

THIRD QUARTER REPORT

For the three and nine months ended September 30, 2007

CORPORATE HIGHLIGHTS

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
Petroleum and natural gas revenues (\$)	2,825,226	9,571,280
Cash flows from operations (\$)	1,078,559	4,312,008
Basic and diluted per share (\$)	0.09	0.36
Net income (loss) (\$)	(997,887)	27,072
Basic and diluted per share (\$)	(0.08)	-
Working capital (\$)	1,768,023	1,768,023
Capital expenditures (\$)	1,963,922	15,507,920
Weighted average number of shares outstanding		
Basic and diluted	11,835,883	11,835,883
Shares outstanding as at September 30, 2007		
Basic	11,835,883	11,835,883
Diluted	12,957,133	12,957,133
Average Production		
Light Oil (bbls/d)	39	44
Heavy Oil (bbls/d)	51	49
Total Oil (bbls/d)	90	93
Natural Gas (mcf/d)	5,550	4,940
BOE (boe/d)	1,015	916
Average Realized Prices*		
Light Oil (\$/bbl)	74.51	70.70
Heavy Oil (\$/bbl)	50.19	44.08
Natural Gas (\$/mcf)	4.88	6.35
\$/boe (6:1)	32.05	39.96
Netback per boe (\$)		
Petroleum and natural gas revenue	32.05	39.96
Royalties	6.00	8.04
Operating expenses	8.84	8.98
Transportation expenses	1.77	1.69
Operating Netback	15.44	21.25

* Average realized prices are before transportation expenses.

LETTER TO SHAREHOLDERS

We are pleased to report on Trafalgar's progress through the third quarter of 2007. Highlights include:

- Achieving record quarterly production of 1,015 boe/d.
- Delivering operating costs below guidance at \$8.84 per boe.
- Maintaining our strong balance sheet with \$1.8 million of positive working capital and no debt.
- Increasing bank credit facility from \$12 million to \$15 million.
- Adding to our exploitation and exploration portfolio increasing undeveloped land to 95,000 net acres.

Current production is averaging 1,000 boe/d and Trafalgar remains on track to achieve its 2007 average and exit production forecasts of 900-950 and 950-1,050 boe/d, respectively.

Properties

Trafalgar's current oil and natural gas producing assets are located in three primary areas: Grouard and MacKay, Alberta and Cypress, British Columbia.

Grouard, Alberta

Grouard remains our largest asset producing 627 boe/d for the three months ended September 30, 2007.

Primary activity in the third quarter concentrated on construction of facilities for the Bluesky waterflood project. Water injection began in the first week of November and with success we expect to see incremental oil production in the first quarter of 2008. Estimated original oil in place in the Bluesky pool is approximately 17 million barrels with cumulative recovery to date of only 520,000 barrels or approximately three percent. Similar pools in the area have shown significant success with the application of waterflood technology.

Upcoming activity includes one 100% Gilwood exploratory location currently scheduled for early 2008.

Mackay, Alberta

The Mackay property continues to exceed initial expectations. Production in Q3 was 302 boe/d from our four producing wells drilled last winter. Through a series of crown land sales during the third quarter, Trafalgar increased its land position to 32 sections at an average 85% working interest. Additionally we have reached farm-in terms on ten sections of prospective land and have identified in excess of 20 locations on Trafalgar controlled lands.

Preparations for the winter drilling program are underway. We anticipate drilling 8-10 locations through Q1 2008.

Cypress, British Columbia

Production remains on track at just under 90 boe/d. We attempted two recompletions at Cypress during the quarter which proved to be unsuccessful. No further capital expenditures are planned at this time.

Exploration

Trafalgar has been assembling land positions on five new exploratory prospects. These prospects have five bcf or greater reserve potential, are close to existing, underutilized infrastructure, and have attractive risked economics. Trafalgar's intent will be to evaluate two to three of these prospects over the next 12 months.

Acquisitions

Trafalgar has been actively evaluating prospective transactions over the past year. We anticipate more assets, both corporate and property, to become available over the next six to nine months due to the downturn in gas prices and the poor financial health of many juniors. Our evaluation strategy remains consistent. We will look to acquire focused, operated, predictable, and accretive assets.

Outlook

Capital expenditures for 2007 remain on guidance at \$18.8 million.

Our disciplined approach to capital expenditures and project development has resulted in Trafalgar maintaining an enviable balance sheet with no debt and positive working capital at the end of the third quarter while at the same time growing our production base by approximately 55% since September 2006. We have built a deep development and exploration inventory with over \$35 million dollars of defined projects on lands we now control. Our inventory is economic at today's gas price forecasts, under both the old and new royalty frameworks, and is expected to meet our 2:1 risked recycle ratio target.

We will maintain our disciplined approach to capital expenditures in 2008 spending \$10 to \$11 million dollars in the first quarter drilling 10-12 wells (8-10 at Mackay and two exploration targets). Based upon Q1 activity our 2008 production is

forecast to increase to an average of 1,225-1,325 boe/d representing a 25% to 40% increase over 2007 average levels. Our balance sheet will remain conservatively managed such that we can and will be opportunistic in following up exploration successes and become a more active acquirer as asset prices continue to soften.

Our finding and development cost targets for gas projects are \$2.00/mcf (\$12/boe), for light oil projects \$16-\$18/barrel; levels that industry in general has failed to achieve for several years but those that the Trafalgar team has consistently met or beaten. We believe these are the targets required to generate reasonable investment returns. Our Mackay project has delivered roughly \$10/boe finding and development costs to date. This winter, helped with the softening in industry service costs, our deep inventory of moderate risk development locations, our execution expertise, and our surface and subsurface understanding of the Mackay area we anticipate delivering top quartile finding and development costs at Mackay again. Trafalgar's exploratory projects on a risked basis have similar finding and development cost expectations.


