



Q1 2010
QUARTERLY REPORT

Financial and Operating Results

	Three months ended March 31,		
	2010	2009	% Change
<i>(\$, except share numbers)</i>			
Financial			
Total revenue	1,971,485	2,125,210	(7)
Funds used in operations ⁽¹⁾	(756,426)	(394,119)	92
Per share – diluted	-	(0.01)	(100)
Net loss	(2,003,839)	(1,623,455)	23
Per share – basic and diluted	(0.01)	(0.03)	(67)
Working capital (net debt)	17,032,409	(6,257,593)	(372)
Total assets	74,638,158	50,802,090	47
Capital expenditures ⁽²⁾	9,941,786	2,005,084	396
Weighted average shares outstanding (#)			
Basic	174,029,315	57,087,293	205
Diluted	183,899,863	57,147,718	222
Operating			
Average daily production			
Crude oil and NGLs <i>(bbls/d)</i>	204	141	45
Natural gas <i>(mcf/d)</i>	1,333	3,475	(62)
Total <i>(boe/d)</i>	426	720	(41)
Average sales prices			
Crude oil and NGLs <i>(\$/bbl)</i>	71.91	40.95	76
Natural gas <i>(\$/mcf)</i>	5.40	5.10	6
Total <i>(\$/boe)</i>	51.34	33.19	55
Wells drilled – gross (net)			
Exploration	2(0.6)	2(1.0)	-
Development	3(1.0)	-	-
Total	5(1.6)	2(1.0)	-
Drilling success rate (%)	80	50	-
Operating netback <i>(\$/boe)</i>			
Oil and natural gas sales	51.34	33.19	55
Royalties	(3.98)	(5.95)	(33)
Operating costs	(33.02)	(21.66)	52
Operating netback	14.34	5.58	157

Notes:

- (1) Funds used in operations is calculated as cash flow from operating activities before the change in non-cash working capital and abandonment expenditures.
- (2) Capital expenditures include property acquisitions and are presented net of proceeds of disposals, but exclude corporate acquisitions.
- (3) On April 7, 2010, the Corporation effected a 20:1 consolidation on its outstanding Class A Shares.

CORPORATE HIGHLIGHTS

During the three months ended March 31, 2010, TriOil Resources Ltd. ("TriOil" or the "Corporation"):

- Completed the recapitalization of the Corporation on January 13, 2010, with a new management group, led by Russell J. Tripp as President and CEO.
- Increased average production by 27% to 426 boe/d in the first quarter of 2010 from 334 boe/d in the fourth quarter of 2009.
- Executed its strategy of focusing on light oil plays by increasing our oil weighting from 38% in the fourth quarter of 2009 to 48% for this quarter, which contributed to higher netbacks.
- Completed a property acquisition in Tableland, SE Saskatchewan for 59 gross sections (23.7 net) of contiguous land and 50 bbls/d of light oil production through the acquisition of TriOil Holdings Ltd.
- Farmed-in on an additional 18.5 gross sections of contiguous acreage in Tableland, north of our property acquisition.
- Completed a private placement of 100 million (5 million post 20:1 consolidation) special warrants at a price of \$0.25 (\$5.00 post 20:1 consolidation) per special warrants for aggregate gross proceeds of \$25 million on February 11, 2010.
- Entered into an arrangement agreement with Canext Energy Ltd. ("Canext"), pursuant to which the Corporation agreed to acquire all of the outstanding common shares of Canext ("Canext Shares") for 2.0 Class A Shares of TriOil ("Class A Shares") (0.1 Class A Shares on a post consolidated basis) for each Canext Share.
- Established a new core area on the Cardium trend at Lochend in southern Alberta by acquiring, through a combination of crown land sales, freehold leasing and asset acquisitions, approximately 18 net sections of undeveloped acreage for \$6.1 million.
- Participated in drilling 5 horizontal oil wells (1.6 net), 4 (1.2 net) at Tableland and 1 (0.4 net) at Queenstown in south eastern Alberta.
- Implemented a number of initiatives to reduce operating costs. These initiatives, along with increased production through acquisitions and the drilling program, are expected to reduce operating expenses substantially through the balance of the year.

Subsequent to the end of the quarter, TriOil:

- Completed its name change and affected a 20:1 consolidation of the Class A Shares as of April 1, 2010.
- Closed the arrangement with Canext on April 12, 2010.
- Closed a \$25 million credit facility with a Canadian chartered bank on April 13, 2010.
- Closed an asset purchase agreement to purchase 35 gross (17 net) sections of undeveloped land in the Lochend area of Alberta for a cash purchase price of \$7.5 million and 1,312,566 Class A Shares on a post consolidated basis for a total purchase price of \$15 million.
- Competed and equipped two Tableland horizontal wells. The first well averaged 186 boe/d (56 boe/d net) over first 30 days of production.

The following management's discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for TriOil for the three-month periods ended March 31, 2010 and 2009. This MD&A should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2010 and 2009, and the audited annual consolidated financial statements for the year ended December 31, 2009.

This MD&A offers management's opinion of TriOil's historical financial and operating results and is dated based on information available at May 26, 2010. Any prospective estimates are based on assumptions of future events and may be subject to change.

The Corporation received approval from its shareholders, on March 4, 2010 for a 20:1 share consolidation of the Class A Shares on the basis of one Class A Share for each 20 Class A Shares currently issued and outstanding ("New Class A Share"). The Corporation also received shareholder approval at the Special Meeting for a proposal to change the name of the Corporation to "TriOil Resources Ltd.", which took effect on April 1, 2010. The New Class A Shares began trading on a post-consolidated basis on the TSX Venture Exchange under the new corporate name of TriOil Resources Ltd. and under the new stock symbol, "TOL", at market opening on April 7, 2010. Effective upon the completion of the share consolidation, the Corporation had approximately 12,134,911 New Class A Shares issued and outstanding. In addition, the exercise price and number of New Class A Shares of the Corporation issuable upon the exercise of outstanding options, performance warrants and other convertible securities will be proportionally adjusted pursuant to the Share Consolidation. **Unless otherwise stated, references in this MD&A are on a pre consolidated basis.**

Additional information relating to TriOil is available at <http://www.sedar.com> or on the Company's website at <http://www.trioilresources.com>.

BOE PRESENTATION

Natural gas volumes have been converted to barrels of oil equivalent ("boe") at a ratio of six thousand cubic feet ("mcf") of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

NON-GAAP MEASUREMENTS

The MD&A contains terms "funds from operations", "funds from operations per share" and "operating netback" in this discussion that are not recognized measures under Canadian generally accepted accounting principles (GAAP). TriOil management believes that in addition to net earnings, funds from operations and operating netback are useful supplemental measurements. Funds from operations provides an indication of the results generated by the Corporation's principal business activities before the consideration of how those activities are financed or how the results are taxed. Operating netback is a benchmark used in the oil and natural gas industry to measure the contribution of oil and natural gas sales following the deduction of royalties, operating expenses and transportation costs. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of TriOil's performance.

