



TRAFINA  
ENERGY LTD.

Q2 2009 MANAGEMENT'S  
DISCUSSION & ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") is a review of the financial results of Trafina Energy Ltd. (the "Company" or "Trafina") for the three and six months ended June 30, 2009 and should be read in conjunction with the interim financial statements and accompanying notes for the three and six months ended June 30, 2009 and the Company's audited financial statements and MD&A for the year ended December 31, 2008. The discussion provided herein is incremental to the MD&A in respect of the audited financial statements for the year ended December 31, 2008. This MD&A is dated August 24, 2009.

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

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

### FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A contains "forward-looking 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 finding thereof) and anticipated financial condition and liquidity throughout 2009. 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 an increase in the company's lending line of credit and or the ability to raise funds by issuing equity, commodity price and exchange rate fluctuations, which ultimately effect the Company's realized oil and natural gas revenue. 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, production, costs and expenses. The risks outlined above should not be construed as exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by applicable securities laws, the Company undertakes no obligation to update or revise any forward-looking statements.

### NON-GAAP MEASURES

The MD&A uses the term "funds flow from 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 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 operations is a useful supplemental measure as it demonstrates Trafina's ability to generate cash necessary to repay debt or fund future growth through capital investment before changes in non-cash working capital balances. Investors are cautioned, however, that the measure should not be construed as an alternative to cash flow from operating activities determined in accordance with GAAP as an indication of Trafina's performance.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Cash flow from (used in) operating activities	<b>\$(239,554)</b>	\$(370,660)	<b>\$(143,011)</b>	\$317,117
Change in non-cash operating items	<b>300,380</b>	451,305	<b>279,102</b>	(248,941)
Funds flow from operations	<b>\$60,826</b>	\$80,645	<b>\$136,091</b>	\$68,176

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, a liability settlement 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 accounts payable and accrued liabilities, current portion of liability settlement, bank debt and the current portion of asset retirement obligation ("ARO") less current assets.

## OVERVIEW

Trafina is an oil and gas exploration, development and production company operating in the Province of Alberta, Canada. Its core operational activities are in the Wetaskiwin area, which provided approximately 78 percent of the Company's production in the six months ended June 30, 2009.

As a result of a successful 2008 capital program, the Company placed on production in the three months ended June 30, 2009 an additional 5 (1.5 net) wells, increasing the total wells that commenced production in the first half of 2009 to 13 (4.2 net). Production averaged 403 boe/day in the three months ending June 30, 2009, an increase of 54 percent over average production of 261 boe/day in the same period in 2008. For the six months ended June 30, 2009, average production increased 63 percent to 414 boe/day, compared to 254 boe/day for the six months ended June 30, 2008.

In May 2009, 300,000 stock options were granted to an officer of the Company at an exercise price of \$0.40 per option.

On July 29, 2009, the Company entered into a settlement agreement with an industry partner resulting in a reduction of debt and the recognition of revenue of approximately \$533,000.

## SELECTED FINANCIAL INFORMATION

	For the three months ended June 30		
	2009	2008	% Change
Total gross oil and gas revenue (\$)	913,483	1,505,335	-39
Liability settlement revenue (\$)	533,716	---	---
Royalties (\$)	75,296	210,479	-64
Operating, processing, and transportation expenses (\$)	573,527	438,903	+31
Funds flow from operations <sup>(1)</sup> (\$)	60,826	80,645	-25
per basic common share (\$)	0.01	0.01	
per diluted common share (\$)	0.01	0.01	
Weighted average basic shares outstanding	11,302,675	5,759,848	---
Weighted average diluted shares	11,461,703	5,759,848	---
Loss before income taxes (\$)	(458,834)	(483,464)	+5
Net loss (\$)	(341,010)	(417,464)	+18
per basic and diluted common share (\$)	(0.03)	(0.07)	
Net capital expenditures (\$)	333,882	(18,093)	---
Total assets (\$)	15,937,964	15,976,595	---
Net debt and working capital deficiency <sup>(2)</sup> (\$)	(2,896,332)	(2,972,298)	---

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

(2) Net debt and working capital deficiency consists of accounts payable and accrued liabilities, current portion of liability settlement and bank debt less current assets.