We expect gas prices will remain weak over the next six to nine months and then strengthen later in 2008 associated with a decline in Canadian gas production in general and Alberta gas production in particular.

We have completed an initial evaluation the new royalty framework. Preliminary analysis applying the price forecast used in our mid year GLJ report, indicates the net present value (10% discount) of our existing proven plus probable reserve base would increase from \$40.0 to \$40.8 million dollars (effective July 1, 2007). Based upon our internal analysis the new royalty framework will marginally increase time to achieve payout but overall have a minimal economic impact on Trafalgar's current prospect inventory at current price forecasts.

Our analysis indicates the new royalty framework most negatively impacts companies pursuing mid depth high risk/high reward projects. It will result in less activity in Alberta and will decrease the overall opportunity paths for growth in the junior oil and gas sector.

The oil and gas industry is notoriously cyclical. In our experience, over the past 20 years, cyclical lows have been the best times to build long term value. Trafalgar is well positioned to grow and to build value for our shareholders.

On behalf of the Management, Staff and Board of Directors,



November 8, 2007

Rob Wollmann
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") reviews Trafalgar Energy Ltd. ("Trafalgar" or the "Company") activities and results of operations for the three and nine months ended September 30, 2007. The MD&A should be read in conjunction with the audited financial statements of Trafalgar from incorporation on April 25, 2006 to December 31, 2006. The accompanying unaudited interim financial statements of Trafalgar have been prepared by management and approved by the Company's Audit Committee and Board of Directors. These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. This MD&A was reviewed and approved by the Company's Board of Directors on November 7, 2007.

NON-GAAP FINANCIAL MEASURES

Trafalgar evaluates performance based on net income (loss) and "cash flows from operations". Cash flows from operations and cash flows from operations per share are not measurements based on GAAP, but are financial terms commonly used in the oil and gas industry. The Company's cash flows from operations is detailed on the Statements of Cash Flows and may not be comparable to other companies. Trafalgar calculates cash flows from operations per share using the same method and shares outstanding which are used in the determination of net income (loss) per share. The Company considers it a key measure as it demonstrates the ability of the Company to generate the funds necessary to finance future capital investments.

Trafalgar also uses "operating netbacks" as a key performance indicator. Operating netbacks do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Operating netbacks are determined by deducting royalties, operating expenses, processing fees and transportation from petroleum and natural gas sales revenue.

Cash flows from operations and operating netbacks are not intended to represent operating profits, nor should they be viewed as an alternative to cash flows provided by operating activities, net income or other measures of financial performance calculated in accordance with GAAP.

BOE PRESENTATION

In conformity with National Instrument 51-101, Standards for Disclosure of Oil and Gas Activities ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that the term "boe" may be misleading, particularly if used in isolation.

DESCRIPTION OF COMPANY

Trafalgar is a Calgary, Alberta based oil and natural gas exploration, production and development company, with operations in the Canadian provinces of Alberta and British Columbia. Trafalgar was established in April 2006 and began trading on the Toronto Stock Exchange ("TSX") on September 26, 2006 under the symbol TFL.

FORWARD-LOOKING STATEMENTS

This discussion and analysis contains forward-looking statements related to future events or future performance. Certain statements regarding Trafalgar include management's assessment of future plans and operations and may constitute forward-looking statements under applicable securities laws and necessarily involve known and unknown risks and uncertainties, most of which are beyond Trafalgar's control. These risks may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements.

Such factors include, but are not limited to: the impact of general economic conditions in Canada and the United States; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced; competition from other producers; the lack of availability of drilling rigs and other field services; the lack of availability of qualified personnel; fluctuations in commodity prices; the results of exploration and development drilling related activities; imprecision in reserve estimates; the production and growth potential of Trafalgar's various assets; fluctuations in foreign exchange or interest rates; the ability to access sufficient capital from internal and external sources; and obtaining required approvals of regulatory authorities.

Accordingly, Trafalgar gives no assurance nor makes any representations or warranty that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward-looking statements. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. Trafalgar disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Additional information regarding Trafalgar is available under the Company's profile on SEDAR at www.sedar.com or on the Company's website at www.trafalgarenergy.ca.

RESULTS OF OPERATIONS

Production

Production for the three months ended September 30, 2007 has increased 2.8% over the second quarter of 2007 as a result of increased natural gas production at MacKay. Production averaged 1,015 boe/d for the three months ended September 30, 2007. Grouard continues to be our largest producing asset at 627 boe/d followed by MacKay at 302 boe/d and Cypress at 86 boe/d. Production for the quarter ended September 30, 2007 was weighted approximately 91% to natural gas and 9% to crude oil.

Average daily production for the nine months ended September 30, 2007 was 916 boe/d including 93 bbls/day of oil and 4,940 mcf/day of natural gas. The Company's production portfolio for the nine months ended September 30, 2007 was weighted 90% to natural gas and 10% to crude oil.

Production by Product	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Oil (bbls/day)	90	93	93
Natural Gas (mcf/day)	5,550	5,367	4,940
Total (boe/d) (6:1)	1,015	987	916

Production by Area (boe/d)	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Grouard, Alberta	627	676	647
MacKay, Alberta	302	214	174
Cypress, British Columbia	86	97	95
Total (boe/d) (6:1)	1,015	987	916

Revenue

Petroleum and natural gas revenues were \$2.8 million for the three months ended September 30, 2007 representing a 26% decrease over the three months ended June 30, 2007 due to lower natural gas prices. Trafalgar's realized natural gas price of \$4.88/mcf for the three months ended September 30, 2007 includes a prior period adjustment. The adjustment slightly reduced the realized price and increased the discount to AECO. Generally, we expect realized natural gas prices to be 2% lower than AECO. Oil revenues were 2% higher than the second quarter of 2007. For the nine months ended September 30, 2007, petroleum and natural gas revenues totaled \$9.6 million.

