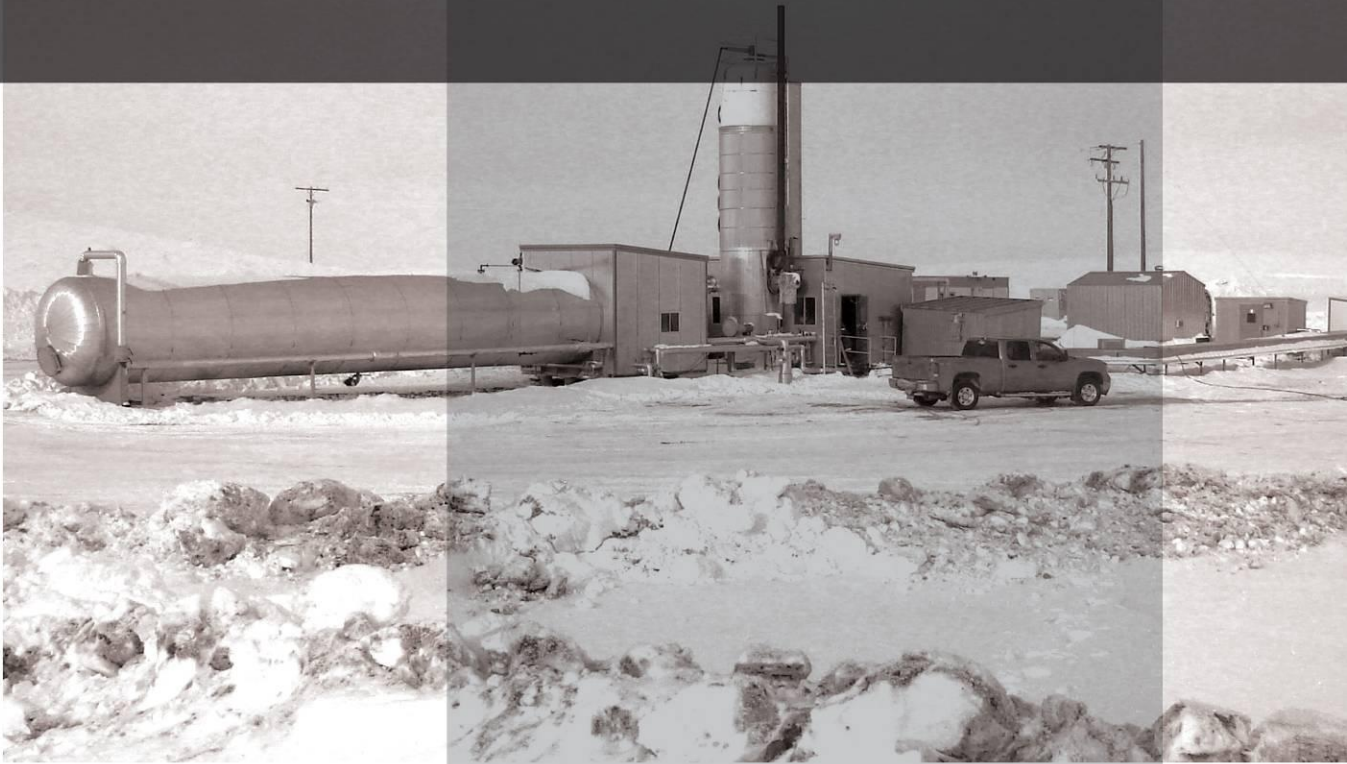


TRAFINA
ENERGY LTD.



**Q1 2010 MANAGEMENT'S
DISCUSSION & ANALYSIS**

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 months ended March 31, 2010 and should be read in conjunction with the interim financial statements and accompanying notes for the three months ended March 31, 2010 and the Company's audited financial statements and MD&A for the year ended December 31, 2009. The discussion provided herein is incremental to the MD&A in respect of the audited financial statements for the year ended December 31, 2009. This MD&A is dated May 25, 2010.

