



Trafalgar Energy Ltd.

## **TRAFALGAR ENERGY LTD. ENTERS INTO A RECAPITALIZATION TRANSACTION AND ANNOUNCES PROPOSED NEW MANAGEMENT TEAM**

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**CALGARY, ALBERTA (June 4, 2009)** – Trafalgar Energy Ltd. (“Trafalgar” or the “Company”) (TSX: “TFL”) is pleased to announce that it has entered into an arrangement agreement (the “Agreement”) with a private oil and gas company (“Privateco”), which provides for:

- a recapitalization of Trafalgar with an initial net cash infusion of approximately \$6.3 million;
- the appointment of a new management team (“Privateco Management”);
- a reconstituted board of directors;
- the acquisition by Trafalgar of Privateco which is primarily owned by certain members of Privateco Management and other Privateco employees; and
- the opportunity for Trafalgar shareholders to participate in the recapitalization with an optional incremental cash infusion of up to \$3.2 million.

Privateco Management is led by Scott Ratushny, and includes Ken Frankiw (P.Eng.), Todd Lemieux (P.Eng.), Barry Larson (B.Sc. Geol.) and Douglas Smith (C.A.). Upon completion of the proposed arrangement (the “Transaction”), the board of directors of Trafalgar will be reconstituted to consist of Scott Ratushny, Ken Frankiw, John Brussa, Robert Wollmann and Bob Shaunessy and the management of Trafalgar will be replaced with Privateco Management.

Privateco Management has a long track record of success in identifying and developing early stage resource plays, and is comprised of individuals who founded several oil and natural gas companies including:

- **Campion Resources Ltd.** - a public company.
  - Focused on Halfway gas in Northeast British Columbia.
  - Raised \$5.3 million of equity.
  - Sold to Progress Energy Ltd. in June 2002 for \$35.5 million.
- **Java Energy Ltd.** - a private company.
  - Focused on Bluesky gas in Northern Alberta.
  - Raised \$2.0 million of equity.
  - Sold to NAV Energy Trust in January 2004 for \$22 million.
- **Pilot Energy Ltd.** - a public company.
  - Focused on Bakken oil in Southeast Saskatchewan.
  - Raised \$13 million of equity.
  - Sold to Crescent Point Energy Trust in January 2008 for \$76 million.

## **Transaction Summary**

The Transaction will be carried out pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) pursuant to which (among other things):

- Each Trafalgar shareholder will receive one new common share for each common share and each non-voting share held and one arrangement warrant (the “Arrangement Warrants”) for every three Trafalgar shares held. Each whole Arrangement Warrant will entitle the holder to acquire one new common share at a price of \$0.70 per share up to 30 days following closing of the Transaction. The Arrangement Warrants will also give Trafalgar shareholders who exercise their Arrangement Warrants, the option to exercise Arrangement Warrants held by other shareholders who elect to not exercise their warrants. Privateco and/or its nominees will have the right to acquire up to 50% of the Arrangement Warrants which are unexercised.
- Trafalgar will acquire Privateco by issuing 3.0 million new common shares at \$0.70 per share. One-third of the new common shares issued to the Privateco shareholders will be subject to a twelve-month contractual hold period and an additional one-third of the new common shares issued will be subject to a twenty-four month hold period. The assets of Privateco include production of approximately 70 boe per day located in central Alberta and Privateco will have estimated net debt at closing of approximately \$1.4 million.
- Trafalgar will acquire a general partnership (the “Partnership”), to be created prior to closing, for 11 million new common shares. The Partnership will complete a private placement financing (the “Private Placement”) of approximately 11 million partnership units at \$0.70 per unit for gross proceeds of approximately \$7.7 million prior to closing.
- The proposed new directors, officers, employees and other nominees of Trafalgar will participate in a private placement of 3 million incentive warrants (the “Incentive Warrants”) at a price of \$0.001 per warrant, which will entitle the holder to acquire one new common share at an exercise price of \$1.05 per share for a period of five years from closing.
- The board of directors of Trafalgar will be reconstituted and the management of Trafalgar will be replaced with Privateco Management.
- It is expected that Trafalgar will be renamed at closing.

## **Pro-Forma Highlights**

Pro-forma assuming completion of all proposed transactions (based on December 31 engineering values):

- Production in the range of 975 to 1,000 boe per day;
- Proved reserves of 2.5 mmboe;
- Proved plus probable reserves of 3.5 mmboe;
- Proved plus probable reserve life index of 9.6 years;
- Undeveloped lands of 113,000 net acres;

- Post Transaction shares outstanding of approximately 31.9 million if the Series A Arrangement Warrants are exercised in full and approximately 27.4 million post transaction shares outstanding if none of the Series A Arrangement Warrants are exercised;
- Estimated net debt of \$4.6 million at closing assuming the Series A Arrangement Warrants are exercised in full;
- Credit facilities of \$18.0 million; and
- Tax pools of approximately \$69 million.

## **Business Strategy**

The proposed new management team has had past success in acquiring, developing and successfully exploiting oil and gas assets. The immediate goal for the new management team will be to increase the crude oil weighting of the Company's production and reserves by acquiring oil properties with development drilling potential. Trafalgar's existing asset base also has potential oil development drilling locations.