Petroleum and Natural Gas Revenues (\$)	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Oil	484,400	476,023	1,387,053
Natural Gas	2,340,826	3,356,011	8,184,227
Total Revenue	2,825,226	3,832,034	9,571,280
\$/boe (6:1)	30.28	42.66	38.27

Trafalgar Realized Prices (Net of Transportation)	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Light Crude Oil (\$/bbl)	72.74	69.57	68.95
Heavy Crude Oil (\$/bbl)	48.42	46.00	42.33
Natural Gas (\$/mcf)	4.58	6.87	6.07
\$/boe (6:1)	30.28	42.66	38.27

Market Prices	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Oil WTI (US\$/bbl)	75.28	65.03	66.16
Edmonton Par (C\$/bbl)	80.28	71.64	72.85
Lloydblend (C\$/bbl)	54.44	49.40	50.74
Gas AECO (\$/mcf)	5.18	7.07	6.55
Exchange Rate (US\$/C\$)	0.9565	0.9112	0.9071

Royalties

Royalty expense consists of royalties paid to provincial governments, freehold land owners and overriding royalty owners. For the three months ended September 30, 2007 royalties were \$559,589 or \$6.00/boe or approximately 20% of revenue. Royalties were 32% lower in the third quarter of 2007 compared to the second quarter of 2007 due to lower revenues resulting from lower natural gas prices. For the nine months ended September 30, 2007, royalties were \$2.0 million or \$8.04/boe or 21% of revenue.

Royalties	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Royalties (\$)	559,589	827,059	2,010,950
As a % of oil and gas revenue	20	21	21
\$/boe (6:1)	6.00	9.21	8.04

On October 25, 2007, the Government of Alberta released a New Royalty Framework ("Royalty Framework"). The Royalty Framework was released in response to a report issued by the Alberta Royalty Review Panel, which was commissioned by the Government of Alberta to perform a review of Alberta's oil and natural gas royalty system. The Royalty Framework is currently scheduled to take effect on January 1, 2009.

Over 90% of Trafalgar's current reserves and production are within the Province of Alberta and are subject to the new Royalty Framework. Trafalgar has undertaken a preliminary review of the modifications proposed by the Government of Alberta and its potential impact on the Company. The net present value (10% discount) of our existing proven plus probable reserve base is expected to increase from \$40.0 to \$40.8 million dollars based upon information currently available and using a price forecast consistent with our July 1, 2007 mid year reserve report. In addition, Trafalgar expects minimal economic impact on its drilling plans and inventory resulting from the implementation of the Royalty Framework at current price forecasts.

Additional details and regulations respecting the Royalty Framework are forthcoming. Trafalgar will continue to evaluate the impact of the Royalty Framework as additional information is released.

Interest and Other Income

Interest and other income is comprised primarily of interest on Trafalgar's cash balances. For the three months ended September 30, 2007, interest and other income totaled \$19,318 as compared to \$39,687 for the second quarter of 2007. The reduction is due to reduced cash balances quarter over quarter. For the nine months ended September 30, 2007, interest and other income totaled \$195,286.

Interest and Other Income	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Interest and Other Income (\$)	19,318	39,687	195,286

Operating Expenses

For the three months ended September 30, 2007, operating expenses were \$825,066 or \$8.84/boe as compared to operating expenses of \$780,403 or \$8.69/boe for the three months ended June 30, 2007. On a boe basis, operating expenses for the three months ended September 30, 2007 were approximately 2% higher than the three months ended June 30, 2007. Higher per boe operating expenses are due to one time cleanup and repair costs associated with a fire which occurred at the Grouard Heavy oil battery in July (approximately \$32,000 or \$0.34/boe). For the nine months ended September 30, 2007, operating expenses were \$2.2 million or \$8.98/ boe.

Operating Expenses	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Operating Expenses (\$)	825,066	780,403	2,245,674
\$/boe (6:1)	8.84	8.69	8.98

General and Administrative Expenses

General and administrative expenses ("G&A") net of overhead recoveries and capitalized geological and geophysical ("G&G") expenses for the three months ended September 30, 2007 were \$372,837 or \$3.99/boe compared to \$577,041 or \$6.42/boe for second quarter of 2007. The decrease in G&A is the result of lower professional and consulting fees and reporting costs quarter over quarter. For the nine months ended September 30, 2007, net G&A expenses were \$ 1.2 million or \$4.73/boe.

G & A Expenses	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Gross G&A Expenses(\$)	493,880	722,680	1,721,966
Capitalized G&G Expenses (\$)	(103,812)	(128,386)	(325,435)
Overhead Recovery(\$)	(17,231)	(17,253)	(214,708)
Net G&A Expenses(\$)	372,837	577,041	1,181,823
\$/boe (6:1)	3.99	6.42	4.73

Stock-based Compensation Expense

For the three months ended September 30, 2007, the Company recorded \$156,401 of stock-based compensation for stock options outstanding during the period. For the nine months ended September 30, 2007, the Company recorded \$507,870 of stock-based compensation.

Stock-Based Compensation Expense	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Stock-Based Compensation(\$)	156,401	164,783	507,870
\$/boe (6:1)	1.68	1.83	2.03

Interest Expense

For the three months ended September 30, 2007, the Company recorded interest expense of \$8,493 representing standby and other fees related to the existing credit facility. For the nine months ended September 30, 2007, interest expense was \$16,111.

