

# TRANSEUROENERGY

15 June 2011

*Company presentation related to the CAD\$  
10-15 million Underwritten Rights Issue*

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1

**Background**

2

The Transaction

3

Transeuro at a glance

4

Assets

5

Risk factors

6

Appendices



## Underwritten rights issue of CAD 10-15m to advance assets and improve working capital

- TSU holds gas and oil assets in Canada and Ukraine. The company is headquartered in Vancouver and listed in Canada and Norway; TSX venture and Oslo Axess
- TSU holds assets with significant value potential that are in the appraisal stages. Funds are required now to progress assets to the next stage of pre-development valuations.
- The company is currently in a difficult cash situation having stretched credit lines to complete the Karl-101 well in Ukraine
  - Transeuro has unpaid bills of CAD 5 million to suppliers of the Ukraine drilling operations, plus G&A creditors.
  - In order to continue operations and plan for the Karl-101 hydraulic fracturing operations in September the company will seek to obtain a bank loan based on the underwriting consortium in the form of a bridge loan
- **Depending on the total amount raised, proceeds will be used on the Canada and Ukraine assets as follows:**
  - CAD 4-5 million to pay creditors for the Karl-101 drilling and testing operations
  - CAD 2-3 million to hydraulic fracture the Ukraine Karl-101 well in September, to book reserves and achieve first production
  - CAD 3-5 million for admin, fees and G&A for 12 months
  - CAD 1-2 million to installation of compression in the Canadian asset to investigate the impact of shale gas on the producing wells
- **Fondsfinans (FF) is engaged as manager and has establish a guarantee consortium securing the minimum CAD 10m**
  - Questerre has already committed CAD 2m to the issue and has provided this as an advance loan to TSU
  - The standby consortium for CAD 8m consists of leading Norwegian financial institutions and the Chairman of the Board



1 Background

**2 The Transaction**

3 Transeuro at a glance

4 Assets

5 Risk factors

6 Appendices



**The rights issue – Will be provided once the Prospectus is published**

**Size, structure  
and use of  
proceeds**

**Pricing and  
other terms**

**Dates**



1 Background

2 The Transaction

**3 Transeuro at a glance**

4 Assets

5 Risk factors

6 Appendices



**Gas E&P player with its main assets in Canada and Ukraine**

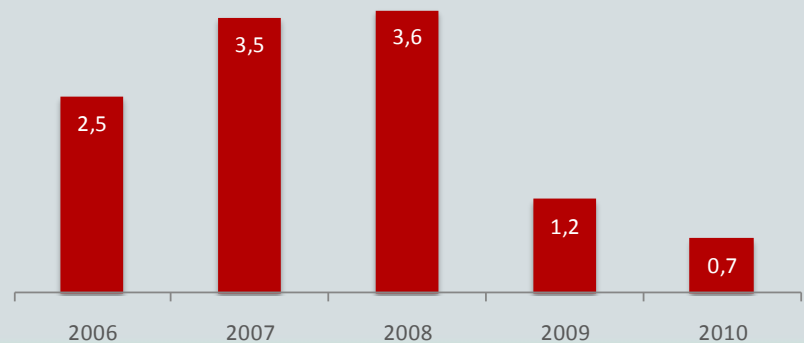
**In brief**

- E&P player with assets in Canada and Ukraine
- Two primary assets
  - 100 % owned Beaver River field in Canada
  - Three gas licenses in Ukraine, one requires license renewal\*
- Additional assets
  - Option to acquire 10% of 4 large exploration licenses in Papa New Guinea
- Currently focused on starting development and production in Ukraine – testing just completed

Established:	1996
CEO:	David Worrall
Locations:	Vancouver (HQ)
Main assets:	UKR: Karlavskoye (Karl 101) CAN: Beaver River



**Revenues 2006-2010 (CADm)**



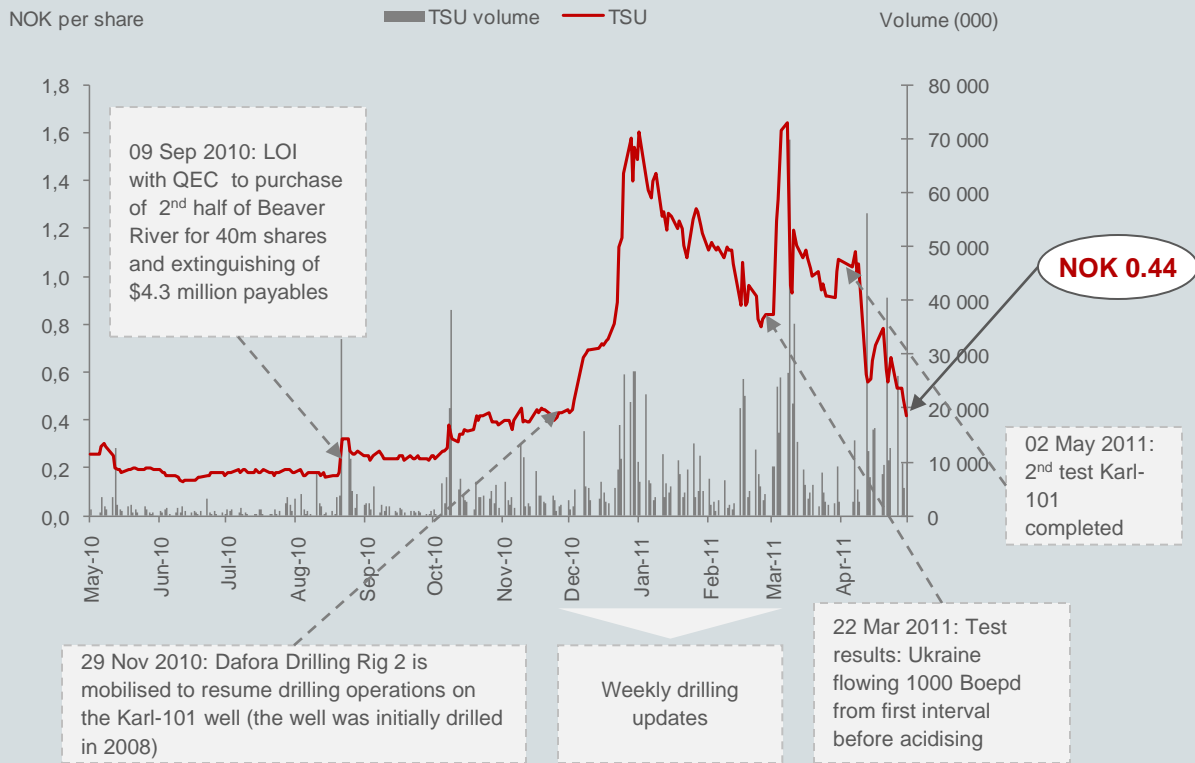
\* The gas licenses are held as a Joint Activity Agreement with a 72% profit split with Crymgeologia – a 100 % Ukrainian state subsidiary





# The TSU share (1)

## TSU NO share price last 12 months (20 May 2011)



## Stock information

- Listed both on OSE and TSX
- High volatility
- Good liquidity

	TSU NO NOK	TSU CN CAD
24 May 2011		
Current share price	0.44	0.07
No. of shares	418.5	418.5
Current market cap*	184.1	29.3