RECONCILIATION OF CASH FLOW PER GAAP TO FUNDS FROM OPERATIONS

TriOil's method of calculating funds from operations may differ from that of other corporations and, accordingly, may not be comparable to measures used by other corporations. TriOil calculates funds from operations by taking cash flow from operating activities as determined under GAAP before the change in non-cash working capital and abandonment expenditures related to operating activities. A summary of this reconciliation is presented as follows:

(\$)	Three months ended March 31,	
	2010	2009
Cash flow from (used in) operating activities	192,578	(909,913)
Abandonment expenditures	194,786	-
Change in non-cash operating working capital	(1,143,790)	515,794
Funds used in operations	(756,426)	(394,119)

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements, which relate to future events or the Corporation's future performance, that include terms such as "expect", "anticipate", "continue", "estimate", "believe", "plans", "intends", "confident", "may", "objective", "ongoing", "will", "should", "project", "could", "potential", "assume", "estimate", "forecast", and similar terms. These statements involve known and unknown risks, uncertainties and other factors that are beyond the Corporation's control, which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. TriOil believes the expectations reflected in the forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A.

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to average production and projected exit rate; areas of operations; spending and increase in capital budget; availability of funds for TriOil's capital program; the size of, and future net revenues from, reserves; the focus of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; projections of market prices and costs; the performance characteristics of TriOil's properties; TriOil's future operating and financial results; capital expenditure programs; supply and demand for oil and natural gas; average royalty rates; and amount of general and administrative expenses. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond TriOil's control, including the effect of acquisitions; changes in general economic, market and business conditions; changes or fluctuations in production levels; unexpected drilling results, commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; changes to legislation, investment eligibility or investment criteria; TriOil's ability to comply with current and future environmental or other laws; TriOil's success at acquisition, exploration and development of reserves; actions by governmental or regulatory authorities including increasing taxes, changes in investment or other regulations; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; competition from other producers; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; and ability to access sufficient capital from internal and external sources. Many of these risks and uncertainties are described in TriOil's Annual Information Form which is available at www.sedar.com. Readers are also referred to risk factors described in other documents TriOil files with Canadian securities authorities.

With respect to forward-looking statements contained in this MD&A, TriOil has made assumptions regarding: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; royalty rates and future operating costs. Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on TriOil's future operations and such information may not be appropriate for other purposes. TriOil's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the TriOil will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this MD&A and TriOil disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Although TriOil believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TriOil can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they 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 failure to obtain necessary regulatory approvals or satisfy the conditions to closing the transactions, risks associated with the oil and gas industry in general (e.g., 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 estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and

environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in TriOil's Annual Information Form and TriOil's other public disclosure documents which have been filed on SEDAR and can be accessed at www.sedar.com.

CORPORATE OVERVIEW

On February 19, 1999, Nu-Wave Photonics Inc. (the "Corporation") was incorporated under the laws of the Province of Ontario. The name of the Corporation was changed to Zenastra Photonics Inc. ("Zenastra") on August 22, 2000. On October 5, 2001, Zenastra filed an assignment in bankruptcy and a trustee was appointed of the estate of the Corporation. From October 2001 through June 8, 2006 the trustee realized on the assets of the Corporation and made disbursements to its creditors. On June 9, 2006 the Ontario Superior Court in Bankruptcy approved the proposal to creditors of the Corporation dated April 7, 2006 made under the *Bankruptcy and Insolvency Act* (Canada) and annulled the Corporation's bankruptcy.

On July 19, 2006, the Corporation determined that a substantial realignment of the interests of creditors and shareholders was completed, and accordingly applied the provisions of CICA Handbook section 1625, "Comprehensive Revaluation of Assets and Liabilities" (the "Revaluation"). On November 21, 2006, the Corporation changed its name to One Exploration Inc. (the "Corporation" or "OneEx"), completed the reconstitution of its share capital and was continued to Alberta.

On January 13, 2010, OneEx entered into a reorganization and investment agreement with TriOil Resources Ltd. ("TriOil") which provided for a recapitalization of the Corporation through a private placement, the appointment of a new management team and a new board of directors, the acquisition of producing assets and undeveloped land by TriOil, the acquisition of TriOil and a rights offering (collectively the "Recapitalization").

On April 1, 2010, the Corporation changed its name to TriOil Resources Ltd.

The current business of the Corporation includes the investment in all types of energy business-related assets, including, but not limited to, petroleum and natural gas related assets, gathering and processing and transportation assets. The operations of the Corporation consist of the acquisition, development and exploitation of these assets.

DETAILED FINANCIAL ANALYSIS

PRODUCTION

	Three months ended March 31,		
	2010	2009	% Change
Daily Production			
Crude oil and NGLs (<i>bbls/d</i>)	204	141	45
Natural gas (<i>mcf/d</i>)	1,333	3,475	(62)
boe/d	426	720	(41)
Total (boe)	38,402	64,848	(41)
Production Mix			
Crude oil and NGLs	48%	20%	144
Natural gas	52%	80%	(35)
	100%	100%	-

Production for the quarter ended March 31, 2010 decreased 41% from 720 boe/d (20% oil and NGLs) for the quarter ending March 31, 2009 to 426 boe/d (48% oil and NGLs). The 45 percent increase in crude oil and NGL production is a result of acquisitions in the Coronation and Tableland areas. The 62 percent drop in gas production is a result of property sales in the third and fourth quarters of 2009.

OIL AND NATURAL GAS REVENUES

	Three months ended March 31,		
	2010	2009	% Change
<i>(\$)</i>			
Crude oil and NGLs revenue	1,323,522	523,235	153
Natural gas revenue	647,963	1,601,975	(60)
	1,971,485	2,125,210	(7)
Average realized price			
Crude oil and NGLs (<i>\$/bbl</i>)	71.91	40.95	76
Natural gas (<i>\$/mcf</i>)	5.40	5.10	6
Total combined (<i>\$/boe</i>)	51.34	33.19	55
Benchmark pricing			
WTI oil (<i>US\$/bbl</i>)	78.75	43.21	82
Edmonton Par (<i>CDN\$/bbl</i>)	80.30	50.15	60
Cdn\$/US\$ exchange rate	0.96	0.80	20
AECO natural gas (<i>\$/mcf</i>)	5.21	4.89	7

Revenue for the three months ended March 31, 2010 decreased by 7 percent to \$1,971,485 from \$2,125,210 in the comparative period in 2009 as a result of a 41% decrease in production somewhat offset by higher realized product prices.

Oil and natural gas products were sold on the spot market and realized prices fluctuated consistently with changes in the benchmark pricing of the underlying commodities. TriOil's natural gas commands a modest premium to the Alberta natural gas spot benchmark price due to its higher energy content.