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 (boe) 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 information. Such information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking information is not based on historical facts but rather on management's expectations regarding the Company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof) and anticipated financial condition and liquidity throughout 2010. Readers are cautioned that assumptions used in the preparation of forward looking 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 Company. These risks include, but are not limited to: credit risks associated with collection of outstanding accounts receivables, access to capital, such as changes to the Company's lending line of credit and or the ability to raise funds by issuing equity or disposing of assets. Operations risks include commodity price and exchange rate fluctuations, which ultimately affect the Company's realized oil and natural gas revenue and future production mix and operating expenses, which will have an effect on funds flow from operating activities. 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, safety and environmental risks and the uncertainty of estimates and projections of current production, operating costs, capital expenses and abandonment estimates. Reference is made to Trafina's annual information form for the year ended December 31, 2009 dated April 28, 2010 (the "AIF") for a description of additional risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward looking statements. The risks outlined above and in the AIF 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 Company undertakes no obligation to update or revise any forward-looking statements.

NON-GAAP MEASURES

The MD&A uses the term "funds flow from (used-in) operations", which is not defined under Canadian Generally Accepted Accounting Principles ("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 GAAP as an indicator of the Company's performance. Trafina's determination of funds flow from (used-in) operations may not be comparable to that reported by other companies. The Company also presents funds flow from 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, funds 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 (used in) 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 funds flow from (used in) operations:

	Three Months Ended	
	March 31,	
	2010	2009
Cash flow from (used in) operating activities	\$ (949,445)	\$ 96,544
Change in non-cash operating items	606,432	(21,278)
Funds flow from (used-in) operations	\$ (343,013)	\$ 75,266

The Company also considers field netback a key performance measure. However, field netback is not defined under GAAP and, therefore, may not be comparable with the calculation of similar measures by other companies. Field netback is comprised of the Company's revenue from petroleum and natural gas sales and other income less royalties and operating expenses. A reconciliation of field netback (non-GAAP) to net loss (GAAP) is presented under the *Netback Analysis* section of this MD&A. In addition, the Company presents "Net debt and working capital deficiency" which consists of current liabilities less current assets and excludes the effect of unrealized commodity contracts.

OVERVIEW

Trafina is an oil and gas exploration, development and production company operating in the Provinces of Alberta and Saskatchewan. Its main operations are located in the Rangeview and Divide areas of southwest Saskatchewan, and in the Wetaskiwin, Ronalane and Pembina areas of Alberta.

Trafina's focus for the three months ended March 31, 2010 was threefold. Firstly, operations were directed toward well start-ups, re-activations and facilities repairs and restorations at the newly acquired Rangeview and Divide properties. Secondly, the Company completed the Ellerslie zone in its previously drilled Rock Creek test well in the Pembina area of Alberta. Thirdly, the Company's balance sheet was strengthened with the sale of various non-operated non-core assets and negotiation of a new debt facility. The execution of these projects and other activities produced the following results:

- Increased production during the three months ending March 31, 2010 to 424 barrels of oil equivalent per day (boe/day) compared with 389 boe/day in the previous quarter despite the disposition of an average of 13 boe/day.
- Completed the acquisition of assets in southwest Saskatchewan and assigned an undivided 20 percent interest in the acquired assets to a private Alberta company.
- Added 42 boe/day of net production from acquired properties, with March production from the acquired properties averaging 78 boe/day and current production approximately 100 boe/day.
- Successfully completed the Pembina test well for Ellerslie gas, thereby earning an undivided 24.375 percent interest in one gross section of land with potential to drill up to four Cardium horizontal oil wells (one net) in the second half of 2010.
- Disposed of three non-core area assets for net proceeds of \$1.5 million.
- Negotiated new debt facilities with a Canadian chartered bank, increasing the Company's potential borrowing capacity to \$5.75 million.
- In April 2010, agreed to sell its remaining non-core working interest in the Jenner area to a third party for gross proceeds of \$1.1 million with closing expected to occur on or before May 31, 2010.