## No. of shares (million)

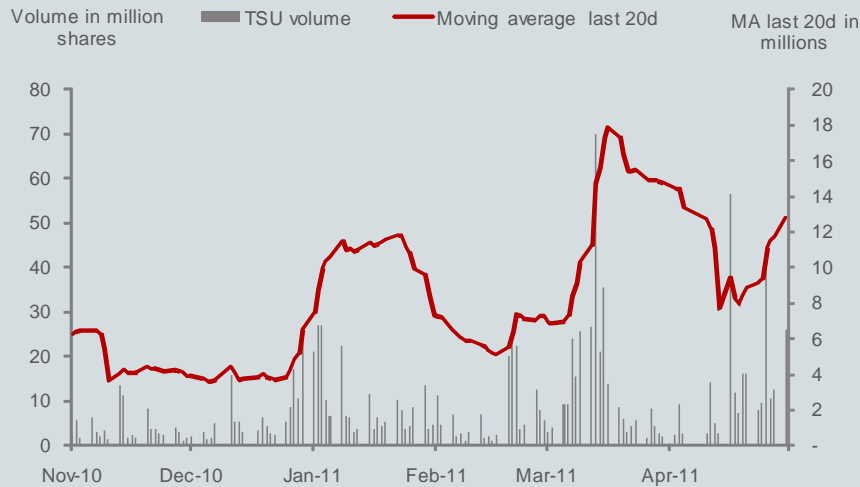
Shares issued	418.5
QEC shares	40.5
<b>Total no. of shares</b>	<b>459.0</b>
Options <sup>1</sup>	17.8
Warrants <sup>2</sup>	37.0
<b>Fully diluted no. of shares</b>	<b>513.8</b>

1) Strike price CAD 0.181  
2) Average strike price of CAD 0.116



## The TSU share (2)

### TSU OSE volume last 6 months\*



### Liquidity last 6 months\*

	Oslo Axess (Ticker: TSU NO)			TSX-V (Ticker: TSU CN)		
	Average daily volume (# shares)	In % of shares out	Av. daily value (NOK)	Average daily volume (# shares)	In % of shares out	Av. daily value (CAD)
Last 6M	9 024 716	2.3%	8.9m	2 029 527	0.5%	0.36m
Last 3M	11 399 140	2.9%	10.8m	2 658 774	0.6%	0.46m
Last 20d	12 816 250	3.1%	8.9m	2 388 382	0.6%	0.27m
Last 5d	19 761 990	4.7%	12.7m	1 706 286	0.4%	0.15m

### Volatility last 6 months\*

	TSU NO NOK	TSU CN CAD
Low price (25 Nov 2010)	0.36	0.06
High price (28 Mar 2011)	1.64	0.29
Average price	0.90	0.16
Volatility 180d	184%	207%
Volatility 10d	238%	246%

\* As of end of trading 20 May 2011

Source: Bloomberg



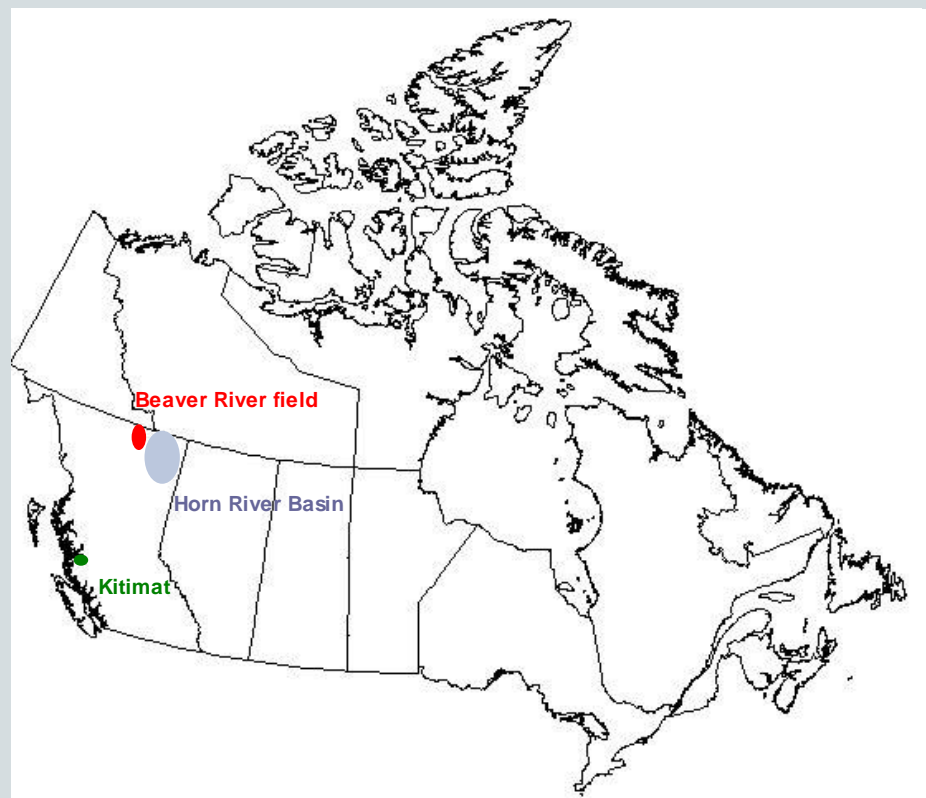
- 1 Background
- 2 The Transaction
- 3 Transeuro at a glance
- 4 Assets**
- 5 Risk factors
- 6 Appendices





## Horn River Basin in British Columbia

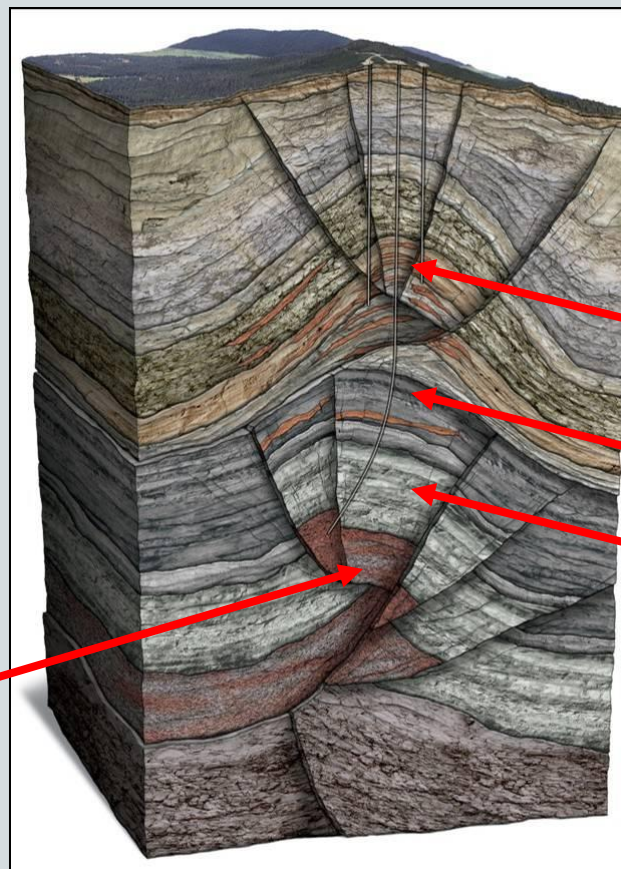
- The Horn River Basin stretches over some 3.2mn acres in northeast British Columbia. Depth of 6,500 to 8,500 feet, contains more gas in place/section than Barnett (Horn River 200-300 Bcf/section vs. Barnett's 75-200 Bcf). Horn River's hydrocarbon layer is thicker, hotter, and more highly pressurized than Barnett.
- The Beaver River (BR) Field is located some 100 km west of Horn River in the Liard Basin that contains the same Horn River geology but at deeper levels, plus 2000m of additional shales above.
- Field discovered by Amoco in 1969 and produced 190 Bcf (10% of GIIP) from Nahanni dolomite at 4000m until 1975
- These are remote areas! Nevertheless, Beaver River has proper infrastructure on location, Transeuro currently operates 3 producing vertical wells on field that produced 511mcf/d in 2010
- Major players in Horn River have been buying land in the Liard basin around Beaver River
- The main west coast pipeline runs through the BR lease.