ROYALTIES

	Three months ended March 31,		
	2010	2009	% Change
Total royalties, (\$)	152,908	385,828	(60)
As a percent of oil and natural gas sales	8%	18%	(57)
\$/boe	3.98	5.95	(33)

Royalties totalled \$152,908 for the first quarter of 2010, compared to \$385,828 for the comparative period in 2009. Royalties as a percentage of revenue for the three months ended March 31, 2010 decreased to 8 percent from 18 percent in the comparative period of 2009 due to a higher portion of lower productivity gas wells in the first quarter of 2010 as compared to the first quarter of 2009 as a result of asset sales completed in the last half of 2009 and natural production declines. Also impacting royalties for the three months ended March 31, 2010 was a gas cost allowance adjustment relating to prior periods.

LEASE OPERATING EXPENSES

	Three months ended March 31,		
(\$/boe)	2010	2009	% Change
Lease operating expenses	1,210,878	1,327,499	(9)
\$/boe	31.53	20.47	54

Lease operating expenses for the three months ended March 31, 2010 were \$1,210,878 compared to \$1,327,499. On a unit of production basis, lease operating expenses were \$31.53 per boe, 24 percent higher than the \$20.47 per boe for the three months ended March 31, 2010 as a result of repairs and maintenance costs incurred in order to optimize production that are not expected to be recurring. The increase can also be attributed to the fixed component of costs over a lower production base.

Several initiatives to reduce operating costs have been taken or are currently being taken, including reducing or eliminating third party processing at several of our core areas, eliminating rental equipment and shutting in uneconomic gas. The above initiatives and increased production from acquisitions and the drilling program are expected to reduce operating expenses substantially through the balance of the year.

TRANSPORTATION

	Three months ended March 31,		
(\$/boe)	2010	2009	% Change
Transportation	54,227	77,054	(30)
\$/boe	1.49	1.19	25

Transportation expenses for the three months ended March 31, 2010 were \$54,227 compared to \$77,054 for the three months ended March 31, 2009. On a unit of production basis, transportation expenses were \$1.49 per boe for the three months ended March 31, 2010, 25 percent higher than the \$1.19 per boe for the three months ended March 31, 2010 as a result of property dispositions in the second half of 2009 that had lower transportation costs on a per unit basis.

OPERATING NETBACK

	Three months ended March 31,		
(\$/boe)	2010	2009	% Change
Average realized sales price	51.34	33.19	55
Royalties	(3.98)	(5.95)	(33)
Lease operating expenses	(31.53)	(20.47)	54
Transportation expenses	(1.49)	(1.19)	25
Operating netback	14.34	5.58	157

Operating netback for the three months ended March 31, 2010 was \$14.34 per boe compared to \$5.58 per boe for the three months ended March 31, 2009 primarily as a result of higher crude oil and NGL prices combined with a higher weighting to crude oil and NGL production as a result of the properties acquired from the acquisition of TriOil Holdings Ltd. in January 2010, offset by higher lease operating expenses.

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

	Three months ended March 31,		
(\$)	2010	2009	% Change
G&A expenses before severance costs	661,090	900,727	(27)
Capitalized	(53,222)	(207,032)	(74)
Net expenses	607,868	693,695	(12)
\$/boe	15.83	10.70	48

Net G&A costs totalled \$607,868 for the first quarter ended March 31, 2010, compared to \$693,695 for the comparative period in 2009 primarily as a result of a reduction in staffing costs due to the dispositions in the second half of 2009. On a per boe basis, G&A costs for the three months ended March 31, 2010 were \$15.83 per boe versus \$10.70 per boe in the comparable period of 2009. The increase per boe was mainly due to a reduction in production volumes. As production volumes increase through 2010 from the acquisition of Canext Energy Inc. on April 12, 2010 and through new production from drilling, G&A costs on a per boe basis are expected to reduce significantly.

RESTRUCTURING EXPENSES

One time severance costs of \$688,357 were incurred with the reorganization and recapitalization of the Corporation in January 2010.

INTEREST INCOME AND EXPENSE

	Three months ended March 31,		
(\$)	2010	2009	% Change
Net interest expense	10,673	16,160	(34)
\$/boe	0.28	0.25	12

Net interest expense for the three months ended March 31, 2010 was \$10,673 or \$0.28 per boe. The interest was paid on a credit facility and notes payable, which were repaid in full upon completion of the reorganization and recapitalization transaction. The credit facility was cancelled in February 2010.

STOCK-BASED COMPENSATION

During the first quarter of 2010, stock-based compensation recovery of \$156,382 was recorded in operations and a \$39,778 recovery was recorded in property, plant and equipment. This resulted in a total stock based compensation recovery for the three month period ended March 31, 2010 of \$196,160 compared to an expense of \$201,188 in the first quarter of 2009. The decrease in stock-based compensation expense was due to forfeiture and cancelation of the stock options upon completion of the reorganization and recapitalization transaction. As at March 31, 2010 there were 390,000 stock options outstanding compared to 3,665,000 outstanding at March 31, 2009.

DEPLETION, DEPRECIATION AND ACCRETION

	Three months ended March 31,		
(\$)	2010	2009	% Change
Depletion and Depreciation	1,334,333	2,040,009	(35)
Accretion	69,462	48,221	44
Total DD&A	1,403,795	2,088,230	(33)
DD&A rate \$/boe	36.56	32.20	14

Depletion, depreciation and accretion ("DD&A") is calculated based upon cumulative capital expenditures, production rates and reserves. DD&A expense for the three months ended March 31, 2010 decreased 14 percent to \$1,403,795 (\$36.56 per boe) from \$2,088,230 (\$32.20 per boe) in the comparative period of 2010.

Undeveloped land, seismic and salvage value of \$10.7 million have been excluded from the calculation and future development costs of \$1.2 million have been included in the depletion calculation.

INCOME TAXES

TriOil did not record any current income taxes in the first quarter of 2010 and does not expect to incur current income taxes through 2010. Current tax horizons depend on product prices, production levels, royalty rates and the nature, magnitude and timing of capital expenditures.

The Corporation has determined that the "more likely than not" test required for recognition of the tax benefit of certain tax credits has not yet been met, and accordingly the Corporation has not recorded a tax asset. In future periods, the Corporation may determine that the "more likely than not" test has been met.

FUNDS USED IN OPERATIONS AND NET LOSS

(\$)	Three months ended March 31,		
	2010	2009	% Change
Funds used in operations	(756,426)	(394,119)	92
Per basic and diluted share (\$)	-	(0.01)	(100)
Net loss	(2,003,839)	(1,623,455)	23
Per basic and diluted share (\$)	(0.01)	(0.03)	(67)

For the three months ended March 31, 2010 funds used in operations of \$756,426 (0.01 per basic and share) was generated compared to funds used in operations of \$394,119 (0.01 per basic and diluted share) for the comparative period in 2009. The increase in funds used in operations was primarily as a result of on-time severance costs paid in the first quarter of 2010 in conjunction with the recapitalization of the Corporation.