	For the six months ended June 30		
	2009	2008	% Change
Total gross oil and gas revenue (\$)	2,093,731	2,616,271	-20
Liability settlement revenue (\$)	533,716	---	---
Royalties (\$)	241,752	358,627	-33
Operating, processing, and transportation expenses (\$)	1,102,755	811,854	+36
Funds flow from operations <sup>(1)</sup> (\$)	136,091	68,176	+100
per basic common share (\$)	0.01	0.01	
per diluted common share (\$)	0.01	0.01	
Weighted average basic shares outstanding	11,284,240	5,767,348	---
Weighted average diluted shares	11,397,438	5,767,348	---
Loss before income taxes (\$)	(1,337,651)	(962,502)	+39
Net loss (\$)	(1,024,792)	(754,502)	---
per basic and diluted common share (\$)	(0.09)	(0.13)	
Net capital expenditures (\$)	561,171	1,809,766	-69
Total assets (\$)	15,937,964	15,976,595	---
Net debt and working capital deficiency <sup>(2)</sup> (\$)	(2,896,332)	(2,972,298)	---

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

(2) Net debt and working capital deficiency consists of accounts payable and accrued liabilities, current portion of liability settlement and bank debt less current assets.

## PRODUCTION

	Three Months Ended June 30			Six Months Ended June 30		
	2009	2008	Change	2009	2008	Change
Natural gas	2,138 mcf/day	1,296 mcf/day	65 %	2,198 mcf/day	1,205 mcf/day	82 %
Oil and natural gas liquids	47 bbls/day	45 bbls/day	4 %	47 bbls/day	53 bbls/day	(11) %
Total production	403 boe/day	261 boe/day	54 %	414 boe/day	254 boe/day	63 %

Trafina’s production for the three and six months ended June 30, 2009 increased 54 percent and 63 percent, respectively, over the same periods in 2008. Increased production in both periods was attributable to Trafina’s successful 2008 capital program. In the second quarter of 2009, an additional 5 (1.5 net) wells were placed on production, bringing the total wells that commenced production in the first half of 2009 to 13 (4.2 net).

## BENCHMARK PRICES

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
AECO daily spot price	\$3.46/mcf	\$10.20/mcf	\$4.20/mcf	\$9.08/mcf
West Texas Intermediate (WTI)	US\$59.51/bbl	US\$123.95/bbl	US\$51.19/bbl	US\$110.91/bbl
Edmonton Par	\$66.19/bbl	\$126.74/bbl	\$58.17/bbl	\$112.48/bbl
US/CDN \$ average exchange rate	0.86	0.99	0.83	0.99

As the global recession continued, additional downward pressure was placed on natural gas prices over the three months ended June 30, 2009. The AECO daily spot price decreased 30 percent from the first quarter of 2009 to average \$3.46/mcf in the second quarter of 2009. However, with the anticipation of the summer driving season, oil prices increased slightly averaging US\$59.51/bbl for the three months ended June 30, 2009. Average commodity prices in 2009 were in stark contrast to the average prices for the three and six months ended June 30, 2008, where fears of supply shortages helped move prices higher.

## COMPANY REALIZED PRICES

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Natural gas	\$3.45/mcf	\$9.59/mcf	\$5.59/mcf	\$8.97/mcf
Oil and natural gas liquids	\$55.89/bbl	\$91.29/bbl	\$48.32/bbl	\$68.69/bbl
Total	\$24.86/boe	\$63.38/boe	\$35.24/boe	\$56.91/boe

A continued decline in benchmark natural gas prices in 2009 impacted the price the Company received for its production. Trafina's realized average natural gas price for the three months ended June 30, 2009 was \$3.45/mcf, a fall of 64 percent from an average realized natural gas price of \$9.59/mcf for the three months ended June 30, 2008. The Company's average realized oil and natural gas liquids price for the three months ended June 30, 2009 also declined 39 percent from the same period last year. Similar commodity price declines were realized for the six months ended June 30, 2009 over the same period in 2008 with total average realized prices declining 38 percent.