## Horn River Basin in British Columbia

- Complex reservoirs with many potential productive reservoirs
- Upper shales include sandy and limey 'conventional' reservoir intervals
- Third party indications between 0.5-1.0 Tcf of gas in place per section, 15-30 Tcf in place in total.
- Deeper 'Nahanni' formation was produced by Amoco at very high rates of 100mmcf/d. 10% recovery factor. Target bypassed gas away from major fractures to recover additional 100 Bcf



### 3 production results to date

'A-7' production  
(0.25 mmcf/d and 0.3 Bcf)

'A-2' production  
(0.7 mmcf/d and 2.9 Bcf)

Deeper shale ('A-5')  
equivalent to Horn River  
(3 mmcf/d and 0.6 Bcf).  
Producing from thin limestone  
within the shales.





- Installing compression to reduce the wellhead pressures to around 200 psi is expected to double production from the 2 wells, A-2 and A-7, to around 1.5 mmcf/d as well as extended the production from the A-5 well that is producing periodically due to water production. The performance of the existing wells on compression over the next year will be useful to evaluate the contribution of the shale gas to the long term production potential.
- A resources report will be prepared in the second half of 2011 to further evaluate the potential of all the reservoir intervals, including conventional and un-conventional (shale) formations, in the Mattson, Golata, Besa River and Muskwa. The report will be the basis of discussion with farm in partners, depending on their interest in conventional or un-conventional targets.
- Following the resource report and compression trials the Company will evaluate various development proposals, farm in opportunities and the value of raising funds internally to fund additional appraisal and development operations. The type of projects under consideration include:
  - Drilling horizontal wells into the shallow Mattson formation that is currently in production in the A-7 well, and performing multiple hydraulic fractures to improve the production observed in A-7. Also to obtain data on the shallower shales.
  - Drill new wells targeting the thin sand producing in the A-2 wells and to obtain data on the surrounding shales
  - Sidetrack out of the existing wells to drill horizontal in the deeper 'Horn River' equivalent shales.
  - Target bypass gas in the Nahanni formation in well A-8





## Horn River & Montney observations

- A number of significant industry players are investing in the area
- The latest deal announced was Petronas (Malaysia's state oil company) paying US\$1.09 billion to Progress Energy Resources to acquire a 50% interest in 150,000 acres in British Columbia's North Montney shale gas play. The two companies are forming a second joint venture that will evaluate the potential for a LNG export project on the coast of British Columbia that would target the Asian market. Petronas indicated that the potential LNG project was the main reason for its investment in Canadian shale gas.
- A summary of significant deals in the Horn River and Montney areas is listed below.

### Deals in British Columbia shale gas space (Horn River and Montney)

Date	Transaction Detail	Gross acreage ('000 acres)	Total Transaction Price (\$MM)	Price per \$'000/acre
May-08	May08 BC Land Sale -- 3 blocks (Montney shale)	38	\$345	\$8,970
Jul-08	Shell acquires Duvernay Oil Corp. (Montney shale)	250	\$5,900	\$26,200
Jul-08	Jul'08 BC Land Sale - 5 blocks (Montney shale)	36	\$483	\$13,450
Aug-08	Petrobank - Triassic Montney (Montney shale)	10	\$53	\$5,500
Mar-10	KOGAS acquires 50% interest in Encana holdings (H.River/Montney)	154	\$565	\$7,300
Dec-10	Sasol acquires 50% interest in Talisman Farrell Creek (Montney)	51	\$260	\$10,200



## The Ukrainian assets

### Licenses on 3 gas fields on Crimea

- Joint Activity Agreement with Ukrainian state company Krymgeologia (Crimea).
- 72% profits split to TSU, capex to be recovered before profit tax applies.
- Total tax level expected to be around 55% of gross revenues, when in full tax position. Net profit tax of 25% applicable when capex repaid
- All fields have third party resource estimates (Fekete)

### The key field is currently being appraised

- Karlavskoye 101 (Karl 101) was discovered by the Soviets in 1961
- Located in a proven producing trend, 8 deep wells drilled in the 70's, but technology not available to develop gas despite substantial gas flow tests and oil shows
- 1P resource ~16MMboe, 2P resource 42MMboe
- Drilling and testing completed successfully in 2011:
  - ✓ Test 1 → stabilised flow of 0.5 mmcf/d (with cond liq, combined rate 108 boepd)
  - ✓ Test 2 → stabilized flow rate 0.1 mmcf/d (traces of cond liq, combined rate 17 boepd)
  - ✓ Test 3+4 → recovered drilling mud and low gas flows (6 boepd) after 5 days flowing
- Tests have been indicating tight gas field, not conventional as the current appraisal program was designed for. Needs hydraulic fracturing in each of the reservoir intervals.
- Hydraulic fracturing being planned now for September





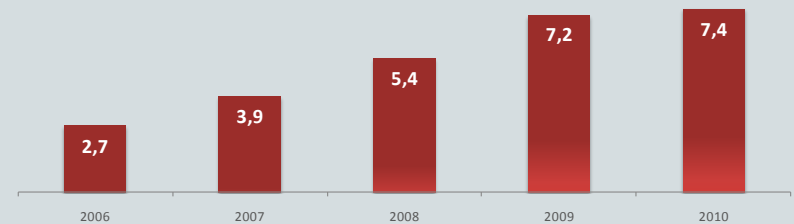
# The Gas market in Ukraine

## European gas hub with European gas prices

- Ukraine population 46MM spread over a landmass of 0,6 million km<sup>2</sup>
- Nominal GDP/capita ~3000 USD; PPP GDP/capita ~7000 USD
- IMF Regional Economic Outlook report of May 11: Ukraine real GDP est. growth 10/11e/12e: 4.2/4.5/4.9%, CPI inflation 9.4/9.2/8.3%
- Ukraine is the gas hub in Europe; 2010 transit volume 115 Bcm
- Ukraine largely depends on Russian gas for its domestic supplies, its government is anxious to improve exploration and production
- Any license holder with more than 50% of a gas license is free to sell their gas at market prices, currently gas prices around USD 7.5/Mcf
- IMF funding pending on gas subsidies gradually being removed and liberalised gas trading by 2012
- Russia agreed to a multi-year price reduction of 100 USD/Mcm in April in connection with its deal on renewal lease for its Black Sea Fleet harbour at Sevastopol in the Crimea
- JKX Oil & Gas (JKX:LN) is a good example of an international company with its main assets in the Ukraine with a solid dividend record.
- Majors are moving in; Eni recently farmed-in with Cadogan (CAD:LN)



JKX' realised gas prices in the Ukraine  
USD/Mcf





### New administration Feb 2010, EBRD & IMF emergency aid liberalising its gas markets

- President Yanukovich elected president February 2010 for a 5-year term. Yanukovich is considered pragmatic on economic policy. As prime minister he paved the way for WTO accession in 2008. As president he acted swiftly, balancing the act between EU and Russia. Successful first 12 months, reducing international tensions. Expectations are that key reforms will be delivered given some time. Yanukovich changed a large part of the administration and has implemented a complete overhaul of the management of Naftogaz Ukraine.
- Ukraine has been through a deep recession, forced to seek emergency aid from EBRD & IMF. Ukraine in June 2010 came to terms with IMF & EBRD to implement a liberalised gas market by 2012. Implements EU free market directives and improves the position of E&P companies through:
  - Equal access for producers to all pipelines
  - From 2012 able to negotiate directly with consumers and independently set prices
  - Not required to sell gas at cheaper prices if state holds less than 50% of the license or JAA (and TSU holds 72%)
  - IMF/EBRD loans 15 billion USD, first tranche drawn down once domestic gas prices were increased on August 1st 2010
- Market risks should be positive. The Ukraine imports most of its gas. Prices paid by industry in Ukraine are at attractive levels and looks set to increase further. Longer term supply sources from Russia will have to come from remote and expensive fields developments. To the extent local supply can be developed in the Ukraine this will directly offset such developments. Increasing the domestic gas production has high political priority in the Ukraine.