For the three months ended March 31, 2010, a loss of \$2,003,839 (\$0.01 per basic and diluted share) was recorded, 23 percent higher than the loss of \$1,623,455 (\$0.03 per basic and diluted share) recorded in the comparative period in 2009.

CAPITAL EXPENDITURES

(\$)	Three months ended March 31,	
	2010	2009
Land	6,099,211	121,666
Geologic and geophysical	-	256
Drilling and completions	3,485,268	1,426,622
Facilities and equipment	264,307	271,202
Capitalized general and administrative	93,000	161,950
Office and other	-	23,388
Total capital expenditures	9,941,786	2,005,084
Corporate Acquisition by common shares	8,500,374	-
Total capital expenditures by acquisitions	18,442,160	2,005,084

For the three months ended March 31, 2010, TriOil spent \$9.9 million on cash capital expenditures consisting of \$6.1 million spent on approximately 18 net sections of undeveloped acreage on the Cardium trend at Lochend in Alberta through a combination of crown, freehold and asset acquisitions and \$3.5 million on drilling four (1.2 net) horizontal oil wells at Tableland in SE Saskatchewan and one (0.4 net) at Queenstown Alberta.

	Three months ended March 31,			
	2010		2009	
Wells Drilled	Gross	Net	Gross	Net
Exploration	2.0	0.6	2.0	1.0
Development	3.0	1.0	-	-
Total	5.0	1.6	2.0	1.0
Average working interest	32%		50%	
Success rate	80%		50%	

Corporate Acquisition

On January 13, 2010, TriOil acquired all of the issued and outstanding shares of TriOil Holdings Ltd. in exchange for 47,831,272 (2,391,564 post 20:1 consolidation) Class A Shares. The acquisition has been accounted for as a business combination.

Net assets acquired:

Cash	\$	65,966
Non-cash working capital deficiency		(318,058)
Petroleum and natural gas properties		9,797,663
Asset retirement obligations		(1,045,197)
	\$	8,500,374

Consideration:

Issuance of 47,831,272 Class A Shares	\$	8,131,316
Transaction costs		369,058
	\$	8,500,374

As at March 31, 2010, the Corporation spent \$399,515 of corporate transaction costs related to the acquisition of Canext Energy Inc. that closed on April 12, 2010 which is included in property, plant and equipment.

SHARE CAPITAL

	Three months ended March 31,	
	2010	2009
Weighted average basic common shares outstanding	174,029,315	57,087,293
Dilutive effect of stock options	11,157	60,425
Dilutive effect of performance	5,020,690	-
Dilutive effect of rights	4,838,701	-
Weighted average diluted common shares outstanding	183,899,863	57,147,718

Options to purchase 390,000 Class A Shares for the three months ended March 31, 2010 and 2,600,000 Class A Shares for the three months and year ended March 31, 2009 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

Outstanding securities	31-Mar-10 (pre 20:1 consolidation)	21-May-10 (post 20:1 consolidation)
Class A Shares	242,698,877	22,245,632
Performance warrants	24,000,000	1,200,000
Stock Options	390,000	234,500
Total outstanding securities	267,088,877	23,680,132

On March 29, 2010, 13,747,957 Class A Shares were issued from the exercise of 54,991,828 rights pursuant to the Rights Offering for gross proceeds of \$2,337,153.

On February 11, 2010, the Corporation completed a bought deal financing for which the Corporation issued 100,000,000 special warrants ("Special Warrants") at a price of \$0.25 per Special Warrant for gross aggregate proceeds of \$25 million. On March 22, 2010, the Special Warrants were converted into 100,000,000 Class A Shares.

On January 28, 2010, the Corporation closed the second and final tranche of a private placement of Class A Shares (the "Private Placement"), issuing an aggregate of 1,470,526 Class A Shares at a price of \$0.17 per Class A Share, for gross proceeds of \$249,989.

On January 13, 2010 the Corporation closed the first tranche of the Private Placement, issuing an aggregate of 21,982,407 Class A Shares at a price of \$0.17 per Class A Share, for gross proceeds of \$3,737,009.

On April 7, 2010, TriOil completed a 20:1 Class A Share consolidation.

On January 13, 2010, 24.0 million (1.2 million post 20:1 consolidation) performance warrants were granted to certain founding employees in conjunction with the recapitalization transaction, entitling the holders thereof to purchase one Class A Share at a price of \$0.22 (\$4.40 post 20:1 consolidation) for a period of 5 years following the date of issuance. The performance warrants will vest and become exercisable as to one-third upon the 20-day weighted average trading price of the Class A Shares (the "Trading Price") equalling or exceeding \$0.40 (\$8.00 post 20:1 consolidation), an additional one-third upon the Trading Price equalling or exceeding \$0.60 (\$12.00 post 20:1 consolidation) and a final one-third upon the Trading Price equalling or exceeding \$0.80 (\$16.00 post 20:1 consolidation).

The performance warrants were measured at their fair value on the date of the grant and recognized as an expense over the vesting period. No stock based compensation related to the performance warrants has been recorded for the three months ended March 31, 2010 as the performance conditions had not been met. The estimated fair value of the performance warrants granted during the three months ended March 31, 2010 was \$0.24 (\$4.80 post 20:1 consolidation) per warrant using the Black Scholes model and the same assumptions as above.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Flow-through shares

In December 2008, the Corporation issued an aggregate of 5,147,089 flow-through Class A Shares for gross proceeds of \$3,500,021. Pursuant to the terms of the flow-through Class A Share subscription agreements, \$3,500,021 of qualifying oil and natural gas expenditures were renounced in 2008 and the Corporation had until December 31, 2009 to incur the expenditures, using the look-back rule. As at December 31, 2009 only \$1,859,275 of qualifying expenditures were renounced. The previous renouncement has been amended to reflect the above and \$1,640,746 will be expended and renounced by December 31, 2010. The Corporation is required to indemnify the flow-through Class A Share subscribers for any penalties incurred as a result of amending the previous renouncement and this may result in a contingent liability for the Corporation.

Off balance sheet arrangements

The Corporation has not entered into any off balance sheet arrangements.

Operating leases

TriOil is committed to operating leases for office space annually as follows:

2010	357,262
2011	77,310
2012	12,885

LIQUIDITY AND CAPITAL RESOURCES

TriOil had a working capital surplus of \$17,032,409 as at March 31, 2010.

On April 13, 2010, the Corporation entered into an agreement for a \$25 million revolving credit facility with a Canadian chartered bank. As the available lending limits of the facility are based upon the bank's interpretation of the Corporations reserves and future commodity prices there can be no assurance as to the amount of available facilities that will be determined at each scheduled review. The next scheduled review is on May 31, 2010.

TriOil plans to fund its 2010 capital expenditure program through funds generated from operations, working capital and the credit facility.