SELECTED FINANCIAL INFORMATION

	For the three months ended March 31,		
	2010	2009	2008
Total gross oil and gas revenue (\$)	1,515,528	1,180,249	+28
Royalties (\$)	205,263	166,456	+23
Operating, processing, and transportation expenses (\$)	1,144,843	529,228	+116
Funds flow from (used-in) operations ⁽¹⁾ (\$)	(343,013)	75,266	---
per basic and diluted common share (\$)	(0.02)	0.01	
Weighted average basic shares outstanding	18,294,595	11,265,805	---
Loss before income taxes (\$)	(1,175,329)	(878,817)	+34
Net loss (\$)	(904,940)	(683,782)	+32
per basic and diluted common share (\$)	(0.05)	(0.06)	
Net capital expenditures (dispositions) (\$)	(144,011)	227,289	---
Total assets (\$)	19,312,050	16,559,483	+17
Net debt and working capital deficiency ⁽²⁾ (\$)	(4,158,567)	(3,712,758)	+12

(1) Funds flow from (used in) operations is a Non-GAAP Measure. See “Non-GAAP Measures” in this MD&A.

(2) Net debt and working capital deficiency consists of current assets and current liabilities less commodity contracts assets.

PRODUCTION

	Three Months Ended March 31		
	2010	2009	Change
Natural gas	1,961 mcf/day	2,259 mcf/day	(13) %
Oil and natural gas liquids	97 bbls/day	47 bbls/day	106 %
Total production	424 boe/day	423 boe/day	0 %

Trafina’s production for the three months ended March 31, 2010 remained flat when compared to the same period in 2009. However, Trafina began to diversify from a gas weighted non-operating company to a more equally weighted oil and gas exploration, exploitation and development company with a focus on operating its own production. The prudent disposition of production from various non-core assets in the three months ended March 31, 2010 was replaced by oil production from newly acquired properties in southwest Saskatchewan.

BENCHMARK PRICES

	Three Months Ended March 31	
	2010	2009
AECO daily spot price	\$ 4.95/mcf	\$ 4.94/mcf
West Texas Intermediate (WTI)	US\$ 78.68/bbl	US\$ 42.86/bbl
Edmonton Par	\$ 80.31/bbl	\$ 50.12/bbl
US/CDN \$ average exchange rate	0.96	0.80

For the first three months of March 31, 2010, oil prices rebounded as worldwide economic conditions gradually recovered and supply declined faster than demand. Natural gas prices for the same period remained flat when compared to the first three months of 2009: however, a brightening world economy pushed natural gas prices higher than the average benchmark price for the three months ended December 31, 2009.

COMPANY REALIZED PRICES

	Three Months Ended March 31	
	2010	2009
Natural gas	\$ 4.93/mcf	\$ 4.96/mcf
Realized gain on commodity contract	0.12/mcf	---
Oil and natural gas liquids	\$ 71.73/bbl	\$ 40.60/bbl
Total	\$ 39.21/boe	\$30.98/boe

The commodity prices realized in the first three months of 2010 followed the benchmark prices trend, with natural gas prices increasing slightly over the three months ending December 31, 2009 and remaining flat when compared to the three months ended March 31, 2009. Oil prices in the three months ended March 31, 2010 increased 77 percent over the same period in 2009 to average \$71.73/bbl.

REVENUE

	Three Months Ended March 31	
	2010	2009
Natural gas	\$ 870,810	\$ 1,008,917
Oil and natural gas liquids	623,826	171,332
Realized natural gas swap contract	20,892	---
Total revenue	\$ 1,515,528	\$ 1,180,249

Revenue for the three months ended March 31, 2010 was \$1,515,528, representing a 28 percent increase over the three months ended March 31, 2009. Although natural gas prices remained stable, a slight decrease in natural gas production in 2010 due to non-core asset dispositions resulted in a decrease in the Company's natural gas revenues. A 106 percent increase in oil production quarter over quarter, coupled with a significantly higher average oil price in the three months ended March 31, 2010 resulted in an increase in the Company's natural gas liquids revenues. Trafina also benefitted from a favorable natural gas swap sales contract, which generated \$20,000 in revenue for the three months ended March 31, 2010.