Depletion, Depreciation and Accretion

Depletion and depreciation are calculated based upon capital, production rates and reserves. Trafalgar estimates depletion on a quarterly basis throughout the year using independent reserve and land reports when available. Trafalgar excludes undeveloped land, seismic and salvage value but includes future development costs in the capital base used in this calculation.

The provision for depletion, depreciation and accretion for the three months ended September 30, 2007 was \$1,920,045 as compared to \$1,789,514 for the three months ended June 30, 2007. The depletion and depreciation calculation for the three months ended September 30, 2007 utilized internally generated reserve estimates. Depletion, depreciation and accretion for the nine months ended September 30, 2007 was \$6,210,100.

The accretion expense is included in the depletion, depreciation and accretion expense. Trafalgar's asset retirement obligations ("ARO") are a Balance Sheet provision based on the Company's net ownership in wells and facilities. Management estimates the cost to abandon and reclaim the wells and facilities and the estimated time period during which these costs will be incurred in the future. Management estimates the total undiscounted amount of future cash flows required to abandon and reclaim wells and facilities as at September 30, 2007 to be approximately \$4.2 million, to be incurred over the next three to 20 years. Trafalgar uses a discount rate of 7.8% to calculate ARO obligations.

Accretion represents the change in the time value of the ARO. The underlying ARO may be increased over the period based on new obligations incurred from drilling wells or constructing facilities. Similarly, this obligation can be reduced as a result of abandonment work undertaken thereby reducing future obligations. There has been \$26,517 recognized as an accretion expense for the three months ended September 30, 2007 and \$79,543 for the nine months ended September 30, 2007.

The petroleum and natural gas properties were subject to a ceiling test as at September 30, 2007. No write-down was required as a result of this calculation.

	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Depletion, Depreciation and Accretion			
Depletion, Depreciation and Accretion (\$)	1,920,045	1,789,514	6,210,100
\$/boe (6:1)	20.57	19.92	24.83

Income Taxes

Trafalgar has approximately \$55 million of tax pools available to be applied against future income for tax purposes net of all flow through obligations.

Based on these available pools, Trafalgar does not expect to pay current income taxes in 2007 or 2008. Taxes payable beyond 2008 will become a function of commodity prices, production volumes and capital expenditures.

Cash Flows from Operations and Net Income (Loss) and Comprehensive Income

Cash flow from operations for the three months ended September 30, 2007 was \$1,078,559 representing a 36% decrease over cash flow from operations for the three months ended June 30, 2007. The decrease is largely due to a 33% decrease in the realized price for natural gas prices during the quarter and slightly higher operating expenses. Cash flow from operations for the nine months ended September 30, 2007 was \$4,312,008.

Net loss for the three months ended September 30, 2007 was \$997,887 as compared to net loss of \$272,642 for the three months ended June 30, 2007.

Cash Flows from Operations and Net Income (Loss)	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Cash flows from operations (\$)	1,078,559	1,681,655	4,312,008
\$/boe (6:1)	11.56	18.72	17.24
\$/share:			
Basic and diluted	0.09	0.14	0.36
Net Income (Loss) (\$)	(997,887)	(272,642)	27,072
\$/share:			
Basic and diluted	(0.08)	(0.02)	-

Capital Expenditures

Capital Expenditures	Three months ended September 30, 2007	Three months ended June 30, 2007	Nine months ended September 30, 2007
Land	665,817	1,305,111	2,493,269
Seismic	492,536	485,818	1,484,808
Drilling and Completion	390,733	574,395	7,185,272
Equipment Facilities and Pipelines	412,479	240,603	4,335,561
Other Assets	2,357	3,855	9,010
Total Exploration and Development Expenditures	1,963,922	2,609,782	15,507,920
Acquisitions	-	-	-
Total Capital Expenditures	1,963,922	2,609,782	15,507,920

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2007, Trafalgar had positive working capital of \$1.8 million. In addition, Trafalgar has a \$15.0 million revolving term credit facility with a major Canadian Bank for general corporate purposes including capital expenditures. The credit facility revolves for a period of 364 days followed by a one year term out period. The revolving period may be extended annually at the option of the lender. Rates of interest on the credit facility vary depending on Trafalgar's debt to cash flow ratio. The credit facility is secured by a floating charge debenture over all of Trafalgar's assets and a general security agreement.

OUTSTANDING SHARE DATA

Trafalgar began trading on the TSX on September 26, 2006 and its common voting shares trade on the TSX under the symbol TFL. A summary of Trafalgar's trading history on the TSX is as follows:

Per Share	Q3 2007	Q2 2007	Q1 2007
High	4.15	4.70	4.43
Low	3.27	3.80	3.50
Close	3.49	4.14	4.05
Average Daily Volume	13,207	15,809	14,887

As at June 30, 2007, there were 9,594,590 voting common shares outstanding, 2,241,293 non-voting common shares outstanding and 1,121,250 options to purchase common shares outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ARRANGEMENTS

Trafalgar has various contractual obligations and commitments arising in the normal course of operations and financing activities. These obligations and commitments have been considered when assessing the cash requirements in the above discussion of future liquidity.

The Company's bank credit facilities are subject to periodic review. Trafalgar does not expect any material changes to the bank credit facility resulting from these reviews.

Obligations with a fixed term for the remainder of 2007 and the next four years are as follows:

	2007	2008	2009	2010	2011
Office Lease	43,968	175,870	175,870	175,870	-

Trafalgar does not have any arrangements or obligations that are not reflected or disclosed in the consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, the Company evaluated the effectiveness of its disclosure controls and procedures and the internal control over financial reporting as of September 30, 2007 under the supervision and with the participation of the President and CEO and the Vice President Finance and CFO.