OUTLOOK

TriOil's board of directors has approved a capital program for 2010 of approximately \$39 million, excluding acquisitions, with \$10 million having been spent in the first quarter of 2010. Current production is approximately 1,450 boe/d and with the capital program, production is expected to exit 2010 at approximately 2,100 boe/d, with oil and liquids accounting for over 60% of exit volumes. The Corporation will continue to monitor commodity prices and will adjust its capital spending to maintain a strong balance sheet.

The approved capital budget includes the drilling of 14 (5.4 net) horizontal oil wells, of which 5 (1.6 net) were drilled in the first quarter of 2010. The remaining activity for the balance of the year will be focused primarily on the Sanish and Bakken oil plays at Tableland, Southeast Saskatchewan, and the Cardium trend at Lochend, Alberta. The drilling program this year is intended to delineate a large portion of the Corporation's land base. This will potentially result in a number of horizontal oil development drilling locations and a multi-year drilling inventory.

No capital has been budgeted for additional acquisitions for the remainder of the year. However, opportunities to expand existing core areas and develop new ones are continuously being evaluated.

SELECTED QUARTERLY INFORMATION

	2010		2009		2008			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating								
Average daily production								
Oil and NGLs (bbls/d)	204	127	177	179	141	144	178	204
Natural Gas (mcf/d)	1,333	1,379	2,036	2,951	3,475	3,988	3,944	4,479
Total (boe/d)	426	357	516	671	720	809	835	951
Financial								
(\$000s, except per share amounts)								
Revenue	1,971	1,341	1,507	1,909	2,125	3,255	4,618	6,140
Net earnings (loss)	(2,004)	(5,171)	(2,267)	(2,394)	(1,623)	(2,002)	(701)	547
Per share – basic	(0.01)	(0.09)	(0.04)	(0.04)	(0.03)	(0.04)	(0.02)	0.02
Per share – diluted	(0.01)	(0.09)	(0.04)	(0.04)	(0.03)	(0.04)	(0.02)	0.02
Funds from (used in) operations ⁽¹⁾	(756)	(295)	(414)	(355)	(394)	436	1,460	2,896
Per share – basic	-	-	(0.01)	(0.01)	(0.01)	0.01	0.04	0.08
Per share – diluted	(0.01)	-	(0.01)	(0.01)	(0.01)	0.01	0.04	0.08
Capital expenditures ⁽²⁾	9,942	(4,200)	(2,749)	221	2,005	4,496	3,025	2,116
Net debt	-	-	(4,526)	(6,861)	(6,258)	(3,769)	(8,519)	(8,021)
Weighted average								
basic shares (thousands) ⁽³⁾	174,029	57,106	57,107	57,107	57,087	46,528	36,525	35,015
Weighted average								
diluted shares (thousands)	183,899	57,106	57,107	57,140	57,147	46,528	37,353	35,849
Per Unit								
Oil and NGL revenue (\$ per bbl)	71.91	59.59	52.30	54.69	40.95	46.64	92.77	93.37
Natural gas revenue (\$ per mcf)	5.40	4.68	3.01	3.59	5.10	6.99	8.21	10.64
Combined revenue (\$ per boe)	51.34	40.89	31.68	31.27	32.77	43.76	60.09	71.02
Operating netback (\$ per boe)	14.34	12.66	11.67	6.32	5.16	13.90	27.68	41.90

Notes:

- (1) Funds from operations is calculated as cash flow from operating activities before the change in non-cash working capital and abandonment expenditures.
- (2) Capital expenditures include property acquisitions and are presented net of proceeds of disposals, but exclude corporate acquisitions.
- (3) For the purpose of calculating basic Shares outstanding, Class B Shares are converted to Class A Shares using a conversion ratio of \$10 divided by the greater of \$1 and the period end closing price of Class A common Shares. Effective February 1, 2010, all the issued and outstanding Class B Shares were converted into Class A Shares on a basis of 10 Class A Shares for each Class B Share held in accordance with the Corporations' articles. 1,268,862 Class B Shares were automatically converted into 12,688,620 Class A Shares effective February 1, 2010.

DISCUSSION OF QUARTERLY TRENDS

Petroleum and natural gas sales of the Corporation has generally trended with average daily production levels and commodity prices. During the third quarter of 2008, third-party facility down-time combined with natural declines resulted in lower production volumes. The decline in production during 2009 was accelerated as the Corporation temporarily shut-in production from higher operating cost properties and asset dispositions. In the first quarter of 2010, production increased from the fourth quarter of 2009 as a result of the acquisition of TriOil Holdings Ltd.

Weak realized natural gas prices through all four quarters of 2009 cause the Corporation to incur a loss from operations in each quarter from funds from operations in each quarter of 2008. In the first quarter of 2010, the corporation incurred \$0.7 million in restructuring expenses relating primarily to severance costs in conjunction with the recapitalization of the Corporation.

Net loss for the fourth quarter of 2009 includes an impairment of oil and natural gas assets of \$3.0 million. The Corporation has incurred net losses since the third quarter of 2008 primarily due to declines petroleum and natural gas sales and increasing DD&A rates.

SUBSEQUENT EVENTS

At a special meeting on March 4, 2010, shareholders approved effective April 7, 2010 a share consolidation of the Class A Shares on the basis of one New Class A Share for every 20 Class A Shares then issued and outstanding. Post consolidation, there were 12,134,911 New Class A Shares issued and outstanding. In addition, the exercise price and number of Class A Shares issuable upon the exercise of outstanding options, performance warrants and other convertible securities were proportionally adjusted pursuant to the share consolidation. Shareholders also approved changing the name of the Corporation to "TriOil Resources Ltd.", which took effect on April 1, 2010. The New Class A Shares began trading on the TSX Venture Exchange under the new stock symbol, "TOL", at market opening on April 7, 2010.

On February 10 2010, the Corporation and Canext entered into an arrangement agreement pursuant to which the Corporation agreed to acquire all of the Canext Shares for consideration consisting of 2.0 Class A Shares for each Canext Share. A total of approximately 8,798,154 New Class A Shares on a post consolidation basis were issued to the holders of Canext Shares. The estimated value of the transaction was \$55 million. The Canext Arrangement closed on April 12, 2010.

On March 31, 2010, the Corporation entered into an agreement to purchase 17 net sections of undeveloped land in the Lochend area of Alberta and approximately 50 boe/d of production for a cash purchase price of \$7,500,000 and 1,312,566 Class A Shares on a post consolidation basis for total consideration of \$15 million. The transaction closed on April 30, 2010.