UNREALIZED GAIN ON COMMODITY CONTRACTS

	Three Months Ended March 31	
	2010	2009
Unrealized gain on commodity contracts	\$ 282,000	\$ ---

In an attempt to mitigate commodity price fluctuations, management entered into two natural gas swap sales agreeing to sell 500 gigajoules ("GJ") per day at \$5.15 per GJ and an additional 250 GJ per day at \$5.30 per GJ. At March 31, 2010, the Company recorded an unrealized gain on commodity contracts of \$282,000 based on future natural gas price projections at March 31, 2010 compared to the Company's contracted rates.

OTHER REVENUE

	Three Months Ended March 31	
	2010	2009
Other revenue (expense)	\$ (22,488)	\$ 7,322

Other revenue relates to miscellaneous processing and interest revenue.

ROYALTIES

	Three Months Ended March 31			
	2010	Royalty as % of revenue	2009	Royalty as % of revenue
Total royalties	\$ 205,263	14	\$ 166,456	14

Royalty payments as a percentage of revenue were flat in the first three months ended March 31, 2010 compared to the same period in 2009.

OPERATING EXPENSES

	Three Months Ended March 31			
	2010	\$/boe	2009	\$/boe
Operating expenses	\$ 1,144,843	\$ 30.03	\$ 529,228	\$ 13.89

Operating expenses, including processing and transportation costs, for the three months ended March 31, 2010 were \$1,144,843 (\$30.03/boe), which on a dollar per boe basis increased 116 percent over the same period in 2009. The Company's operating costs increased as a result of the Company diversifying its production from mostly natural gas to a more modest combination of natural gas and oil. In addition to acquiring assets that are oil weighted and require higher energy costs to extract and separate emulsion, the Company incurred extensive start-up expenses at its newly acquired southwest Saskatchewan properties. Battery site repairs, miscellaneous parts replacements and lease repairs and clean-ups, in addition to well start-up costs, contributed to an increase in operating expenses in the three months ended March 31, 2010. The Company expects its operating costs on a dollar per boe basis to decrease as start-up expenses of approximately \$200,000 are no longer a factor and as production increases. In the three months ended March 31, 2009, Trafina's primary production came from stable low cost coal bed methane gas in the Company's Wetaskiwin area.

FIELD NETBACK ⁽¹⁾

	Three Months Ended March 31			
	2010	\$/boe	2009	\$/boe
Petroleum and natural gas revenue	\$1,515,528	\$39.76	\$1,180,249	\$30.98
Unrealized gain on commodity contract	282,000	7.40	---	---
Other revenue (expense)	(22,488)	(0.59)	7,322	0.19
Royalty	(205,263)	5.38	(166,456)	4.37
Operating expenses	(1,144,843)	30.03	(529,228)	13.89
Field netback ⁽¹⁾	\$424,934	\$11.16	\$491,887	\$12.91
Sales volumes (boe)	38,118		38,100	

(1) See NON-GAAP MEASURES

Trafina's average field netback remained flat for the three months ended March 31, 2010 (\$11.61/boe), compared to the three months ended March 31, 2009 (\$12.91). Higher operating expenses in the first three months of 2010 were offset by higher petroleum and natural gas revenue and an unrealized commodity contract gain.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE

	Three Months Ended March 31	
	2010	2009
G&A	\$ 452,954	\$ 379,506
G&A per boe	\$11.88	\$9.96

General and administrative expenses for the three months ended March 31, 2010 were 19 percent higher than for the same period in 2009. Increased G&A expenses are mainly attributable to costs relating to third party engineering evaluation services.

DEPLETION, DEPRECIATION, AND ACCRETION

For the three months ended March 31, 2010 and March 31, 2009, depletion, depreciation and accretion expense was \$1,048,474 (\$27.51/boe) and \$956,594 (\$25.11/boe), respectively. The Company's depletion calculation uses the unit-of-production method in its computation.