Based on the results of this evaluation, the President and CEO, the Vice President Finance and CFO, and the Audit Committee of the Board of Directors concluded that the design and operation of these disclosure controls and procedures were generally effective.

The only issue identified during the process was related to internal control over financial reporting. The issue identified, the concentration of some duties, is one that affects small companies. As a small organization, the Company's management is composed of a small number of key individuals, resulting in limited segregation of duties. Management compensates for the limited segregation of duties through extensive supervision and monitoring by the CEO, CFO and other officers. The Company's officers will continue to closely monitor all financial activities of the Company and increase the level of supervision in key areas when required. Alternatively, further mitigation would require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased cost of such hiring could negatively affect the Company's financial position, the Company's management has chosen to disclose the potential risk and proceed with increased staffing when budgets enable.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

Environmental Regulation and Risk

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Company.

The Federal Government released on April 26, 2007, its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "Action Plan"), also known as ecoACTION and which includes the Regulatory Framework for Air Emissions. This Action Plan covers not only large industry, but regulates the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy-using products. Regarding large industry and industry related projects the Government's Action Plan intends to achieve the following: (i) an absolute reduction of 150 megatonnes in greenhouse gas emissions by 2020 by imposing mandatory targets; and (ii) air pollution from industry is to be cut in half by 2015 by setting certain targets. New facilities using cleaner fuels and technologies will have a grace period of three years. In order to facilitate the companies' compliance of the Action Plan's requirements, while at the same time allowing them to be cost-effective, innovative and adopt cleaner technologies, certain options are provided. These are: (i) in-house reductions; (ii) contributions to technology funds; (iii) trading of emissions with below-target emission companies; (iv) offsets; and (v) access to Kyoto's Clean Development Mechanism.

On March 8, 2007, the Alberta Government introduced Bill 3, the Climate Change and Emissions Management Amendment Act, which intends to reduce greenhouse gas emission intensity from large industries. Bill 3 states that facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12% starting July 1, 2007; if such reduction is not initially possible the companies owning the large emitting facilities will be required to pay \$15 per tonne for every tonne above the 12% target. These payments will be deposited into an Alberta-based technology fund that will be

used to develop infrastructure to reduce emissions or to support research into innovative climate change solutions. As an alternate option, large emitters can invest in projects outside of their operations that reduce or offset emissions on their behalf, provided that these projects are based in Alberta. Prior to investing, the offset reductions, offered by a prospective operation, must be verified by a third party to ensure that the emission reductions are real.

Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact of those requirements on the Company and its operations and financial condition.

For a detailed discussion of Risks and Uncertainties, refer to the Trafalgar Annual Information Form filed on SEDAR at www.sedar.com.

SELECTED QUARTERLY DATA

The following table provides selected quarterly information for Trafalgar.

	2006 Q3 ⁽¹⁾	2006 Q4	2007 Q1	2007 Q2	2007 Q3
Production (boe/d)	625	662	744	987	1,015
Petroleum and natural gas revenue (\$)	184,833	2,532,804	2,914,020	3,832,034	2,825,226
Realized product prices					
Oil (\$/bbl)	59.57	44.36	49.37	56.43	58.96
Natural gas (\$/mcf)	4.54	6.86	7.11	6.87	4.58
\$/boe (6:1)	32.87	41.65	43.54	42.66	30.28
Royalties (\$/boe)	5.60	8.86	9.33	9.21	6.00
Operating expense (\$/boe)	12.00	12.18	9.57	8.69	8.84
Netback (\$/boe)	15.27	20.60	24.65	24.76	15.44
Cash flows from operations (\$)	(357,794)	1,037,294	1,551,794	1,681,655	1,078,559
Per share, basic and diluted	(0.10)	0.10	0.13	0.14	0.09
Net income (loss) (\$)	(4,109,183)	(670,975)	1,297,601	(272,642)	(997,887)
Per share, basic and diluted	(1.10)	(0.07)	0.11	(0.02)	(0.08)
Capital expenditures (\$)	2,852,864	5,424,221	10,934,216	2,609,782	1,963,922
Working capital (\$)	9,684,557	12,971,751	3,581,513	2,653,386	1,768,023

note: numbers may not add due to rounding

⁽¹⁾ Q3 values are from incorporation on April 25, 2006 to September 30, 2006. Trafalgar became a public reporting issuer effective September 26, 2006, with oil and gas activity commencing on September 21, 2006. The 625 boe/d of production is for the last nine days of activity from September 21, 2006 to September 30, 2006.

For further information, please contact:

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BALANCE SHEETS

<i>(unaudited)</i>	September 30, 2007 \$	December 31, 2006 \$
ASSETS		
Current		
Cash and cash equivalents	1,069,434	15,705,365
Accounts receivable	2,487,988	2,605,143
Prepaid expenses and deposits	342,045	450,134
	3,899,467	18,760,642
Petroleum and natural gas assets (Note 2)	38,462,713	28,881,664
	42,362,180	47,642,306
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	2,131,444	5,788,891
	2,131,444	5,788,891
Asset retirement obligations (Note 4)	1,623,981	1,413,444
	3,755,425	7,202,335
Commitments (Note 7)		
Shareholders' equity (Note 5)		
Share capital	40,176,919	42,617,771
Contributed surplus	1,074,602	494,038
Deficit	(2,644,766)	(2,671,838)
	38,606,755	40,439,971
	42,362,180	47,642,306

see accompanying notes to the financial statements

approved by the Board of Directors:

"signed"

Murray Nunns

"signed"