After giving effect to the transactions subsequent to March 31, 2010, there were 22,245,632 Class A Shares outstanding on a post consolidation basis.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management as appropriate to allow timely decisions regarding required disclosure. The Corporation's Chief Executive Officer and Vice President Finance have concluded, based on their evaluation as of the end of the period covered by the annual filings that disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Corporation is made known to them by others within the Corporation. It should be noted that while the Corporation's Chief Executive Officer and Vice President Finance believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Vice President Finance of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Corporation has evaluated the design of its internal controls over financial reporting as at March 31, 2010 and have concluded that, these internal controls are designed properly for external purposes in accordance with Canadian GAAP. There were no material changes in the Corporation's internal controls over financial reporting during the three months ended March 31, 2010.

Because of inherent limitation, internal controls over financial reporting may not prevent or detect all misstatements, errors or fraud. Control systems, no matter how well designed, only provide reasonable, not absolute, assurance that the objectives of the control systems are met.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles (GAAP) with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required for accounting periods commencing on or after January 1, 2011, for publicly accountable profit-orientated enterprises.

First-time adoption of IFRS

Our financial statement for the year ended December 11, 2011, will be prepared according to IFRS with comparative amounts for the year ended December 31, 2010. IFRS 1, First-time Adoption of International Financial Reporting Standards, generally requires that we apply IFRS on a retrospective basis in our opening balance sheet as at January 1, 2010. IFRS 1 also provides certain mandatory exceptions and elective exemptions to retrospective application. We

expect that our IFRS 1 elections will be approved by senior management during the second half of 2010, once we have completed our analysis of, and quantified on a preliminary basis, each exemption.

Accounting policies under IFRS

Our analysis of IFRS and comparison with our accounting policies under Canadian GAAP has identified a number of differences. Many of these differences are not expected to have a significant impact on our financial position or results of operations.

In certain cases, IFRS provides for a choice of accounting policies. Set out below is a description of our proposed changes in accounting policies under IFRS that we believe may result in a significant impact to our financial statements, based on Canadian GAAP and IFRS issued at December 31, 2009, except as otherwise noted.

Oil and gas assets

In July 2009 an amendment to IFRS 1 First Time Adoption of International Reporting Standards was issued that applies to oil and gas assets. The amendment would permit the Company to measure exploration and gas assets under IFRS at the carrying amount under GAAP at the date of transition to IFRS. In addition, the carrying amount of production or development assets using either reserve volumes or reserve values at the date of transition. The assets to which this exemption is applied would be required to be tested for impairment at the date of transition under IFRS standards.

Share-based payments

Under IFRS 2 the value of goods and/or services is required to be measured at fair value unless not reliably measured in which case the fair value of the equity instrument issued is used. In accordance with current Canadian GAAP, the share-based payments may be measured by either fair valuing the goods or services received or the equity instrument issued. IFRS 2 also requires that the number of equity instruments to vest be estimated at the time the services are received as opposed to Canadian GAAP that allows the accrual as though all will vest and adjust for actual forfeitures. IFRS 1 requires disclosures of information about the nature and extent of existing share-based payments.

Provisions, including asset retirement obligations

Under Canadian GAAP, we record provisions when a present obligation exists as a result of past transactions or events, there is a likely outflow of resources required to settle the obligation and the amount of obligation can be reliably estimated. Asset retirement obligations are recorded when a legal or contractual obligation exists.

Provisions are recorded under IFRS when an outflow of resources is more likely than not, instead of the higher "likely" threshold under Canadian GAAP. Other specific differences exist in relation to the methods used to estimate the amount of provisions. Asset retirement obligations are recorded when a legal, contractual or constructive obligation exists.

In addition, the accounting for flow-through shares as provided for under Canadian GAAP is not consistent with IFRS. If flow-through shares are issued in the future, IFRS will require that they be bifurcated into equity and liability components. The equity component is measured at market with the residual allocated to the liability component. On renunciation, the balance in the liability account is transferred to deferred tax and should the deferred tax be recognized on renunciation be greater than the liability component, the difference is a current period charge to earnings.

The Board of Directors and the Audit Committee have reviewed and approved the financial statements and the MD&A.

ADDITIONAL INFORMATION

Additional information relating to TriOil is available on SEDAR at www.sedar.com or the Corporation's website at www.trioilresources.com.



TriOil Resources Ltd.
(formerly One Exploration Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED
MARCH 31, 2010 AND 2009**

Consolidated Balance Sheets
(unaudited)

	March 31, 2010	December 31, 2009
(\$)		
ASSETS		
Current assets:		
Cash and cash equivalents	17,959,290	205,317
Accounts receivable	1,943,608	1,269,450
Prepaid expenses and deposits	2,653,833	910,600
	22,556,731	2,385,367
Property, plant and equipment (note 3)	52,081,427	33,233,176
	74,638,158	35,618,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	5,524,322	2,571,324
Notes payable (note 5)	-	385,000
	5,524,322	2,956,324
Asset retirement obligations (note 6)	3,387,658	2,384,387
Shareholders' equity:		
Share capital (note 7)	80,062,526	42,359,829
Contributed surplus (note 7(e))	700,060	950,572
Deficit	(15,036,408)	(13,032,569)
	65,726,178	30,277,832
	74,638,158	35,618,543

Commitments (note 9)

Subsequent Events (note 12)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations, Comprehensive (Loss) and (Deficit)
(unaudited)

Three months ended March 31,	2010	2009
(\$)		
REVENUE		
Petroleum and natural gas sales	1,971,485	2,125,210
Royalties	(152,908)	(385,828)
	1,818,577	1,739,382
EXPENSES		
Lease operating	1,210,878	1,327,499
Transportation	57,227	77,054
General and administrative	607,868	693,695
Stock based compensation (note 7 (e))	(156,382)	156,106
Restructuring expenses	688,357	-
Other taxes and fees	-	19,093
Interest	10,673	16,160
Depletion, depreciation and accretion (note 3)	1,403,795	2,088,230
	3,822,416	4,377,837
(Loss) before income taxes	(2,003,839)	(2,638,455)
Future income tax recovery	-	(1,015,000)
(Loss) and comprehensive (loss)	(2,003,839)	(1,623,455)
(Deficit), beginning of period	(13,032,569)	(1,576,895)
(Deficit), end of period	(15,036,408)	(3,200,350)
(Loss) per share (note 7 (f))		
Basic and Diluted	(0.01)	(0.03)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
(unaudited)

Three months ended March 31,	2010	2009
(\$)		
Cash provided by (used in):		
OPERATING		
Net (loss)	(2,003,839)	(1,623,455)
Add (deduct) non-cash items		
Depletion, depreciation and accretion	1,403,795	2,088,230
Future income tax recovery	-	(1,015,000)
Stock-based compensation expensed	(156,382)	156,106
Abandonment expenditures	(194,786)	-
	(951,212)	(394,119)
Change in non-cash working capital (note 8)	1,143,790	(515,794)
	192,578	(909,913)
FINANCING		
Bank debt	-	3,997,603
Repayment of notes payable (note 5)	(385,000)	-
Issue Class A common shares	31,324,151	-
Repurchase Class A common shares	-	(4,500)
Proceeds on exercise of stock options	140,000	13,000
Share issue costs	(1,947,122)	(2,565)
Change in non-cash working capital (note 8)	-	(5,080)
	29,132,029	3,998,458
INVESTING		
Additions to property, plant and equipment	(9,941,786)	(2,005,084)
Expenditures on corporate acquisition, net of cash acquired (note 2)	(702,607)	(223,817)
Change in non-cash working capital (note 8)	(926,241)	(1,105,443)
	(11,570,634)	(3,334,344)
Change in cash and cash equivalents	17,753,973	(245,799)
Cash and cash equivalents, beginning of period	205,317	327,489
Cash and cash equivalents, end of period	17,959,290	81,690
Cash interest paid	13,685	7,117
Cash taxes paid	-	-