## REVENUE

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Natural gas	\$671,975	\$1,131,502	\$1,680,891	\$1,957,366
Oil and natural gas liquids	241,508	373,833	412,840	658,905
Total revenue	\$913,483	\$1,505,335	\$2,093,731	\$2,616,271

Despite an increase in production for the three and six months ended June 30, 2009, revenue decreased period to period. Weaker commodity prices resulted in revenue declining 39 percent for the three months ended June 30, 2009, compared to the three months ended June 30, 2008 and revenue declining 20 percent for the six months ended June 30, 2009, compared to the six months ended June 30, 2008.

## LIABILITY SETTLEMENT REVENUE

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Liability settlement	\$533,716	\$11,953	\$533,716	\$25,152

On July 29, 2009, the Company signed an agreement with an industry partner resulting in a settlement of funds owed by Trafina to the industry partner resulting from the over-allocation of revenue in prior periods. At December 31, 2008, the Company had estimated in its financial statements an amount of the obligation. As a result of the settlement, the Company reduced its working capital deficit by approximately \$533,000 and recorded an increase to revenue.

## OTHER REVENUE

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Other revenue	\$3,062	\$11,953	\$10,384	\$25,152

Other revenue relates to miscellaneous processing and interest revenue.

## ROYALTIES

	Three Months Ended June 30				Six Months Ended June 30			
	2009	Royalty as % of revenue	2008	Royalty as % of revenue	2009	Royalty as % of revenue	2008	Royalty as % of revenue
Total royalties	\$75,296	8%	\$210,479	14%	\$241,752	12%	\$358,627	14%

Royalty payments as a percentage of revenue for the six months ended June 30, 2009 decreased to 12 percent when compared to the six months ended June 30, 2008. The decrease was mainly a result of changes to the Alberta Government royalty framework that came into effect January 1, 2009. Under the new framework, the Company's low rate producing wells, coupled with lower commodity prices resulted in favorable Alberta Government Crown royalty calculations. Royalty payments as a percentage of revenue for the three months ended June 30, 2009 decreased to 8 percent when compared to the three months ended June 30, 2008. The lower royalty rate was partly a result of the new royalty framework and a favorable adjustment to the Company's annual custom processing and capital cost deduction from the Crown.

## OPERATING EXPENSES

	Three Months Ended June 30				Six Months Ended June 30			
	2009	\$/boe	2008	\$/boe	2009	\$/boe	2008	\$/boe
Operating expenses	\$573,527	\$15.61	\$438,903	\$18.48	\$1,102,755	\$14.73	\$811,854	\$17.66

Operating expenses including processing and transportation costs for the three and six months ended June 30, 2009 were \$573,527 (\$15.61/boe) and \$1,102,755 (\$14.73/boe), respectively, which decreased 16 percent and 17 percent over the same periods in 2008. The decrease was mainly due to operating costs being spread over a larger production base in the Company's Wetaskiwin area as a result of additional production. Operating expenses for the three months ended June 30, 2009 increased slightly over the first three months of 2009, primarily as a result of recording a full year of 2009 property taxes for the Company's operated Wetaskiwin area.

## FIELD NETBACK <sup>(1)</sup>

	Three Months Ended June 30				Six Months Ended June 30			
	2009	\$/boe	2008	\$/boe	2009	\$/boe	2008	\$/boe
Petroleum and natural gas revenue	\$913,483	\$24.91	\$1,505,335	\$63.38	\$2,093,731	\$27.94	\$2,616,271	\$56.91
Liability settlement revenue	533,716	14.55	---	---	533,716	7.12	---	---
Other revenue	3,062	0.09	11,953	0.50	10,384	0.14	25,152	0.55
Royalty	(75,296)	2.05	(210,479)	8.86	(241,752)	3.23	(358,627)	7.80
Operating expenses	(573,527)	15.61	(438,903)	18.48	(1,102,755)	14.73	(811,854)	17.66
Field netback <sup>(1)</sup>	\$801,438	\$21.85	\$867,906	\$36.54	\$1,293,324	\$17.24	\$1,470,942	\$32.00
Sales volumes (boe)	36,673		23,751		74,934		45,974	

(1) See NON-GAAP MEASURES.