STOCK BASED COMPENSATION EXPENSE

Stock based compensation expense totaled \$65,842 for the three months ended March 31, 2010, compared to \$23,842 for the three months ended March 31, 2009. The increase in stock based compensation expense in 2010 relates to the addition of 1.0 million stock options granted since March 31, 2009, including 170,000 options granted in January 2010 to employees and consultants of the Company. As at March 31, 2010, 1,790,000 stock options were outstanding.

INTEREST EXPENSE

Interest expense for the three months ended March 31, 2010 and March 31, 2009 totaled \$32,993 and \$10,762, respectively. An increase in the Company's bank debt resulted in higher monthly interest payments. Also included in interest expense for the three month ended March 31, 2010 was interest associated with monthly payments of a liability settlement. Both periods interest expense include accrued interest charges due to the Canada Revenue Agency for outstanding flow-through share obligations after February 2010 of \$3,336 and February 2009 of \$10,382.

INCOME TAXES

Trafina's tax horizon depends on factors such as production, commodity prices, tax classifications of wells drilled and the nature of capital expenditures throughout the year. The Company recorded a future income tax recovery of \$270,389 for the three months ended March 31, 2010, compared to a future income tax reduction of \$221,388 for the three months ended March 31, 2009.

NET LOSS

	Three Months Ended March 31	
	2010	2009
Net loss	\$ 904,940	\$ 683,782

For the three months ended March 31, 2010, the Company recorded a net loss of \$904,940, compared to a net loss of \$683,782 reported in the three months ended March 31, 2009. Higher revenues in the first three months of 2010, coupled with an unrealized gain on commodity contracts, were partially offset by operating expenses, G&A expenses and depletion, depreciation and accretion expense.

Comprehensive loss consists of net loss and other comprehensive loss ("OCL"). Because the Company does not have any OCL, the Company's net loss and comprehensive loss are the same.

FUNDS FLOW FROM (USED-IN) OPERATIONS

	Three Months Ended March 31	
	2010	2009
Net loss	\$ (904,940)	\$ (683,782)
Add back items not involving cash:		
Depletion, depreciation and accretion	1,048,474	956,594
Future income taxes (reduction)	(270,389)	(221,388)
Stock-based compensation	65,842	23,842
Unrealized gain on commodity contract	(282,000)	---
Funds flow from (used-in) operations ⁽¹⁾	\$ (343,013)	\$ 75,266
Funds flow from (used-in) operations per share –basic	\$ (0.02)	\$ 0.01

(1) See NON-GAAP MEASURES

Funds flow used-in operations for the three months ended March 31, 2010 of \$343,013 was primarily a result of higher operating costs and start-up charges associated with operations in southwest Saskatchewan. In the three months ended March 31, 2009 the Company's operations generated funds of \$75,266.

NETBACK ANALYSIS

The following table reconciles field netback (non-GAAP) to funds flow from (used-in) operations (non-GAAP) to net loss (GAAP) for the three months ended March 31, 2010 and March 31, 2009:

	Three Months Ended March 31	
	2010	2009
Petroleum and natural gas revenue	\$ 1,515,528	\$ 1,180,249
Unrealized gain on commodity contract	282,000	---
Other revenue (expense)	(22,488)	7,322
Royalties	(205,263)	(166,456)
Operating expenses	(1,144,843)	(529,228)
Field netback ⁽¹⁾	424,934	491,887
General and Administrative	(452,954)	(379,506)
Interest	(32,993)	(10,762)
Current tax	---	(26,353)
Unrealized gain on commodity contract	(282,000)	---
Funds flow from (used-in) operations ⁽¹⁾	(343,013)	75,266
Depletion, depreciation and accretion	(1,048,474)	(956,594)
Future income tax reduction	270,389	221,388
Stock-based compensation	(65,842)	(23,842)
Unrealized gain on commodity contract	282,000	---
Net loss	\$ (904,940)	\$ (683,782)

(1) See NON-GAAP MEASURES

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2010, the Company had a net debt and working capital deficiency of \$4,158,567, which excludes the commodity contracts asset. The Company recently agreed to a new debt facilities agreement with a Canadian chartered bank increasing the Company's potential lending value to a maximum of \$5.75 million (see *BANK DEBT*).