The Company's current production, combined with its significant tax pools, provides a good base for future growth. With the injection of additional working capital pursuant to the Transaction, the Company is expected to have a strong balance sheet to implement its acquisition and development strategy.

## **Transaction Details**

The Board of Directors of Trafalgar, has unanimously approved the Transaction and the Arrangement Agreement, has unanimously determined that the Transaction and the Arrangement Agreement are in the best interests of Trafalgar and the Trafalgar shareholders, has unanimously determined that the Transaction is fair to Trafalgar shareholders and has resolved to unanimously recommend approval of the Transaction by the Trafalgar shareholders.

The Transaction requires the approval of the securityholders of Trafalgar, Privateco and the Partnership, together with customary regulatory, stock exchange, Court, lender and other approvals. An information circular and proxy statement of Trafalgar outlining the details of the Transaction and certain other matters is expected to be mailed to holders of Trafalgar shares in connection with a meeting to approve the Transaction by the end of June, which meeting is presently expected to be held prior to the end of July 2009. The effective date of the Transaction is anticipated to occur shortly thereafter and in any case, on or before August 31, 2009.

To be implemented, it is anticipated the proposed Transaction will require approval by two-thirds of the votes cast by the holders of Trafalgar common shares and non-voting shares and a simple majority of the holders of Trafalgar common shares after excluding votes cast in respect of Trafalgar common shares beneficially owned or over which control or direction is exercised by such persons whose votes may not be included in determining minority approval pursuant to applicable securities laws. In addition, completion of the proposed Transaction is conditional upon approval by the securityholders of Privateco and the Partnership, which approval is expected to be obtained prior to mailing Trafalgar's information circular and proxy statement.

Each of the officers, directors and employees of Trafalgar, who together beneficially own or exercise control or direction over an aggregate of approximately 18% of the outstanding Trafalgar

common shares and non-voting shares have agreed to vote these Trafalgar shares in favour of the Transaction.

Trafalgar has agreed that it will not solicit or initiate any discussions concerning the sale of material assets or any other business combination, and has granted Privateco a right to match any superior proposals. Trafalgar has agreed to a non-completion fee of \$750,000 which is payable by Trafalgar to Privateco in certain circumstances if the Transaction is not completed and Privateco has agreed to a non-completion fee of \$250,000 which is payable by Privateco to Trafalgar in certain circumstances.

### ***Forward Looking Statements***

*This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly, and without limitation, this news release contains forward-looking statements and information concerning: the Transaction, the completion and results of the Transaction; the Company's anticipated future operations, financial and operating results and business opportunities; the consideration to be paid pursuant to the Transaction; the Company's reserves, reserve life index and undeveloped land following the Transaction; debt levels; tax pools; business strategy; anticipated benefits of the Transaction; and the outstanding share capital of the Company following the Transaction. Statements regarding reserves are also forward-looking statements, as they reflect estimates as to the expectation that the deposits can be economically exploited in the future.*

*These forward-looking statements and information are based on certain key expectations and assumptions made by the Company regarding: future production rates; reserve and resource volumes; the timing of receipt of regulatory, securityholder and third-party approvals; the performance of existing wells; the availability and costs of labour and services; debt levels; prevailing commodity price and exchange rate; applicable royalty rates and tax laws; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities. Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that they will prove to be correct.*

*Since forward-looking statements and information address future events, by their nature, such statements and information involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risk associated with the oil and gas industry in general, such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources, failure to obtain required regulatory and other approvals; and changes in legislation, including, but not limited to, tax laws, royalties and environmental regulations. There are risks also inherent in the nature of the proposed Transaction, including incorrect assessments of the values of the other entity; and failure to obtain the required securityholder, court, regulatory and other third party approvals. This news release also contains forward-looking statements concerning the anticipated completion of the proposed Transaction and the anticipated timing for completion of the Transaction. The Company has provided anticipated times in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare and mail shareholder meeting materials, the timing of receipt of the necessary*

*regulatory, court and other third party approvals, and the time necessary to satisfy the conditions to the closing of the Transaction. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory, court or other third party approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Transaction. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.*

*Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of the Company are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). The forward-looking statements and information contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

### **Note Regarding BOEs**

*The term barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. A conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

### **Information Regarding Trafalgar**

Trafalgar Energy Ltd. is a public oil and gas exploration and development company, located in Calgary, Alberta and carrying out operations in Alberta and British Columbia. Trafalgar trades on the Toronto Stock Exchange (TSX) under the symbol “TFL”.

Additional information regarding Trafalgar including its annual information form is available under the Company’s profile at [www.sedar.com](http://www.sedar.com) or the Company’s web site at [www.trafalgarenergy.ca](http://www.trafalgarenergy.ca).

### **For more information, please contact:**

Trafalgar Energy Ltd.  
Mr. Robert Wollmann  
President and CEO  
(403) 216-2706  
Email:  
[rwollmann@trafalgarenergy.ca](mailto:rwollmann@trafalgarenergy.ca)

or

EET Management Corp.  
Mr. Scott Ratushny  
Chairman  
(403) 514-8115 ext 223  
or  
EET Management Corp.  
Mr. Ken Frankiw  
President  
(403) 514-8115 ext 224