Trafina's field netback decreased 46 percent to \$1,293,324 (\$17.24/boe) for the six months ended June 30, 2009, compared to \$1,470,942 (\$32.00/boe) for the six months ended June 30, 2008. The lower field netback was a result of lower revenue, lower royalties and higher operating expenses, offset by a one-time working capital adjustment booked to liability settlement revenue. For the three months ended June 30, 2009, the Company's field net back was \$801,438, which was 8 percent lower than the three months ended June 30, 2008. The decrease was a result of lower revenue, lower royalties and higher operating expenses, offset by the aforementioned working capital adjustment.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
G&A	\$279,805	\$386,491	\$659,311	\$996,053
G&A per boe	\$7.63	\$16.27	\$8.80	\$21.67

G&A expenses for the three and six months ended June 30, 2009, were significantly less when compared to the three and six months ended June 30, 2008. The majority of the positive difference over the six month period was reflective of a severance payment included in the six months ended June 30, 2008. G&A expenses for the three months ended June 30, 2009 were lower than the same period in 2008 mainly due to lower salary, consulting and legal fees.

## DEPLETION, DEPRECIATION, AND ACCRETION

For the three and six months ended June 30, 2009, depletion, depreciation and accretion expense was \$929,003 (\$25.33/boe) and \$1,885,596 (\$25.16/boe), respectively. For the three and six months ended June 30, 2008, depletion, depreciation and accretion expense was \$560,609 (\$23.60/boe) and \$1,023,678 (\$22.27/boe), respectively. The increase in depletion, depreciation and accretion expense is a direct correlation to production, as the Company’s depletion calculation uses the unit-of-production method in its computation.

## STOCK BASED COMPENSATION EXPENSE

Stock based compensation expense totaled \$55,395 for the six months ended June 30, 2009, compared to \$7,000 for the six months ended June 30, 2008. The increase in stock based compensation expense relates to 1,090,000 stock options granted since October, 2008, including 350,000 options granted in October 2008 to officers of the Company, 440,000 options granted in January 2009 to directors and employees of the Company and 300,000 options granted in May 2009 to an officer of the Company. As at June 30, 2009, 1,090,000 stock options were outstanding.

## INTEREST EXPENSE

Interest expense for the three and six months ended June 30, 2009 was \$19,911 and \$30,673, respectively, and interest expense for the three and six months ended June 30, 2008 was \$21,460 and \$27,403, respectively. Included in interest expense for the three and six months ended June 30, 2009 is accrued interest charges due to the Canada Revenue Agency for outstanding flow-through share obligations after February 2009. At June 30, 2009 the Company had fulfilled approximately \$886,000 of its \$2,021,000 flow-through obligation.

## INCOME TAXES

For the three months ended June 30, 2009, the Company recorded a future income tax provision of \$38,803 and a current income tax reduction of \$156,627. The current income tax reduction is a result of the Company filing its 2008 tax return and carrying back a portion of a non-capital loss to a prior taxation year. For the six months ended June 30, 2009, the Company recorded a future income tax reduction of \$182,585 and a current income tax reduction \$130,274. For the three and six months ended June 30, 2008, the Company recorded future income tax reductions of \$66,000 and \$208,000, respectively. 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.

## NET LOSS

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Net loss	\$341,010	\$417,464	\$1,024,792	\$754,502

For the six months ended June 30, 2009, the Company recorded a net loss of \$1,024,792, compared to a net loss of \$754,502 reported in the six months ended June 30, 2008. Revenue, including a one-time liability settlement, and a reduction in income taxes, were more than offset by higher overall expenses. In 2008, revenue was offset by high G&A costs, resulting from a severance payment and bad debt expense. For the three months ended June 30, 2009, the Company recorded a net loss of \$341,010 as a result of low revenue, buoyed by the aforementioned liability settlement revenue, which was more than offset by higher expenses. By comparison, for the three months ended June 30, 2008, the Company recorded a net loss of \$417,464, mainly attributable to bad debt 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 OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Net loss	<b>\$(341,010)</b>	\$(417,464)	<b>\$(1,024,792)</b>	\$(754,502)
Add back items not involving cash:				
Depletion and accretion	<b>929,003</b>	560,609	<b>1,885,596</b>	1,023,678
Future income taxes	<b>38,803</b>	(66,000)	<b>(182,585)</b>	(208,000)
Stock-based compensation	<b>31,553</b>	3,500	<b>55,395</b>	7,000
Liability settlement revenue	<b>(533,716)</b>	---	<b>(533,716)</b>	---
Abandonments	<b>(63,807)</b>	---	<b>(63,807)</b>	---
Funds flow from operations <sup>(1)</sup>	<b>\$60,826</b>	\$80,645	<b>\$136,091</b>	\$68,176
Funds flow from operations per share –basic	<b>\$0.01</b>	\$0.01	<b>\$0.01</b>	\$0.01

(1) See NON-GAAP MEASURES.