## Karl 101 gas field: 1P/2P ~16/46 MMboe

- Fekete is a reputable oil & gas consultancy with ~150 employees and >1 000 clients worldwide
- Fekete's resource estimate on Gas In Place for the Karl 101 field ranges from 160 to 854 Bcf, plus some condensate
- Including condensates, the P90 & P 50 estimates translates to Boe resources of 16 MM and 46 MM Boe respectively, when divided by BTU equivalents (1boe=5.8 Mcf, 1Bcf=0.175MMboe) and assuming a 50% recovery rate
- The Company believes the Karl-101 test results suggest the test results from the old wells, particularly in well 10, can now be interpreted as indicating the presence of gas throughout a much larger areal extent of the Cenomanian reservoirs

Fekete report	Units	Low	Median	Mean	High
Resource category		1P/P90	2P/P45	P50	P10
Gas in place	Bcf	160	424	472	854
Recovery assumed reasonable	%	50 %	50 %	50 %	50 %
Recoverable gas	Bcf	80	212	236	427
Gas in oil equivalents (Btu equ.; Bcf/5.8)	MM boe	14	37	41	74
Condensate	MM bls	2	6	6	10
Total resource in MMBoe	MM	16	42	46	83





- **What was expected ?**

The logs from the old wells at Karlavskoye suggested reservoir porosities around 10-12% and the wells were reported flowing at rates of up to 1 to 5 mmcf/d from various intervals, but only for short periods of time, possibly indicating fractured reservoir.

Drilling methods on the old wells were very poor by modern standards likely reducing the reservoir performance. It was hoped modern methods would allow continuous production at these commercial rates.

- **What was experienced ?**

The Karl-101 logs calculated lower reservoir porosities around 6%. The reservoir intervals flowed during testing, but not enough for continuous commercial flow and the higher mud weights used at the end of drilling still caused severe damage and reduction in reservoir performance.

- **Conclusions were ?**

Gas and condensate is present and can flow, but the reservoir is low permeability without significant natural fracturing.

- **Action to be taken ?**

Reservoir permeability and pressure data was used by a Third party to model the potential performance of the well after hydraulic fracturing, which suggests a commercial rate can be achieved. The model suggest an initial rate of 10mmcf/d is possible, with a stabilised rate for the first year in the range of 4-5 mmcf/d

- **Longer term expectations ?**

The main risk is still reservoir connectivity and long term production performance to achieve a commercial field development. This will be assessed by placing Karl-101 on production for 6-12 months into the adjacent export line.





- Drilling Karlovskaya-101 to a depth of 3508m was technically difficult due to various pressure regimes being present in the Cenomanian limestone formation. It was necessary to use significantly different mud weights at various depths which in turn led to losses into the formation. Since the formation is likely to contain fractures there is a risk that the drilling process caused these fractures to become blocked, in spite of the deep penetrating perforating guns used during testing (1.2m penetration)
- The result of successfully logging and testing the Cenomanian section is that Karlovskaya-101 has proved a gross movable gas column of almost 400m gross thickness (3112-3505m, 393m gross) - Testing has confirmed that the reservoir rock is low porosity, low permeability carbonate
- The high initial flow rates (Test 1) and mud losses during drilling suggest natural fractures are present, as expected for tight carbonate in a faulted environment. During well testing of the top interval it has been difficult to clean the well up fully; determining the true potential of the tested interval requires a long cleanup period. The produced liquid in this top test has a strong mud filtrate signature and there is no evidence that formation water was produced
- The next step in increasing well productivity is to hydraulically fracture the formation using a large volume of slurry and proppant at high pressure to get maximal fracture length, conductivity and formation exposure. Designing a successful hydraulic fracture job requires both skilled specialists and appropriate data from the reservoir
- Development of the whole field will require a combination of fracturing and horizontal wellbores to maximize reservoir exposure. The field could be developed by vertical wells drilled on 1500m spacing which are hydraulically fractured in all promising intervals. Later, horizontal wellbores could be drilled as sidetracks from these vertical wells, underbalanced with coiled tubing. These would also be fraced using 3-4 transverse fracs
- Well Karl-10 has a logged gas column but the GWC has been positioned between this well and Karl-101. If the GWC is positioned outside Karl-10, the area and GIIP of Karlovskaya field increase significantly. The flow tests in Karl-10 indicated “drilling mud and gas” which seems consistent with the results from Karl-101 for a gas filled reservoir and supports the log interpretation to place the GWC outside well Karl-10
- The Karlovskaya Cenomanian reservoir appears complex, with the possibility of different fluid types (varying gas condensate ratio) and some indication of black oil which may enhance the produced liquid yield



- 1 Background
- 2 The Transaction
- 3 Transeuro at a glance
- 4 Assets
- 5 Risk factors**
- 6 Appendices



# Risk factors (1)

## 1. GENERAL

Investing in the Company, including participation in the Underwriting Consortium involves extraordinary risks, inter alia because the Company is in an acute financial distress situation as further described below. Prospective Participants should consider, inter alia, the risk factors set out below before deciding whether or not to participate in the Underwriting Consortium and the Rights Issue. The list and descriptions below are not, and are not intended to be, exhaustive, and the risks described below are not the only ones facing the Company, but rather a brief overview of some of the risks associated with an investment in the Company's shares. Additional risks, including risks not presently known to the Company or that the Company currently deems immaterial, may also significantly impair the Company's business operations and adversely affect the price of the Company's shares. If any of the following or other relevant risks materialize, the Company's business, financial position and operating results could be materially and adversely affected. An investment in the Company's shares is suitable only for investors who can consider and understand the general risks associated with investing in companies in general, the specific risk factors associated with this type of investment and the specific extraordinary risks related to the Company, and who can afford a loss of all or part of the investment. Prospective Participants should consider carefully the factors set forth below and elsewhere in the Presentation, and should consult their own expert advisors as to other relevant risks and the suitability of an investment in the shares of the Company. The Company may be subject to material losses or claims which neither the Company nor any of their Representatives, are aware of at the date of this Presentation.

Any person considering an investment in the Company or participation in the Underwriting Consortium are urged to make his own independent investigation of whether such high risk investment is deemed appropriate and should be able to withstand a total loss of his investment.

## 2. RISK FACTORS RELATED TO THE COMPANY, ITS OPERATION AND THE INDUSTRY IN WHICH IT OPERATES

**Market risk:** The Company's business is exposed to economic cycles. Changes in economic situations in the markets in which the Company operates can affect the demand for the Company's products and there can be no guarantee that sufficient demand for the Company's products can be created. Therefore, there is generally a risk that revenues can change significantly from one year to the next. In the event of successful development of oil and gas reserves, the marketing of the Company's prospective production of oil and gas from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to ports, shipping facilities, pipelines and pipeline capacity at economic tariff rates over which the Company may have limited or no control. The right to export oil and gas may depend on obtaining licences and quotas, the granting of which may be at the discretion of the relevant regulatory authorities. There may be delays in obtaining such licences and quotas leading to the income receivable by the Company being adversely affected, and it is possible that from time to time export licences may be refused.

**Exploration and reserves risk:** Exploration, appraisal and development of oil and gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which the Company holds rights will lead to a commercial discovery or, if there is a commercial discovery, that the Company will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage the Company is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, the Company's business, financial condition and/or results of operations and, accordingly, the trading price of its common shares, is likely to be materially adversely affected.

**Title to properties/licences:** No legal opinion as to the title of the properties in which the Company holds an interest has been obtained. As a result, no assurance can be given that title defects do not exist. If a title defect does exist it is possible that the Company may lose all or a portion of its interest in properties to which the title defects relates. The Company's three licences in the Ukraine may not be retained should the financial commitments required under the licence agreements not be made.