The future operations of the Company is dependent upon a return to profitable operations, raising capital to support its activities, meeting its obligations and on receiving continued financial support of its new lender. In order to manage its debt levels the Company has taken several steps in 2010 to strengthen its balance sheet. In addition to selling non-core producing assets in the three months ended March 31, 2010 for net proceeds of \$1.5 million, the Company has recently signed a purchase and sale agreement to sell its remaining non-core working interest in the Jenner area for gross proceeds of \$1.1 million. The sale is expected to close on or before May 31, 2010 and will be effective April 1, 2010.

The Company remains focused on further development activities in its core areas at southwest Saskatchewan, Ronalane and Pembina. In addition, the Company is also continually evaluating under-valued oil and gas assets and or corporate acquisitions in an attempt to increase its asset base. Notwithstanding the impact of successfully executing and or achieving the aforementioned goals, it is anticipated that the Company will need to access the capital markets for additional funds.

BANK DEBT

On May 25, 2010 the Company entered into a new credit facilities agreement with a Canadian chartered bank to replace its existing facility. The new facilities consist of a \$4.5 million revolving operating demand facility, with interest charged on advances under the facility at the bank's prime rate plus 1.50 percent and a \$1.25 million acquisition and development demand facility, with interest charged on advances at the bank's prime rate plus 2.00 percent. The facilities are secured by a \$50 million fixed and floating charge debenture on all assets of Trafina. The next review date of the facilities is scheduled on or before October 1, 2010. The facilities include a working capital ratio covenant, which is not to fall below 1:1.

At March 31, 2010, the Company had drawn \$2,409,738 of its previous \$3.5 million demand revolving operating credit facility with its previous bank. At March 31, 2010 the Company was in violation of its then working capital ratio covenant; however, as a result of signing a new agreement and settling the Company's previous lenders bank debts, the covenant violation was exonerated.

EQUITY

Flow-Through Shares

In February 2010, the Company renounced \$0.74 million of flow-through obligations with an effective date of December 31, 2009 related to the issuance of common shares on a flow-through basis pursuant to the *Income Tax Act* (Canada), in December 2009. As a result, a future income tax liability and commensurate reduction of share capital of \$190,277 was recorded in the three months ended March 31, 2010.

Stock Options

The Company has an employee stock option plan under which employees, consultants and directors are eligible to receive options to purchase Class A common shares of the Company. On January 21, 2010, the Board of Directors of Trafina approved the issuance of 170,000 stock options to employees and consultants of the Company with an exercise price of \$0.46 per common share. For stock options granted, one third of the options vest on the day following the date of grant, one third on the day following the first anniversary date of the grant and the remaining options vest on the day following the second anniversary date of the grant. In January 2010, a director of the Company exercised 30,000 stock options at \$0.30 and was issued 30,000 Class A common shares for gross proceeds of \$9,000. At March 31, 2010, stock options to purchase 1.79 million Class A common shares were outstanding, with an average exercise price of \$0.37 per common share.

OUTSTANDING EQUITY 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 May 25, 2010, 18,303,262 Class A voting common shares were issued and outstanding (not including 324,000 Class A common shares to be issued upon the exercise of special warrants. *See SUBSEQUENT EVENTS*). There are nil Class B non-voting common shares and nil preferred shares outstanding. As at May 25, 2010, 2,513,355 share purchase warrants were issued and outstanding, with an exercise price of \$0.45 per common share and 1,790,000 stock options were outstanding, with an average exercise price of \$0.37 per common share.

CAPITAL EXPENDITURES

The following table summarizes capital expenditures for the three months ended March 31, 2010 and March 31, 2009.