Steven Nielsen

TRAFALGAR ENERGY LTD.
STATEMENTS OF NET INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND DEFICIT

<i>(unaudited)</i>	Three months ended September 30, 2007 \$	Three months ended September 30, 2006 \$	Nine months ended September 30, 2007 \$	From incorporation on April 25, 2006 to September 30, 2006 \$
Revenue				
Oil and natural gas revenue	2,825,226	184,833	9,571,280	184,833
Less: Royalties	(559,589)	(31,500)	(2,010,950)	(31,500)
	2,265,637	153,333	7,560,330	153,333
Interest and other income	19,318	125,150	195,286	164,998
	2,284,955	278,483	7,755,616	318,331
Expenses				
Operating	825,066	67,500	2,245,674	67,500
General and administrative	372,837	447,724	1,181,823	550,036
Interest expense	8,493	51,456	16,111	58,589
Stock-based compensation (Note 5)	156,401	94,834	507,870	3,594,834
Depletion, depreciation and accretion (Notes 2 and 4)	1,920,045	156,555	6,210,100	156,555
	3,282,842	818,069	10,161,578	4,427,514
Net loss before taxes	(997,887)	(539,586)	(2,405,962)	(4,109,183)
Future income taxes (recovery) (Note 5)	-	-	(2,433,034)	-
Net income (loss) and comprehensive income (loss)	(997,887)	(539,586)	27,072	(4,109,183)
Deficit, beginning of period	(1,646,879)	(1,461,277)	(2,671,838)	-
Adjustment relating to business combination	-	-	-	2,108,320
Deficit, end of period	(2,644,766)	(2,000,863)	(2,644,766)	(2,000,863)
Net income (loss) per share (Note 5)				
Basic and diluted	(0.08)	(0.10)	-	(1.10)
Weighted average number of shares outstanding (Note 5)				
Basic and diluted	11,835,883	5,211,216	11,835,883	3,748,140

see accompanying notes to the financial statements

**TRAFALGAR ENERGY LTD.
STATEMENTS OF CASH FLOWS**

<i>(unaudited)</i>	Three months ended September 30, 2007 \$	Three months ended September 30, 2006 \$	Nine months ended September 30, 2007 \$	From incorporation on April 25, 2006 to September 30, 2006 \$
Operating activities				
Net income (loss) for the period	(997,887)	(539,586)	27,072	(4,109,183)
Add items not involving cash:				
Depletion, depreciation and accretion	1,920,045	156,555	6,210,100	156,555
Stock-based compensation	156,401	94,834	507,870	3,594,834
Future income tax recovery	-	-	(2,433,034)	-
	1,078,559	(288,197)	4,312,008	(357,794)
Change in non-cash working capital items related to operating activities (Note 6)	641,644	(669,811)	(533,643)	(303,058)
	1,720,203	(958,008)	3,778,365	(660,852)
Financing activities				
Cash received upon business combination	-	-	-	276,916
Repayment of intercompany loan	-	-	-	(146,357)
Repayment of shareholder loan	-	-	-	(170,000)
Issuance of shares	-	-	-	15,054,664
Share issue costs	-	(686,967)	(7,818)	(686,967)
	-	(686,967)	(7,818)	14,328,256
Investing activities				
Acquisition of property and equipment	(1,963,922)	(2,572,472)	(15,507,920)	(2,852,864)
Deferred charges	-	-	-	(214,000)
Change in non-cash working capital items related to investing activities (Note 6)	663,758	1,297,859	(2,898,558)	1,511,859
	(1,300,164)	(1,274,613)	(18,406,478)	(1,555,005)
Increase in cash and cash equivalents	420,039	(2,919,588)	(14,635,931)	12,112,399
Cash and cash equivalents, beginning of period	649,395	15,031,987	15,705,365	-
Cash and cash equivalents, end of period	1,069,434	12,112,399	1,069,434	12,112,399

see accompanying notes to the financial statements

Trafalgar Energy Ltd. Notes to the Financial Statements

For three and nine months ended September 30, 2007

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim financial statements of Trafalgar Energy Ltd. have been prepared in accordance with Canadian generally accepted accounting principles, following the same accounting policies and methods of computation as the financial statements of the Company for the period from incorporation on April 25, 2006 to December 31, 2006 except as disclosed below. These unaudited financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements and notes thereto for the period from incorporation on April 25, 2006 to December 31, 2006.

Changes in accounting policies

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new handbook sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the Balance Sheet either at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classifications, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. All derivative instruments, including embedded derivatives, are recorded in the Balance Sheet at fair value unless they qualify for the normal sale and purchase exemption. All changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables. Bank indebtedness, operating bank loans, accounts payable and accrued charges, long-term debt, including interest payable, and redeemable preferred shares are classified as other liabilities, all of which are measured at amortized cost. The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has maintained its policy not to use hedge accounting.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability. As a result of the application of Section 3855, the Company does not have any unamortized financing costs of this nature and no reclassification has been required. The adoption of these new standards had no impact on the Company's deficit position at December 31, 2006 and for the three and nine months ending September 30, 2007.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying value \$	Fair value \$
Held-for-trading	1,069,434	1,069,434
Loans and receivables	2,487,988	2,487,988
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities	2,131,444	2,131,444

The Company, also adopted Section 1506, Accounting Changes – the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instruments Presentations – which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

The Company also adopted Section 3251, Equity, Section 3251 replaces Section 3250, Surplus, and describes standards for the presentation of equity and changes in equity for reporting period as a result of the application of Section 1530, Comprehensive Income.

2. PETROLEUM AND NATURAL GAS ASSETS

	September 30, 2007	December 31, 2006
Petroleum and natural gas assets	\$ 46,160,866	\$ 30,458,268
Equipment	108,998	99,990
Accumulated depletion and depreciation, petroleum and natural gas assets	(7,773,000)	(1,661,000)
Accumulated amortization and depreciation, equipment	(34,151)	(15,594)
	<u>\$ 38,462,713</u>	<u>\$ 28,881,664</u>

For the three and nine months ended September 30, 2007, \$130,056 and \$398,129 was capitalized respectively (2006-nil). Of this amount, \$26,244 and \$72,694 is associated with stock-based compensation capitalized for the three and nine months ended September 30, 2007 (2006-nil).