Funds flow from operations for the three months ended June 30, 2009 were slightly lower when compared to the same period in 2008. The decrease is primarily a result of lower petroleum and natural gas revenues, partially offset by a reduction of current income taxes. Funds flow from operations for the six months ended June 30, 2009 were slightly higher when compared to the same period in 2008. The increase is primarily a result of lower petroleum and natural gas revenues, partially offset by lower G&A costs and no provision for bad debt.

## NETBACK ANALYSIS

The following table reconciles field netback (non-GAAP) to funds flow from operations (non-GAAP) to net loss (GAAP) for the three and six months ended June 30, 2009 and June 30, 2008:

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Petroleum and natural gas revenue	<b>\$913,483</b>	\$1,505,335	<b>\$2,093,731</b>	\$2,616,271
Liability settlement revenue	<b>533,716</b>	---	<b>533,716</b>	---
Other revenue	<b>3,062</b>	11,953	<b>10,384</b>	25,152
Royalty	<b>(75,296)</b>	(210,479)	<b>(241,752)</b>	(358,627)
Operating expenses	<b>(573,527)</b>	(438,903)	<b>(1,102,755)</b>	(811,854)
Field netback <sup>(1)</sup>	<b>801,438</b>	867,906	<b>1,293,324</b>	1,470,942
General and Administrative	<b>(279,805)</b>	(386,491)	<b>(659,311)</b>	(996,053)
Interest	<b>(19,911)</b>	(21,460)	<b>(30,673)</b>	(27,403)
Current tax	<b>156,627</b>	---	<b>130,274</b>	---
Bad debt	---	(379,310)	---	(379,310)
Abandonments	<b>(63,807)</b>	---	<b>(63,807)</b>	---
Liability settlement revenue	<b>(533,716)</b>	---	<b>(533,716)</b>	---
Funds flow from operations <sup>(1)</sup>	<b>60,826</b>	80,645	<b>136,091</b>	68,176
Depletion and accretion	<b>(929,003)</b>	(560,609)	<b>(1,885,596)</b>	(1,023,678)
Future income taxes	<b>(38,803)</b>	66,000	<b>182,585</b>	208,000
Stock-based compensation	<b>(31,553)</b>	(3,500)	<b>(55,395)</b>	(7,000)
Liability settlement revenue	<b>533,716</b>	---	<b>533,716</b>	---
Abandonments	<b>63,807</b>	---	<b>63,807</b>	---
Net loss	<b>\$(341,010)</b>	\$(417,464)	<b>\$(1,024,792)</b>	\$(754,502)

(1) See NON-GAAP MEASURES.

## LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2009, the Company had net debt and working capital deficiency of \$2,896,332, significantly lower than the deficiency at March 31, 2009 of \$3,712,758. The approximate \$800,000 difference is mainly a result of an agreement signed on July 29, 2009, between the Company and an industry partner, whereby a settlement agreement created a positive adjustment to working capital of \$533,000 and allowed for a financial statement reclassification of approximately \$486,000 from current to long term liability. For additional information see note 6 in the Company's accompanying financial statements.

The Company's main focus in 2009 is to fulfill its flow-through obligation, while maintaining acceptable debt levels. Notwithstanding the impact of favorable commodity prices on future funds flow and the corresponding ability to reduce debt levels, it is anticipated that additional funds will be needed. Possible funding may be obtained through one or more equity financings and/or an increased credit facility. In addition, management continues to believe that advantageous transactions may be available in 2009 and remains committed to growing the Company through drilling, oil and gas property acquisitions and/or corporate transactions.