	Three months ended March 31	
	2010	2009
Property dispositions	(1,533,892)	---
Property acquisitions	383,660	---
Drilling, completions and recompletions	609,582	229,398
Equipping and facilities	340,288	244,244
Non-operated joint interest partner 2008 accrual adjustment	---	(246,469)
Other	56,351	116
Total capital expenditures, net	\$ (144,011)	\$ 227,289

For the three months ended March 31, 2010, Trafina disposed of three non-core area properties for net proceeds of \$1.5 million. During the same period, the Company also incurred expenditures of \$0.3 million related to purchase of the southwest Saskatchewan assets whereby, on January 15th, 2010 the Company acquired such assets from a private oil and gas corporation in exchange for debt owing to the Company. Total costs incurred to realize on the acquisition of the southwest Saskatchewan assets as of March 31, 2010 were approximately \$1.5 million.

Other capital expenditures for the three months ended March 31, 2010 consisted of \$515,000 to complete a test well in the Pembina area of Alberta for Ellerslie gas. Several minor recompletions were performed along with various surveying related costs which amounted to \$95,000. The Company also spent \$340,000 on equipping and tie-in projects at Wetaskiwin, Roalane and southwest Saskatchewan.

In the three month ended March 31, 2009, the Company continued work on its successful 2008 Wetaskiwin area capital program by completing and equipping 7 (1.9 net) wells that were drilled in 2008. The Company also received notice from its joint interest partner at Wetaskiwin that equipping costs accrued in 2008 came in under budget resulting in a recapture of accrued 2008 capital expenditures of \$246,469.

CONTRACTUAL OBLIGATIONS

At March 31, 2010, the Company had the following contractual obligations:

Flow-Through

As a result of completing a private placement financing on December 3, 2009, the Company is required to incur approximately \$740,000 on eligible “flow-through” expenditures to be incurred by December 31, 2010. The Company estimated that it has spent approximately \$90,000 on qualifying flow through expenditures. The remaining qualified expenditure obligations of \$650,000 will be funded by cash flow from operating activities and bank debt.

Financial Sales Contracts

The following contracts were in place at March 31, 2010.

Type	Amount (GJ/day)	Duration	Price (\$/GJ)
Fixed	500	April 1, 2010 to October 31, 2010	5.15
Fixed	250	April 1, 2010 to October 31, 2010	5.30

At March 31, 2010 the Company recorded a commodity contracts asset of \$258,000 based on the fair value of the contracts at that time.

Office Rent

Trafina has an office lease arrangement terminating August 30, 2014. The Company’s total remaining rent obligation is as follows:

2010	\$ 92,000
2011	\$134,000
2012-2014	\$416,000

The Company expects to fulfill these obligations from funds flow and bank debt.

OFF BALANCE SHEET TRANSACTIONS

There were no off balance sheet transactions entered into during the period, nor are there any outstanding as of May 25, 2010.

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 three months ended March 31, 2010, fees for legal services billed from this related party were approximately \$43,000 (year ended December 31, 2009 - \$108,000), of which \$43,000 is included in accounts payable and accrued liabilities at March 31, 2010 (December 31, 2009 - \$24,000). These services are provided in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

SUBSEQUENT EVENTS

In April 2010 Trafina signed a purchase and sale agreement to sell its remaining non-core working interest in the Jenner area to a third party for gross proceeds of \$1.1 million. The sale is expected to close on or before May 31, 2010 and will be effective April 1, 2010.

In May 2010, the Company received certain well battery licenses from the Alberta Energy Resources Conservation Board (“ERCB”) relating to the acquisition of a 100 percent interest in certain non-producing assets in February 2010. As part of the consideration for the assets, the Company issued 324,000 special warrants that can be converted into Class A shares of Trafina following receipt of the battery licenses from the ERCB. Accordingly, the special warrants may be converted for no additional consideration into 324,000 Class A common shares of Trafina.