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements
March 31, 2010
(unaudited)

1. Basis of Presentation and Going Concern

The interim consolidated financial statements of TriOil Resources Ltd. ("TriOil" or the "Corporation") follow the same accounting policies as the most recent audited annual consolidated financial statements. Certain disclosures normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2009 and 2008.

On February 19, 1999, Nu-Wave Photonics Inc. (the "Corporation") was incorporated under the laws of the Province of Ontario. The name of the Corporation was changed to Zenastra Photonics Inc. on August 22, 2000. On October 5, 2001, Zenastra filed an assignment in bankruptcy and a trustee was appointed to the estate of the Corporation. From October 2001 through June 8, 2006 the trustee realized on the assets of the Corporation and made disbursements to the creditors. On June 9, 2006 the Ontario Superior Court in Bankruptcy approved the proposal to creditors of the Corporation dated April 7, 2006 made under the Bankruptcy and Insolvency Act (Canada) and annulled the Corporation's bankruptcy. On July 19, 2006, the Corporation determined that a substantial realignment of the interests of creditors and shareholders was completed, and accordingly applied the provisions of CICA Handbook section 1625, "Comprehensive Revaluation of Assets and Liabilities". On November 21, 2006, the Corporation changed its name to One Exploration Inc., completed the reconstitution of its share capital and was continued to Alberta. Since November 21, 2006, the Corporation has engaged in the acquisition of, exploration for and development of petroleum and natural gas in Western Canada.

On January 13, 2010, the Corporation completed a reorganization and investment agreement with TriOil Holdings Ltd. ("TOHL") and certain other persons, which provided for (i) a recapitalization of the Corporation through a private placement (the "Private Placement"); (ii) the appointment of a new management team and a new board of directors (collectively, the "New Management Group"); (iii) the acquisition of producing assets from Second Wave Petroleum Inc. by TOHL (the "Second Wave Acquisition"); (iv) the TOHL Acquisition; and (v) a rights offering (the "Rights Offering") (collectively the "recapitalization"). On April 1, 2010, the Corporation changed its name from One Exploration Inc. to TriOil Resources Ltd.

The Corporation is engaged in the acquisition of, exploration for and development of petroleum and natural gas in Western Canada.

2. Acquisitions

On January 13, 2010, TriOil acquired all of the issued and outstanding shares of TriOil Holdings Ltd. in exchange for 47,831,272 Class A Shares. The acquisition has been accounted for as a business combination.

Net assets acquired:	
Cash	\$ 65,966
Non-cash working capital deficiency	(318,058)
Petroleum and natural gas properties	9,797,663
Asset retirement obligations	(1,045,197)
	\$ 8,500,374
Consideration:	
Issuance of 47,831,272 Class A Shares	\$ 8,131,316
Transaction costs	369,058
	\$ 8,500,374

As at March 31, 2010, the Corporation spent \$399,515 of corporate transaction costs related to the acquisition of Canext Energy Inc. (see note 12).

3. Property, plant and equipment

(\$)	March 31, 2010			December 31, 2009
	Cost	Accumulated depletion and depreciation	Net book value	Net book value
Petroleum and natural gas properties	76,095,229	(24,064,135)	52,031,094	33,169,510
Other assets	201,311	(150,978)	50,333	63,666
	76,296,540	(24,215,113)	52,081,427	33,233,176

During the three months ended March 31, 2009, the Corporation capitalized \$53,222 (2009 - \$207,032) of administrative costs relating to exploration and development activities which includes (\$39,778) (2009 - \$45,082) of stock-based compensation.

Costs associated with unproved properties, including undeveloped land and seismic, and salvage value excluded from costs subject to depletion at March 31, 2010 totaled \$10,667,665 (2009 - \$3,062,300). Future development costs of proved reserves of \$1,164,000 at March 31, 2010 (2009 - \$3,239,000) have been included in the depletion calculation.

4. Bank Debt

At March 31, 2010 the Corporation had entered into a letter of intent for the provision of a \$6 million revolving credit facility with a Canadian chartered bank. The credit facility is collateralized by a demand debenture for \$25 million secured by a floating charge over all of the assets of the Corporation and a general assignment of book debts. The revolving credit facility bears interest at the bank's prime rate plus 1.5 percent and is subject to a standby charge of 0.2 percent. Pursuant to the terms of the credit facility, the Corporation has provided a covenant that at all times its working capital ratio shall not be less than 1 to 1. The working capital ratio is defined under the terms of the facility as current assets, including the undrawn portion of the revolving credit facility, to current liabilities, excluding any current bank indebtedness.

5. Notes Payable

The notes payable were issued on September 21, 2006, in respect of advisory fees relating to the restructuring of the Corporation. The notes bear interest at six percent per annum. The notes do not have a specified repayment date. A former director of the Corporation holds \$225,000 of the notes. The notes payable plus accrued interest was repaid in full in March of 2010.

6. Asset retirement obligations

The Corporation's asset retirement obligation result from net ownership interests in petroleum and natural gas assets, including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at March 31, 2010 is approximately \$7.2 million (December 31, 2009 - \$5.4 million) which will be incurred between 2010 and 2025. A credit-adjusted risk-free rate of 8.1 percent per annum and an inflation rate of 2.2 percent per annum were used to calculate the fair value of the asset retirement obligations.

Asset retirement obligations, December 31, 2009	2,384,387
Additions	83,398
Acquired	1,045,197
Settled	(194,786)
Accretion	69,462
Asset retirement obligations, March 31, 2010	3,387,658

7. Share capital

(a) Issued and outstanding

	Three months ended March 31, 2010		Year ended December 31, 2009	
	Number	Amount (\$)	Number	Amount (\$)
Class A common shares				
Balance, beginning of period	44,418,095	31,559,828	44,384,095	32,025,746
Issued for cash	137,200,890	31,324,151	-	-
Issued on the acquisition of TriOil Holdings Ltd. (note 2)	47,831,272	8,131,316	-	-
Issued on conversion of Class B shares	12,688,620	10,800,001	-	-
Repurchased	-	-	(18,000)	(16,228)
Issued on exercise of stock options	560,000	140,000	52,000	13,000
Contributed surplus transferred on issue of stock options	-	54,352	-	4,692
Share issue costs	-	(1,947,122)	-	(2,563)
Tax effect of flow through shares issued	-	-	-	(464,819)
Balance, end of period	242,698,877	80,062,526	44,418,095	31,559,828
Class B common shares				
Balance, beginning of period	1,268,862	10,800,001	1,268,862	10,800,001
Redeemed for Class A Shares	(1,268,862)	(10,800,001)	-	-
Balance, end of period	-	-	1,268,862	10,800,001
Total		80,062,526		42,359,829

Shares issued for cash

On March 29, 2010, 13,747,957 Class A Shares were issued from the exercise of 54,991,828 rights pursuant to the Rights Offering for gross proceeds of \$2,337,153.