**Inherent risk associated with operations:** The operations of the Company are exposed to inherent risks connected to its operation as an E&P player with assets in Canada and Ukraine, such as property loss, interruptions of operations caused by adverse weather conditions or mechanical failures. Exploration and development activities may be delayed or adversely affected by factors outside the control of the Company. These include adverse climatic and geographic conditions, labour disputes, the performance of joint venture or farm-in partners on whom the Company may be or may become reliant, compliance with governmental requirements, shortage or delays in installing and commissioning plant and equipment or import or customs delays. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells, which, though yielding some oil or gas, are not sufficiently productive to justify commercial development or cover operating and other costs.

**Competition:** A number of other oil and gas companies operate, and are allowed to bid for exploration and production licences and other services, in the countries in which the Company operates, thereby providing competition to the Company. Larger, foreign-owned companies, in particular, may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees, and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage.

**Accidents and pollution:** The operations of the Company involve risks of unexpected pressure or temperature conditions that may ultimately lead to blow-outs or fire, caused damage to personnel, equipment or the environment, or lead to operational delays or difficulties. There are also risks during operations caused by extreme weather conditions or other natural phenomenon. There are also accident and pollution risks associated with normal day to day operations.

**Insurance cover:** Operational risks can cause injury to personnel, damage to equipment and accidental discharges or emissions to the natural environment. Avoiding harm to personnel and equipment as well as accidental discharges/emissions is nevertheless a clear target. The Company has covered its operation by insurance. The Company cannot assure that it has obtained insurance for all risks that any future claims will be paid, or that it will be able to procure adequate insurance covers at commercial reasonable rates in the future.

**Requisition, arrest etc.:** The Company's assets could be requisitioned by a government in the case of war or other emergencies, or become subject to arrest. In such case, it may prove challenging to have the Company's assets released, and this could significantly and adversely affect the earnings of the Company.

**Project and contract risk:** As part of its operation the Company has entered into several contracts, and in line with industry practice, a contract would normally contain clauses which could give the other party a right or early termination under specified conditions. The Company may be subject to other risks related to the terms of its contracts, including damages payable to customers as a result of deviations from a contract.



# Risk factors (2)

**Service life and technical risk:** The service life of equipment will depend on a series of facts, including market activity and technical state. There will always be some exposure to technical risks, with unforeseen operational problems leading to unexpectedly high operating costs and/or loss earnings which may have a material adverse effect on the financial position of the Company.

**Legal proceedings and contractual disputes:** The Company may from time to time be involved in disputes and/or legal actions that may result in significant losses and/or expenses for the Company and its operations. No guarantees can be made that the Company will be successful in any disputes, legal actions or disagreements with third parties.

**Key personnel for operations and profitability:** The Company and its operations are highly dependent on retention of and performance by key employees and management. In the event that the Company fails to retain or replace key employees and management, the Company may encounter delays or other negative effects of its operations. Prospective Participants are made aware that the Company has been subject to significant changes and replacement of its executive management team and its board of directors, and that the Company therefore has a lack of continuity within its corporate bodies and management. The Company has a small management team and the loss of a key individual or its inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business. Difficulties may also be experienced in certain jurisdictions in employing and retaining qualified personnel who are willing to work in such jurisdictions.

**Taxation risks:** The Company's and/or its subsidiaries' own activities will to a large extent be governed by the fiscal legislation of the jurisdictions where it is operating, as its activities in most cases will be deemed to form a permanent establishment according to the tax laws of those countries. Thus, the Company is exposed to a material risk regarding the correct application of the tax regulations as well as possible future changes in the tax legislation of those relevant countries. Changes in fiscal or tax legislation applicable to the Company may affect the Company's operations, revenues and profits.

**Related party transactions:** The Company has entered into agreements and transactions with related parties. No third party valuations of these agreements and transactions have been obtained. Such agreements and transactions have not been approved by the Company's shareholders. No guarantees can be made that such agreements or transactions will not be challenged. Any unsuccessful outcome of any such challenge may adversely affect the Company.

**Results to date and additional requirement for capital:** The Company will need to raise additional capital in the future to fund the work commitments on the properties. The future of the Company is dependent upon its ability to raise the required funding in the form of equity, debt, joint ventures, farm outs or a combination thereof. The Company has limited debt capacity and therefore its exploration activities are expected to be financed through equity or third party joint ventures. There is no assurance that additional financing will be available on terms acceptable to the Company. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interest in some or all of the properties and reduce or terminate its operations. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

**Reliance on strategic relationships:** In conducting its business, the Company will rely on continuing existing strategic relationships and forming new ones with other entities in the oil and gas industry, such as joint venture parties and farm-in partners, and also certain regulatory and governmental departments. While the Company has no reason to believe otherwise, there can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

**Risk related to third party collaboration partners:** The Company and its affiliates will to some extent be relying on external suppliers, and is hence dependent on the performance of sub suppliers in the production and delivery of its products.

## 3. FINANCIAL RISK

**Risk of bankruptcy and liquidity risk:** The Company may go into bankruptcy if it is not successful in raising new capital, including if the Company is not successful in completing the Rights Issue. Although the Company expects this transaction to cover its obligations for the next 12 months, the Company cannot make any guarantee that additional capital raising will not be needed in this or in subsequent periods. There is a significant risk that the Company may need additional funding, in addition to the contemplated Rights Issue, to finance its operations in the future. Inability to satisfy future liquidity requirements to finance future operations will affect the Company's strategy.

**Interest rate risk:** The Company's interest-bearing debt totalled CAD 2 million as of the date of this investor presentation. This is an unsecured loan from Questerre at fixed rate 3.0% p.a. to be repaid subsequent to the closing of the rights issue. At the date of this presentation, the Company has no floating rate debt, and hence, is not directly exposed to changes in the interest rate level. The financing of the Company may however change in the future, potentially resulting in an exposure to interest rate risk.

**Currency risk:** Changes in currency exchange rates may affect the profitability of the Company's operations and the value of an investor's investments.

**Credit risk:** The Company is primarily exposed to credit risk related to trade receivables, other receivables and prepayments for equipment. The Company has in 2010 made provisions for possible credit losses according to Canadian generally accepted accounting standards.



# Risk factors (3)

## 4. RISK FACTORS RELATING TO THE SHARES

The price of the shares may fluctuate significantly: Fluctuations in share prices may occur in response to changes in general market and segmental fluctuations, variations in operating results, financial estimates by security analysts, and other factors not within the control of the Company.

Possibility of waiver of pre-emptive subscription rights and future dilution: In order to raise equity on short notice in the invested market, the Company may undertake private placements with a minimum subscription amount, and the General Meeting (or the Board of Directors, if authorized by the General Meeting) may in that connection decide to waive the shareholders' pre-emptive subscription rights. For reasons relating to foreign securities laws or other factors, certain investors/shareholders may not be able to participate in a new issuance of shares or other securities, including the Rights Issue. If such shareholders are unable to participate in future offerings, the shareholders' percentage shareholding may face dilution as a result.

Investors may not be able to exercise their voting rights for shares registered in a nominee account: Beneficial owners of the shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such shares unless their ownership is re-registered in the name of the beneficial owners prior to the Company's General Meetings. The Company cannot guarantee that beneficial owners of the shares will receive the notice of a General Meeting in time to instruct their nominees to either effect the re-registration of the shares or otherwise vote for the shares in a manner desired by such beneficial owners.

Transfer of shares may be subject to restrictions under securities laws of USA and other jurisdictions: The Company is incorporated under laws of Canada. The shares have not been registered under the US Securities Act or any US State securities law or any other jurisdiction outside of Canada or Norway, and are not expected to be registered in the future. As such, the shares may not be offered or sold except pursuant to an exception from registration requirements of the US Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the USA or in other countries with similar securities restrictions will be able to participate in future capital increase rights offerings.