## BANK DEBT

At June 30, 2009, the Company had drawn \$1,364,232 of its \$3,500,000 demand revolving operating credit facility. In the second quarter of 2009, the Company's credit facility was renewed by the lender and remains at \$3,500,000. The next scheduled review date is September 30, 2009. The Company was in compliance with its bank covenant as at June 30, 2009.

## EQUITY

Changes to equity of the Company for the six months ended June 30, 2009 were as follows:

### *Share Issues*

In February, 2009, Trafina completed a non-brokered private placement to an employee of Trafina and issued 100,000 Class A common shares at a price of \$0.40 per share for gross proceeds of \$40,000. The 100,000 Class A common shares were subject to a hold period, which expired June 4, 2009.

### *Flow-through Shares*

In February 2009, the Company renounced \$2,021,000 million of flow-through obligations with an effective date of December 31, 2008 as a result of the issuance of common shares, issued on a flow-through basis pursuant to the *Income Tax Act* (Canada), in November 2008. As a result, a future income tax liability and commensurate reduction of share capital of \$525,459 was recorded in the three months ended June 30, 2009.

### *Normal Course Issuer Bid*

In February of 2009, the TSX Venture Exchange approved a normal course issuer bid ("NCIB"), whereby the Company may purchase, for cancellation, up to 111,111 of its Class A common shares, during the period commencing February 27, 2009 and ending February 26, 2010. On August 5, 2009, the Company purchased 5,000 Class A common shares at a price of \$0.29 under the NCIB. A shareholder may obtain a copy of the notice relating to the NCIB, without charge, by contacting the Company at 1160, 1015 – 4<sup>th</sup> Street S.W. Calgary, AB T2R 1J4.

### *Stock Options*

The Company has an employee stock option plan under which employees, consultants and directors are eligible to receive options. On January 15, 2009, the Board of Directors of Trafina approved the issuance of 440,000 stock options to employees and directors of the Company with an exercise price of \$0.30 per option. On May 29, 2009, 300,000 stock options were issued to an officer of the Company with an exercise price of \$0.40 per option. At June 30, 2009, 1,090,000 stock options were outstanding, with an average exercise price of \$0.35 per option. For 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.

### *Outstanding share data*

Trafina is authorized to issue an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares and an unlimited number of preferred shares. As at August 24 2009, 11,302,472 Class A voting common shares were issued and outstanding (not including the reduction of 5,000 shares acquired by the Company through the NCIB on August 5, 2009). There are nil Class B non-voting common shares and nil preferred shares outstanding.

## CAPITAL EXPENDITURES

The following table summarizes capital expenditures for the three and six months ended June 30, 2009 and June 30, 2008.

	Three months ended		Six months ended	
	2009	2008	2009	2008
Drilling, completions and recompletions	\$40,191	\$(97,375)	\$269,584	\$1,556,123
Equipping and facilities	274,442	79,282	518,691	253,643
Non-operated joint interest partner 2008 accrual adjustment	---	---	(246,469)	---
Other	19,249	---	19,365	---
Total capital expenditures	\$333,882	\$(18,093)	\$561,171	\$1,809,766

For the three months ended June 30, 2009, capital expenditures were focused in the Wetaskiwin area and resulted in the equipping of six (2.4 net) wells drilled in 2008. The wells were previously logged and completion work is expected to be finished by the end of August 2009. For the six months ended June 30, 2009 the Company spent \$561,171, primarily in the Westaskiwin area. The Company's 2009 capital program to June 30, 2009 resulted in 13 (4.2 net) wells being placed on production. For the six months ended June 30, 2008, capital expenditures of \$1,809,766 were mainly a result of commencing phase one of the Wetaskiwin area drilling program.

## CONTRACTUAL OBLIGATIONS

As a result of completing a private placement financing on November 28, 2008, the Company is required to spend approximately \$2,021,000 on eligible "flow-through" expenditures. At June 30, 2009, the Company estimated that it has spent approximately \$886,000 on qualifying flow through expenditures, leaving approximately \$1,135,000 of qualified expenditures to be incurred by December 31, 2009. The remaining qualified expenditures obligations will be funded by funds flow and bank debt.

Effective December 1, 2008, Trafina entered into a lease arrangement for office space. The Company's total rent obligation for 2009 is approximately \$50,000.