HISTORICAL QUARTERLY FINANCIAL INFORMATION

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

	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production (boepd)	424	389	392	403	423	420	279	261
Revenue (\$)	1,515,528	1,225,710	803,263	913,483	1,180,249	1,651,810	1,609,142	1,505,335
Revenue (\$/boe)	39.21	34.25	62.69	24.91	31.19	42.75	62.69	63.38
G&A (\$)	452,954	421,242	257,667	279,805	379,506	386,265	377,557	386,491
Funds flow from (used-in) operations (\$) ⁽¹⁾	(343,013)	9,501	(28,572)	60,826	75,266	423,868	299,256	80,645
Funds flow per basic and diluted common share	\$(0.02)	--	--	\$0.01	\$0.01	\$0.05	\$0.05	\$0.01
Net loss (\$)	(904,940)	(870,969)	(763,808)	(341,010)	(683,782)	(400,307)	(187,767)	(417,464)
Net loss per basic and diluted common share	\$(0.05)	\$(0.06)	\$(0.07)	\$(0.03)	\$(0.06)	\$(0.05)	\$(0.03)	\$(0.07)
Capital expenditures (\$)	(144,011)	2,484,314	309,572	333,882	227,289	1,228,271	2,221,314	(18,093)
Net debt and working capital deficiency (\$) ⁽¹⁾	(4,158,567)	(3,911,476)	(3,444,260)	(2,896,332)	(3,712,758)	(3,631,929)	(4,921,251)	(2,972,298)

(1) See NON-GAAP MEASURES

Beginning with Q2 2008 the Company consistently generated funds flow from operations until Q3 2009 when funds flow were again used in operations mainly as a result of low natural gas prices. In Q1 2010 the Company used funds flow in its operations, primarily as a result of start-up and repair charges at its southwest Saskatchewan properties. In the second quarter of 2008, net losses were recorded as a result of a severance payment and a bad debt expense. The third quarter of 2008 saw a slight recovery largely due to higher commodity prices. A net loss of \$400,307 in the fourth quarter of 2008 was mainly due to higher depletion expense, the result of increased production. In the first quarter of 2009, the Company had a net loss of \$683,782 primarily as a result of lower commodity prices and higher depletion expense. The Company's net loss for the second quarter of 2009 decreased to a net loss of \$341,010, primarily a result of recording \$533,000 of liability settlement gain. A continual decline in natural gas prices resulted in a net loss for the third quarter of \$763,808. In the fourth quarter of 2009, the Company's net loss increased to \$870,969 mainly as a result of higher depletion, depreciation and accretion expenses. Q1 2010 recorded a net loss of \$911,116, primarily due to the aforementioned start-up operating expenses at southwest Saskatchewan.

FINANCIAL INSTRUMENTS

The Company carries a number of financial instruments, such as accounts receivable, accounts payable and accrued liabilities, liability settlement and bank debt and is exposed to risks such as credit risk, liquidity risk and market risk. The carrying amount of the Company's accounts receivable, accounts payable and accrued liabilities and liability settlement approximate their fair values due to short terms to maturity. The bank debt bears interest at a floating market rate and accordingly the fair value approximates the carrying value. The carrying value of the Company's liability settlement is calculated using an interest rate agreed upon between two non related parties dealing at arms length, thus the carrying value approximates the fair value. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. A more complete description of risks as they relate to Trafina can be found in Note 10 of the Company's interim financial statements as of March 31, 2010 and under "Financial Instruments" in Trafina's MD&A for the year ended December 31, 2009.

BUSINESS RISKS

Although economic conditions have improved slightly in 2010, Trafina expects to see an unsettled economy for the remainder of 2010 and as a result, faces many risks associated with its business. For a list of risk factors see the Company's Annual Information Form filed on SEDAR at www.sedar.com.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards for financial periods beginning on January 1, 2011. As a result of this transition for 2011, Trafina will also be expected to disclose comparative 2010 results. This will require Trafina to restate its 2010 results to conform to IFRS standards.

Since the release of the Company’s audited financial statements and MD&A for the year ended December 31, 2009, there has been no change in the Company’s IFRS implementation strategy. The Company is currently evaluating its opening balance sheet.

ADDITIONAL INFORMATION

Additional information relating to the Company is filed on SEDAR at www.sedar.com or on the Company’s website at www.trafinaenergy.com. Information can also be obtained by contacting the Company at Trafina Energy Ltd., 2210, 530-8th Avenue S.W., Calgary, Alberta T2P 3S8.