Exchange rate risk: The shares are priced in Canadian dollars at TSX-Venture and in Norwegian kroner at Oslo Axess, and payment of dividends on the shares will be de-nominated in Canadian dollars. Accordingly, an investor may be subject to adverse moments in the Canadian dollars and/or Norwegian kroner against their local currency, as the foreign currency equivalent of any dividends paid on the shares or prise received in connection with any sale of the shares could be materially adversely affected.

Enforceability of Civil Liabilities: The Company is a limited liability company organized under the laws of Canada. The directors and executives of the Company may at any time reside in various countries. As a result, it may not be possible for investors to claim the Company or any of its Representatives for any loss incurred, in addition to the possibility for investors to effect service of process in other jurisdictions upon such persons or the Company or to enforce judgments on such persons or the Company in other jurisdictions.

## 5. POLITICAL, REGULATORY AND MARKET RISKS

Economic, political and legal risk: The Company's operations are in foreign jurisdictions where there may be a number of risks over which it will have no control. These risks may include risks relating to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing and petroleum export licensing and export duties as well as government control over domestic oil and gas pricing. Some of the jurisdictions in which The Company operates may have less developed legal systems that jurisdictions with more established economies which may result in risk such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions, including the adoption of new legislation, of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Environmental regulation: As The Company is involved in oil and gas exploration, it is subject to extensive environmental and safety legislation and this legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from oil and gas activities which may be costly to remedy. The extent of potential liability, if any, for the costs of abatement of environmental hazards cannot be accurately determined and, consequently, no assurances can be given that the costs of implementing environmental measures or meeting any liabilities in the future will not be material to the Company or affect its business or operations.

Risk of war, other armed conflicts and terrorist act etc.: Various ongoing wars, military tension involving North-Korea, the terrorist attacks on 11 September 2001 with subsequent terrorist attacks and unrest and increased piracy activity in the Gulf of Aden as well as epidemics have caused instability in the world's financial and commercial markets. The continuing instability as well as threats of war or armed conflicts elsewhere may cause further disturbance to financial and commercial markets and contribute to even higher levels of volatility in prices which may have an adverse effect on the Company's operations.

Volatility of prices of oil and gas: The demand for, and price of, oil and gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. Geographic location and a lack of infrastructure may also result in any oil and gas produced being sold at a discount to world market prices for oil and gas. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future.

A material decline in the price of oil and gas may have a material adverse effect on the Company's business, financial condition, ability to pay dividends and results of operations. The performance of an oil and gas exploration and production company's share price may, but will not necessarily, exhibit a correlation with the price of oil and gas.



- 1 Background
- 2 The Transaction
- 3 Transeuro at a glance
- 4 Assets
- 5 Risk factors
- 6 Appendices**



## Key figures in CADm

Transeuro Energy Corp.	2007	2008	2009	2010	4Q2009	1Q2010	2Q2010	3Q2010	4Q2010
CADm	(audited)	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	3.53	3.63	1.23	0.68	0.15	0.03	0.16	0.24	0.26
Revenue Growth		3 %	-66 %	-44 %	-78 %	-82 %	485 %	48 %	11 %
EBITDA	-8.71	-7.79	-3.84	-2.69	-1.31	-0.73	-0.50	-0.49	-0.97
EBITDA Margin	-247 %	-215 %	-312 %	-394 %	-855 %	-2699 %	-313 %	-208 %	-371 %
Depreciation	4.85	1.70	0.53	0.25	0.05	0.04	0.04	0.10	n/a
Operating Income	-13.56	-9.49	-4.38	-2.94	-1.36	-0.78	-0.54	-0.69	-0.94
Operating Margin	-385 %	-262 %	-356 %	-430 %	-888 %	-2852 %	-338 %	-294 %	-357 %
Pretax Income	-106.70	-38.96	15.78	2.40	-0.30	-1.35	-2.44	-2.51	8.69
Income Tax Expense	-6.20	-	-2.49	1.43	-2.49	-	-	-	1.43
Net Income	-99.76	-37.52	18.60	0.97	2.19	-1.35	-2.44	-2.51	7.26
Cash & Near Cash Items	12.45	3.07	0.42	2.25	0.42	0.21	2.00	1.09	2.25
Fixed assets	47.72	37.60	22.71	25.76	22.71	22.96	24.05	24.28	25.76
Total Assets	63.85	44.96	43.22	31.24	43.22	43.48	33.44	31.12	31.24
Net Debt	-13.03	-3.07	-17.48	-2.51	-17.48	-17.42	-6.33	-4.02	-2.51
Total Liabilities	35.47	52.30	11.44	10.32	11.44	10.02	9.84	8.72	10.32
Total Shareholders' Equity	28.38	-7.34	31.78	20.92	31.78	33.45	23.60	22.40	20.92
Cash From Operations	-4.62	-7.45	-4.94	-1.65	-2.95	-0.44	-0.53	-0.01	-0.67
Cash From Investing Activities	-57.78	-10.00	10.00	6.06	3.11	2.25	2.31	0.84	0.66
Cash from Financing Activities	57.83	8.07	-7.71	-2.59	1.59	-2.03	0.00	-1.74	1.17
Shares Outstanding	73.42	207.90	207.90	383.85	207.90	207.90	383.85	383.85	383.85

- Revenues have declined during the last three years due to sale of the company's shares in Eaglewood Energy Inc. The sale of Eaglewood shares in 2009 resulted in the Company ownership decreasing from 52% to 47%, and hence, the assets and liabilities of Eaglewood was de-consolidated from the financial statements. This also explains the decline in fixed assets
- Gain from the sale of Eaglewood shares in 2009 and 2010, CAD 9.5 and CAD 7.8m respectively, resulted in a positive net income in both years, despite a negative operating income
- At year-end 2010, Transeuro held 371,430 shares in Eaglewood. These shares are now sold





## P&amp;L and Balance sheet

Transeuro Energy Corp. Consolidated Statements of Operations and Comprehensive Income (Loss) (Canadian Dollars)	Statement 2	
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Natural gas revenue	\$ 683,389	\$ 1,230,653
Other income	26,494	25,783
	709,883	1,256,436
<b>Expenses</b>		
Operating	657,125	747,599
General and administrative	2,185,072	3,416,345
Stock-based compensation	332,429	725,994
Depletion, depreciation and amortization	245,242	532,759
Write-off of oil and gas properties (Note 5)	968,954	3,164,822
Interest and financing charges	1,337,497	6,569,801
Accretion of asset retirement obligations (Note 16)	203,116	183,274
Foreign exchange loss (gain)	190,844	(2,212,154)
	6,120,279	13,128,440
Loss before the undemoted	(5,410,396)	(11,872,004)
Gain on settlement of debts (Note 19)	-	18,855,605
Non-controlling interest	-	336,670
Equity loss (Note 4)	-	(751,314)
Gain on sale of Eaglewood shares (Note 4)	7,810,446	9,543,401
Income before taxes	2,400,050	16,112,358
Income tax recovery (expense) (Note 18)	(1,430,087)	2,490,990
Net income for the year	969,963	18,603,348
<b>Other comprehensive income (loss) net of tax</b>		
Unrealized gain (loss) on available for sale securities (Note 4)	(5,507,456)	12,350,296
Comprehensive (loss) income for the year	(4,537,493)	30,953,644
Earnings per share – Basic	\$0.00	\$0.07
Earnings per share – Diluted	\$0.00	\$0.07
Weighted average number of common shares outstanding	386,417,650	274,667,823