On July 29, 2009, the Company signed an agreement with an industry partner, resulting in a settlement of funds owed by Trafina to the industry partner as a result of prior years' revenue over-allocation. The agreement includes the following terms and conditions:

- The Company shall pay a total sum of \$1,307,604, which includes interest at 6.5% per annum calculated monthly.
- Payments of principal and interest are to occur monthly over an 18 month period, with the first payment to occur in August 2009.

The following table reconciles the Company's annual future payments:

	Principal
2009	\$347,222
2010	833,333
2011	69,445
Total	\$1,250,000

## 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 six months ended June 30, 2009, fees for legal services billed from this related party were approximately \$59,300, of which \$13,000 is included in accounts payable and accrued liabilities at June 30, 2009. 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 EVENT

The Company has agreed to purchase certain producing assets in Alberta and Saskatchewan from an arm's-length third party for \$10 plus a sliding scale royalty and the assumption of related operating, abandonment and reclamation liabilities. The present value of assuming the reclamation liabilities are estimated to be \$750,000. The effective date of the transaction is July 1, 2009, with the closing date expected to occur on or about September 17, 2009.

## HISTORICAL QUARTERLY FINANCIAL INFORMATION

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

	2009				2008			2007
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Production (boepd)	403	423	420	279	261	248	290	251
Revenue (\$)	913,483	1,187,571	1,651,810	1,609,142	1,505,335	1,124,135	1,123,890	1,176,605
Revenue (\$/boe)	24.91	31.19	42.75	62.69	63.38	49.81	42.12	50.95
G&A (\$)	279,805	379,506	386,265	377,557	386,491	609,562	442,761	377,784
Funds flow from (used-in) operations (\$) <sup>(1)</sup>	60,826	75,266	423,868	299,256	80,645	(12,469)	340,948	329,250
Funds flow per basic and diluted common share	\$0.01	\$0.01	\$0.05	\$0.05	\$0.01	---	\$0.06	\$0.06
Net loss (\$)	(341,010)	(683,782)	(400,307)	(187,767)	(417,464)	(337,038)	(11,755)	(248,418)
Net loss per basic and diluted common share	\$(0.03)	\$(0.06)	\$(0.05)	\$(0.03)	\$(0.07)	\$(0.06)	---	\$(0.04)
Capital expenditures (\$)	333,882	227,289	1,228,271	2,221,314	(18,093)	1,827,859	613,802	445,104
Net debt and working capital deficiency (\$) <sup>(1)</sup>	(2,896,332)	(3,712,758)	(3,631,929)	(4,921,251)	(2,972,298)	(3,067,111)	(1,216,727)	(943,873)

(1) See *NON-GAAP MEASURES*.

Funds flow from (used-in) operations in 2007 increased quarter over quarter. In the first quarter of 2008, the Company's funds flow used in operations was \$12,469. This was a result of increased administrative expenses relating to a severance payment. In the remaining three quarters of 2008, funds flow from operations was impacted by the Company recording a bad debt expense of \$379,310 and \$225,551 in the second and third quarters, respectively. In the first two quarters of 2009, funds flow from operations decreased from the fourth quarter of 2008 primarily as a result of lower commodity prices. In the fourth quarter of 2007, the Company had a lower net loss when compared to other quarters, largely as a result of income tax recoveries. In the first two quarters of 2008, net losses were recorded as a result of the aforementioned severance payment and 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 as a result of recording \$533,000 of liability settlement revenue.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

On January 1, 2009, the Company adopted Section 3064, "Goodwill and intangible assets" issued by the Canadian Institute of Chartered Accountants ("CICA"). It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this section had no impact on the Company's financial statements.

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 ("IFRS") by the end of 2011, including comparatives for 2010. The eventual convergence to IFRS may materially affect the Company's financial position and results of operations. The Company is commencing its preparation for this transition.

## ADDITIONAL INFORMATION

Additional information relating to the Company is filed on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.trafinaenergy.com](http://www.trafinaenergy.com). Information can also be obtained by contacting the Company at Trafina Energy Ltd., 1160, 1015-4<sup>th</sup> Street S.W., Calgary, Alberta T2R 1J4.