As at September 30, 2007, \$7,439,000 (2006 - \$6,100,000) of costs related to undeveloped lands and \$2,219,400 (2006 - \$930,000) of seismic expenses were excluded from costs subject to depletion. Future development costs of proven reserves of \$1,160,000 (2006 - nil) were included in the costs subject to depletion.

3. CREDIT FACILITY

The Company has a revolving term credit facility with a Canadian chartered bank to a maximum of \$12.0 million. The facility bears interest at the bank's prime lending or banker's acceptance rates plus applicable margins. The borrowing base is subject to re-determination semi-annually. At September 30, 2007, no amounts were drawn against this facility other than a letter of credit in the amount of \$238,481 as a drilling deposit with the Province of British Columbia.

Subsequent to September 30, 2007, the Company signed an agreement increasing the revolving term credit facility from \$12.0 million to \$15.0 million

The Company's lending facilities are secured by a floating charge debenture over all of Trafalgar's assets, a general security agreement and a floating charge debenture.

4. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations result from the Company's net ownership interest in wells and facilities. Management estimates the total undiscounted amount of future cash flows required to reclaim and abandon wells and facilities as at September 30, 2007 is approximately \$4.2 million, to be incurred over the next three to 20 years. Estimated cash flow has been discounted at a credit-adjusted risk free rate of 7.8% and an inflation rate of 2% to arrive at the recorded liability of \$1.6 million at September 30, 2007. There has been \$79,543 recognized as an accretion expense for the nine months ended September 30, 2007 and for the three months ended September 30, 2007 \$26,517 has been recognized (2006-nil).

A reconciliation of the asset retirement obligation is provided below:

	September 30, 2007	December 31, 2006
Balance, beginning of period	\$ 1,413,444	\$ -
Liabilities incurred	130,994	12,401
Acquired on property acquisition	-	1,328,382
Accretion expense	79,543	24,581
Changes in estimates	-	48,080
Balance, end of period	\$ 1,623,981	\$ 1,413,444

5. SHARE CAPITAL

Authorized

Unlimited number of voting common shares
 Unlimited number of non-voting common shares
 Unlimited number of first preferred shares, issuable in series

Issued	Number of Shares	\$
Common shares, voting		
Balance, as at January 1, 2007	9,594,590	37,617,771
Future taxes on flow through common shares (i)	-	(1,297,634)
Issue costs	-	(7,818)
Balance, as at September 30, 2007	9,594,590	36,312,319
Common shares, non-voting		
Balance, as at January 1, 2007	2,241,293	5,000,000
Future taxes on flow through common shares (ii)	-	(1,135,400)
Balance, as at September 30, 2007	2,241,293	3,864,600
Share capital, as at September 30, 2007	11,835,883	40,176,919

Contributed surplus:

The following table reconciles Trafalgar's contributed surplus:

	September 30, 2007	December 31, 2006
Balance, beginning of period	\$ 494,038	\$ -
Stock-based compensation expense (iii)	580,564	258,483
Cancellation of warrants	-	235,555
Balance, end of period	\$ 1,074,602	\$ 494,038

- (i) In December 2006, the Company issued under private placement a total of 792,100 flow through common shares at \$5.05 per share for proceeds of \$4,000,105 and 572,360 common shares at \$4.02 per share for proceeds of \$2,300,887. The tax benefit of the flow through shares was renounced in its entirety in February, 2007, and all required capital commitments have been met.
- (ii) In June 2006, the Company issued under private placement a total of 1,741,293 flow through common shares, non-voting at \$2.01 per share for proceeds of \$3,499,999 and 2,874,297 common shares voting for proceeds of \$11,554,674. The tax benefit of the flow through shares was renounced in its entirety in February, 2007, with all capital commitments met.
- (iii) Non-cash stock-based compensation expense is comprised of the stock option benefit for all outstanding options amortized over the vesting period of the options.

Per share amounts

Per share amounts have been calculated using the weighted average number of common shares (voting and non-voting) and options outstanding during the three and nine months ended September 30, 2007:

	Three months ended September 30, 2007	Three months ended September, 30, 2006	Nine months ended September 30, 2007	From incorporation on April 25, 2006 to September 30, 2006
Weighted average shares outstanding, voting and non-voting: Basic and diluted	11,835,883	5,211,216	11,835,883	3,748,140

Stock option plan

The Company has a stock option plan authorizing the grant of options to purchase shares to designated participants, being directors, officers, employees or consultants. Options are priced at the closing price of the shares one day prior to the grant date of the options. The vesting for options granted occurs over a three year period, with one third of the number granted vesting on each of the first, second and third anniversary dates of the grant, expiring over a five year period.

The following is a continuity of stock options for which shares have been reserved:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, beginning of period	894,750	4.02
Granted	226,500	4.36
Balance, end of period	1,121,250	4.09

As at September 30, 2007, there were no options exercisable. The following table summarizes information about stock options outstanding at September 30, 2007:

Grant Price \$	Number	Weighted Average Exercise Price \$	Weighted Average Remaining Term (Years)	Fair Value Average Price \$
3.00-4.00	30,000	3.50	5.0	1.19
4.00-5.00	1,091,250	4.10	4.1	1.39
	1,121,250	4.09	4.1	1.38

The fair value of stock options granted to employees, directors and consultants during the three and nine months ended September 30, 2007 was estimated on the date prior to that of grant using the Black Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Weighted average fair value of option granted	\$ 1.38	\$ 1.36
Risk-free interest (%)	6	6
Volatility (%)	40	40
Expected life in years	3	3
Expected future dividends	\$ 0.00	\$ 0.00

For the three and nine months ended September 30, 2007, \$156,401 and \$507,870 has been recognized as stock-based compensation expense (2006 - \$94,834 and \$3,594,854, respectively). Contributed surplus recognized for the three and nine months ended September 30, 2007 was \$182,645 and \$580,564 (2006 - \$94,834). Of the \$182,645 and \$580,564, the amounts capitalized for three and nine months ending September 30, 2007 were \$26,244 and \$72,694, respectively (2006-nil).

6. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	From incorporation on April 25, 2006 to September 30, 2006
Changes in non-cash operating working capital:				
Accounts receivable	\$ 273,893	\$ (142,682)	\$ (128,128)	\$ (169,371)
Prepaid expenses and deposits	261,485	(262,472)	108,089	(325,107)
Accounts payable and accrued liabilities	106,266	(264,657)	(513,604)	191,420
	<u>\$ 641,644</u>	<u>\$ (669,811)</u>	<u>\$ (533,643)</u>	<u>\$ (303,058)</u>
Changes in non-cash investing working capital:				
Accounts receivable	\$ 357,036	\$ (148,685)	\$ 245,283	\$ (148,685)
Accounts payable and accrued liabilities	306,722	1,446,544	(3,143,841)	1,660,544
	<u>\$ 663,758</u>	<u>\$ 1,297,859</u>	<u>\$ (2,898,558)</u>	<u>\$ 1,511,859</u>

There have not been any cash outlays for interest and/or current income taxes for the three and nine months ended September 30, 2007, (2006 – nil).

7. COMMITMENTS

The Company has an operating lease for office premises expiring December 30, 2010 which requires minimum monthly payments of \$14,656 or \$175,870 per year.

8. RELATED PARTY TRANSACTIONS

During the three and nine month period ending September 30, 2007, the Company utilized legal services totaling \$1,270 and \$22,250, respectively. Legal services were provided by a firm in which two Directors of the Company are partners. As at September 30, 2007, there were no amounts outstanding or owing for legal services in accounts payable and accrued liabilities.

The Company has a natural gas marketing contract with Daylight Energy Ltd. ("Daylight"). The Company has a director that is an officer of Daylight. Under the contract, Daylight accepts all of the Company's natural gas production into Daylight's supply portfolio and sells the Company's natural gas production with the same operational arrangements, transportation and pricing as Daylight receives. The original term of the contract is one year from November 1, 2006 to October 31, 2007. Either party may terminate the contract with 30 days written notice. The contract continues on a year to year basis unless terminated by either party. The Company pays a fee of \$2,500 per month for marketing services supplied under the contract. Included in accounts receivable as at September 30, 2007 is an amount of \$1.2 million representing one month of actual and one month of accrued revenue for natural gas marketed by Daylight.

Subsequent to September 30, 2007 this contract was terminated and Trafalgar now markets its production through an independent third party.

The related transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties.

9. FINANCIAL INSTRUMENTS**Fair value of financial instruments**

Financial instruments recognized on the Balance Sheet consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities. As at September 30, 2007, there were no significant differences between the carrying amounts of these financial instruments reported on the Balance Sheet and their estimated fair values. It is management's opinion that the Company is not exposed to significant credit risk. (Refer to Note 1)

Concentration of credit risk, economic dependence and related party transactions

The Company currently derives revenue primarily from customers in the oil and gas industry. The Company closely monitors credit granted to each customer; therefore, credit risks are considered to be minimal. The Company routinely assesses the financial strength of its customers.

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense associated with any outstanding revolving operation loan balances. At September 30, 2007, the Company has no outstanding revolving loan balances.

Commodity price risk management

As at September 30, 2007, the Company had no fixed price contracts associated with future production.

CORPORATE INFORMATION

DIRECTORS OF TRAFALGAR ENERGY LTD.

John Brussa ⁽³⁾
Director

Shannon Gangl ⁽³⁾
Director & Corporate Secretary

Steven Nielsen ⁽¹⁾ ⁽²⁾
Director

Murray Nunns ⁽¹⁾ ⁽²⁾
Director & Chairman of Board

Gary Perron ⁽¹⁾
Director

Bob Shaunessy ⁽²⁾ ⁽³⁾
Director

Robert Wollmann
President & Chief Executive Officer

OFFICERS OF TRAFALGAR ENERGY LTD.

Robert Wollmann
President & Chief Executive Officer

Daniel Belot
VP Finance & Chief Financial Officer

Kevin Lee
VP Engineering

Peter Abercrombie
VP Land

Shannon Gangl
Corporate Secretary

TRUSTEE

Valiant Trust Company

BANKERS

Bank of Nova Scotia

AUDITORS

Deloitte & Touche LLP

ENGINEERING CONSULTANTS

GLJ Petroleum Consultants Ltd.

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

STOCK EXCHANGE LISTING

The Toronto Stock Exchange:
Symbol: TFL

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INVESTOR RELATIONS

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ABBREVIATIONS

/d	per day
bb1(s)	barrel(s)
mbbls	thousand barrels
mmbbls	million barrels
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
boe	barrels of oil equivalent
mmboe	million barrels of oil equivalent
mmstb	million stock tank barrels of oil
ARTC	Alberta Royalty Tax Credit
Cdn	Canadian
NGLs	natural gas liquids
WTI	West Texas Intermediate crude oil
US	United States

MEMBERS OF THE FOLLOWING COMMITTEES

1. Audit
2. Reserves
3. Corporate Governance/Compensation