Transeuro Energy Corp. Consolidated Balance Sheets (Canadian Dollars)	Statement 1	
	December 31, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,246,960	\$ 422,563
Accounts receivable	67,285	23,651
Prepaid expenses and advances	88,312	365,692
Available-for-sale investment (Note 4)	267,430	17,059,500
	2,669,987	17,871,406
<b>Reclamation deposits (Note 3)</b>	2,638,937	2,573,458
<b>Work commitments advanced</b>	166,349	70,896
<b>Oil and gas properties (Note 5)</b>	21,705,305	18,499,854
<b>Property, plant and equipment (Note 6)</b>	4,058,957	4,208,431
	\$ 31,239,535	\$ 43,224,045
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 13)	\$ 6,659,625	5,516,315
Convertible debt (Note 7)	-	3,717,014
Due to related parties (Note 9(b))	103,638	108,612
	6,763,263	9,341,941
<b>Future income tax liability (Note 18)</b>	59,180	255,328
<b>Equity subscription received (Note 15(b))</b>	1,451,202	-
<b>Asset retirement obligations (Note 16)</b>	2,046,247	1,843,131
	10,319,892	11,440,400
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 8(b))</b>	146,047,511	146,047,511
<b>Contributed surplus (Note 8(b))</b>	21,300,330	20,929,382
<b>Accumulated other comprehensive income (Note 17)</b>	145,383	12,350,296
<b>Deficit – Statement 3</b>	(146,573,581)	(147,543,544)
	20,919,643	31,783,645
	\$ 31,239,535	\$ 43,224,045



Transeuro Energy Corp.  
Consolidated Statements of Cash Flows  
(Canadian Dollars)

## Statement 4

Cash Flows Provided By (Used In)	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
<b>Operating Activities</b>		
Net income for the year	\$ 969,963	\$ 18,603,348
Non-cash items:		
Stock-based compensation	332,429	725,994
Depreciation, depletion and amortization	245,242	532,759
Gain on sale of Eaglewood shares	(7,810,446)	(9,543,401)
Equity loss	-	751,314
Unrealized foreign exchange	1,286	(409,850)
Accretion and financing charges	217,507	6,546,188
Non-controlling interest	-	(336,670)
Accretion of asset retirement obligation	203,116	183,274
Gain on settlement of debts	-	(18,855,605)
Income tax expense (recovery)	1,430,087	(2,490,990)
Write-off of oil and gas properties	968,954	3,164,822
	(3,441,862)	(1,128,817)
Changes in non-cash working capital items:		
Accounts receivable	(43,634)	288,145
Prepaid expenses and advances	277,380	961,027
Due to related parties	(4,974)	(38,865)
Accounts payable and accrued liabilities	1,568,082	(5,017,366)
	(1,645,008)	(4,935,876)
<b>Investing Activities</b>		
Oil and gas properties	(4,639,812)	(2,053,162)
Cash disposed of on sale of investment	-	(1,993,208)
Cash acquired from RAG	-	7,858
Cash paid to High Arctic Energy Services Inc.	-	(500,000)
Proceeds from sale of investments	10,786,669	14,657,674
(Purchases) sale of property, plant and equipment	11,511	(166,255)
Work commitments (advanced) recovered	(85,453)	47,326
	6,062,915	10,000,233
<b>Financing Activities</b>		
Settlement of convertible debentures, bonds and interest	(4,044,712)	(8,009,723)
Exercise of warrants by warrant holders	-	288,750
Equity subscription receipts	1,451,202	-
	(2,593,510)	(7,720,973)
<b>Effect of exchange rate on cash</b>	-	13,182
<b>(Decrease) increase in cash and cash equivalent</b>	1,824,397	(2,643,434)
<b>Cash and cash equivalents, beginning of the year</b>	422,563	3,065,997
<b>Cash and cash equivalents – end of the year</b>	\$ 2,246,960	\$ 422,563
<b>Non-cash investing activities:</b>		
Stock-based compensation capitalised	38,519	81,365
Interest paid	1,119,990	23,612
Trade payables in relation to oil and gas properties	\$ 396,647	58,936





**David Worrall, *President & CEO***

Mr. Worrall has over 20 years of Petroleum Engineering experience across the industry in large and small E&P companies and throughout Europe, the Middle East and the FSU. He started in the North Sea with Mobil UK in 1991 then moved to the UAE in 1996 to work as a consultant for various operators across the Middle East and the FSU region. He became COO of Transeuro in 2005 and CEO in 2008. His broad experience includes a strong technical knowledge of oil and gas reservoirs and operating practices, and the industry environment across Europe, the Middle East and the FSU.



**Derek Page, *Chief Financial Officer***

Mr. Page has extensive executive experience in both Toronto and New York City, and over 10 years of international experience in project management. He has demonstrated strengths in change management, business process reengineering, financial system migration, and risk mitigation for private companies and for companies that have traded on both the New York and London Stock Exchanges.



**Geoff (Michael) Papero, *Asset Manager Ukraine***

Mr. Papero has 25 years of industry experience in Canada and abroad as a Petroleum Land Manager, Surface Supervisor and Lead Negotiator in Aboriginal Affairs. His international work on projects in Cuba, Qatar, and Argentina has involved logistics management, linear expansion co-ordination, and extensive governmental liaisons in acquiring wellsite locations. In Canada he has acted as Industry Liason with Native Bands and Government to resolve traditional hunting and trapping rights in Northern Communities, has successfully re-established dialogue with several Northern Community Bands, and has served as Ethics Committee Chairman for the Canadian Association of Petroleum Landmen.



**Chris McGillivray, *Corporate Communications Representative***

For the past 10 years Mr. McGillivray has worked in the financial services sector in Canada. He was most recently with TD Commercial Banking in the capacity of a Relationship Manager where he provided credit structure and cash management services to private and public corporate clients. Previous to TD Commercial Bank, he was at Canadian Imperial Bank of Commerce as a Senior Business Adviser where he provided personal and corporate credit structure, investment advice and cash management services.





**Aage Thoen, *Chairman of the Board***

Mr. Thoen has held Board positions in a number of private and public shipping and offshore companies, as well as international financial institutions. He has gained years of experience in international finance and shipping industries, and is currently Chairman and owner of Aage Thoen Ltd AS, a Norwegian-based holding company that provides shipping, investment and marine services. Mr. Thoen is a Norwegian citizen, and holds a Master's degree in Business Administration



**Pedro Paulo, *Member of the Board***

Mr. Paulo has over 24 years experience in the oil and gas industry, most notably as the President of Chevron Overseas Petroleum Brasil Ltda. based in Rio de Janeiro. Mr. Paulo has been with Chevron Corporation through its various subsidiaries since 1987. He has worked with Chevron subsidiaries in Angola (Cabinda Gulf Oil Company - Director for Financial Government Affairs), Saudi Arabia (Arabian Chevron Inc. - President) and London (Chevron International Oil Company - Coordinator External Affairs/Business Development - Senior Coordinator, West Africa Oil and Products).



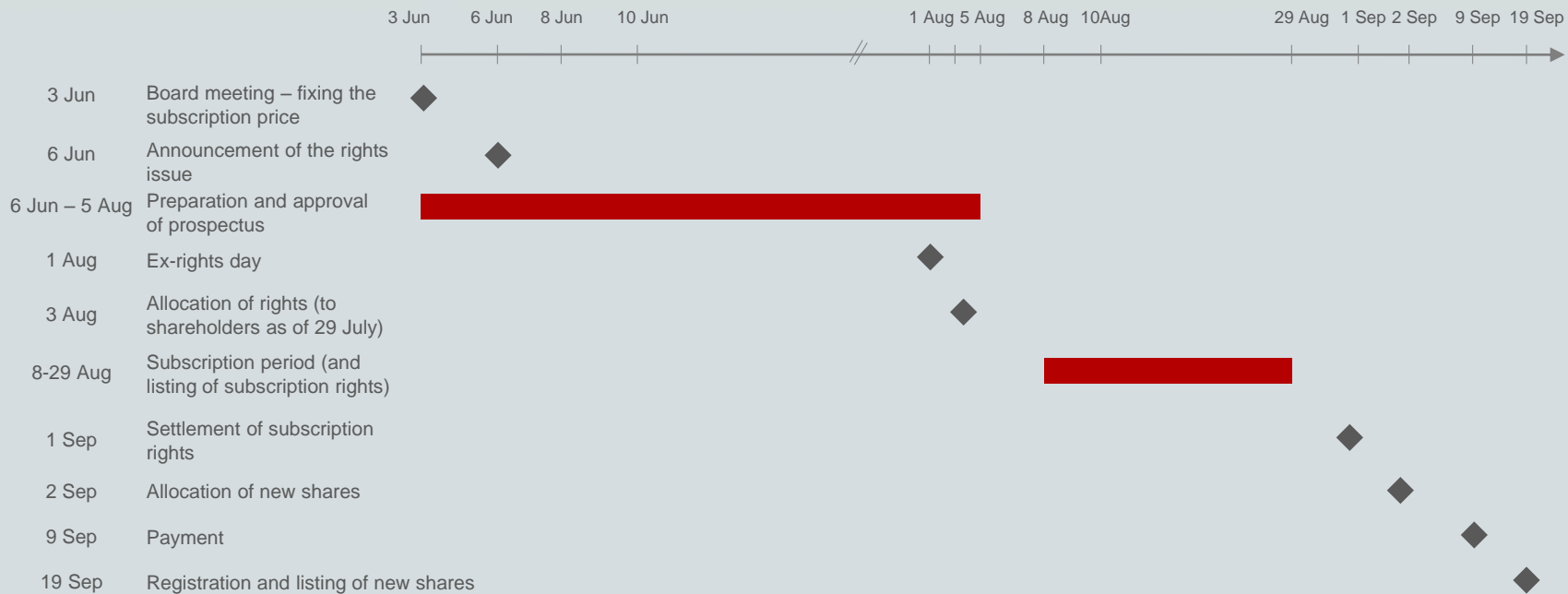
**David Worrall, *President & CEO***

Mr. Worrall has over 20 years of Petroleum Engineering experience across the industry in large and small E&P companies and throughout Europe, the Middle East and the FSU. He started in the North Sea with Mobil UK in 1991 then moved to the UAE in 1996 to work as a consultant for various operators across the Middle East and the FSU region. He became COO of Transeuro in 2005 and CEO in 2008. His broad experience includes a strong technical knowledge of oil and gas reservoirs and operating practices, and the industry environment across Europe, the Middle East and the FSU.





# The rights issue explained (dates are indicative)



Press release



An underwritten rights issue will be performed



Ex-rights today



Subscription period commences



Subscription period expires



Result of the rights issue



New shares paid for and registered



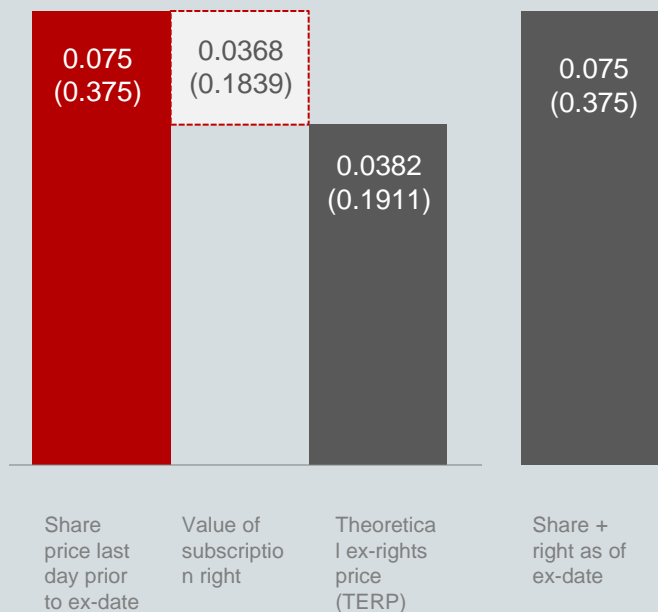
## Theoretical ex-rights price (CAD 15m subscription)

## Valuation assumptions

The underwriting consortium was negotiated when the stock was trading at share price levels of around CAD 7.5 cents and that is the assumption used in these calculations

CAD

Post consolidation figures in brackets



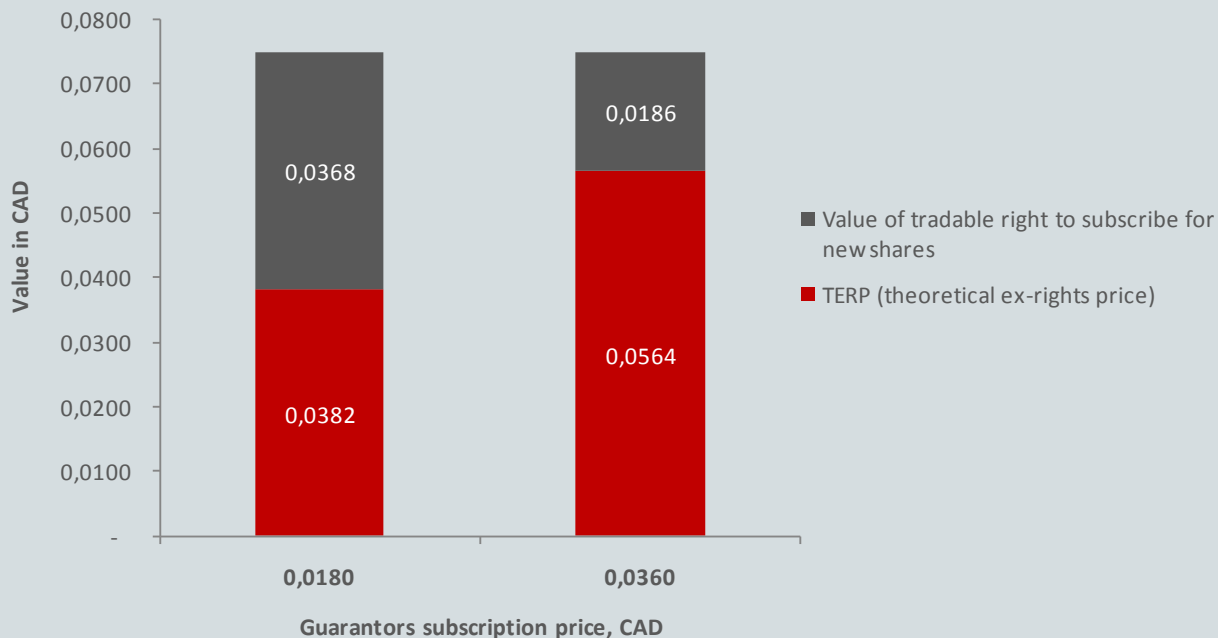
CAD	Pre consolidation	Post consolidation
Number of shares (m)	458	92
Share price	0.075	0.375
Market cap pre issue (m)	34	34
Subscription price	0.018	0.09
New shares (m)	$15/0.018 = 833$	$15/0.09 = 167$
New shares per right	$833/458 = 1.82$	$167/92 = 1.82$
Capital raised	15	15
Market cap post issue	$34+15 = 49$	$34 + 15 = 49$
No. of shares post issue	$458+833 = 1292$	$92+167=258$
TERP	$49/1292 = 0.0382$	$49/258 = 0.1911$
Value of right	$0.0750 - 0.0382 = 0.0368$	$0.3750 - 0.1911 = 0.1839$
TERP + right	0.075	0.375
Discount to TERP	53%	53%



# TERP + rights at different subscription prices

**TERP + Rights equals current share price regardless of subscription price**

Stock value combination; Terp & rights' value in CAD  
2 cases: subscription price CAD 0.018 and CAD 0.036





TSX-V: TSU  
Oslo Axess: TSU

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