On February 11, 2010, the Corporation completed a bought deal financing for which the Corporation issued 100,000,000 special warrants ("Special Warrants") at a price of \$0.25 per Special Warrant for gross aggregate proceeds of \$25 million. On March 22, 2010, the Special Warrants were converted into 100,000,000 Class A Shares.

On January 28, 2010, the Corporation closed the second and final tranche of a private placement of Class A Shares (the "Private Placement"), issuing an aggregate of 1,470,526 Class A Shares at a price of \$0.17 per Class A Share, for gross proceeds of \$249,989.

On January 13, 2010 the Corporation closed the first tranche of the Private Placement, issuing an aggregate of 21,982,407 Class A Shares at a price of \$0.17 per Class A Share, for gross proceeds of \$3,737,009.

On April 7, 2010, TriOil completed a 20:1 Class A Share consolidation.

On March 24, 2009, under the terms of an employee escrow agreement, TriOil repurchased and cancelled 18,000 Class A common shares for cash consideration of \$4,500. The Class A common shares were acquired for \$0.25 per share which was less than the then computed assigned value of \$0.90 per share. The difference of \$0.65 per share has been recorded as an addition to contributed surplus of \$11,727.

(b) Authorized

Share class	Authorized
Class A common shares	Unlimited
Class B common shares	Unlimited
Preferred shares	Unlimited

(c) Stock options

The Corporation has a stock option plan under which it is authorized to grant options to purchase Class A Shares of the Corporation up to the equivalent of 10 percent of the number of Class A Shares outstanding. Options under the stock option plan vest as to one-third per year over three years and expire after a four year term. The exercise price of each option equals the market price at the date of the grant. There are no options outstanding to purchase Class B Shares.

The following table summarizes changes in Class A stock options outstanding:

Class A stock options	Three months ended March 31, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Stock options outstanding, beginning of period	2,612,500	0.52	2,688,000	0.63
Granted	330,000	0.28	1,325,000	0.35
Exercised	(560,000)	0.25	(52,000)	0.25
Forfeited/cancelled	(1,992,500)	0.60	(1,348,500)	0.58
Stock options outstanding, end of period	390,000	0.30	2,612,500	0.52

Details of the exercise prices and expiry dates of options outstanding at March 31, 2010 are as follows:

Exercise price (\$)	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price (\$)	Number exercisable	Weighted average exercisable price (\$)
0.25	330,000	4.8	0.25	Nil	-
0.35	25,000	3.1	0.35	8,333	0.35
0.65	35,000	2.7	0.65	15,166	0.65
	390,000	4.6	0.29	23,499	0.54

The fair value of Class A stock options granted to employees is estimated using the Black-Scholes option pricing model with the following assumptions:

	Three months Ended March 31, 2010	Year ended December 31, 2009
Weighted average expected volatility (%)	100.0	100.0
Risk-free rate of return (%)	1.4	1.4
Expected option life (years)	3.0	3.5
Weighted average fair value (\$/stock option)	0.17	0.23

(d) Performance Warrants

On January 13, 2010, 24,000,000 performance warrants were granted to certain founding employees in conjunction with the recapitalization transaction. A total of 24.0 million performance warrants have been issued, entitling the holders thereof to purchase one Class A Share at a price of \$0.22 for a period of 5 years following the date of issuance. The performance warrants will vest and become exercisable as to one-third upon the 20-day weighted average trading price of the Class A Shares (the "Trading Price") equaling or exceeding \$0.40, an additional one-third upon the Trading Price equaling or exceeding \$0.60 and a final one-third upon the Trading Price equaling or exceeding \$0.80.

The performance warrants were measured at their fair value on the date of the grant and recognized as an expense over the vesting period. No stock based compensation related to the performance warrants has been recorded for the three months ended March 31, 2010 as the performance conditions have not been met. The estimated fair value of the performance warrants granted during the three months ended March 31, 2010 was \$0.24 per warrant using the Black- Scholes model and the same assumptions as above.

(e) Contributed surplus

(\$)	March 31, 2010	December 31, 2009
Contributed surplus, beginning of period	950,572	618,042
Stock-based compensation expense (recovery)	(156,382)	214,490
Stock-based compensation capitalized (recovery)	(39,778)	111,004
Share repurchase/cancellation	-	11,728
Transferred to share capital on exercise of stock options	(54,352)	(4,692)
Contributed surplus, end of period	700,060	950,572

(f) Per share amounts

Three months ended March 31,	2010	2009
Weighted Class A Shares outstanding	169,658,790	44,398,673
Weighted Class B Shares outstanding ⁽ⁱ⁾	4,370,525	12,688,620
Total basic weighted average shares	174,029,315	57,087,293
Dilutive effect of stock options	11,157	60,425
Dilutive effect of performance warrants	5,020,690	-
Dilutive effect of rights	4,838,701	-
Total diluted weighted average shares	183,899,863	57,147,718

(i) Class B Shares are converted to Class A Shares at \$10 divided by the greater of \$1 and the Class A closing market price for the period. At February 1, 2010 the Class B Shares were converted to Class A Shares and on that date the stock price was \$0.30 and at March 31, 2009, the closing Class A Share price was \$0.25 and as such Class B Shares were converted at \$1 for all periods presented.

Anti-dilutive options excluded from the diluted per share amounts were 489,361 for the three months ended March 31, 2010 (2009 – 2,600,000).

8. Cash flow information

(\$)	2010	2009
Three months ended March 31,		
Change in:		
Accounts receivable	(598,558)	543,446
Prepaid expenses and deposits	(1,313,699)	995,189
Accounts payable	2,129,806	(3,164,952)
Change in non-cash working capital	217,549	(1,626,317)
Relating to:		
Operating	1,143,790	(515,794)
Financing	-	(5,080)
Investing	(926,241)	(1,105,443)
Change in non-cash working capital	217,549	(1,626,317)

9. Commitments and Contingencies**Flow-through shares**

In December 2008, the Corporation issued an aggregate of 5,147,089 flow-through Class A Shares for gross proceeds of \$3,500,021. Pursuant to the terms of the flow-through Class A Share subscription agreements, \$3,500,021 of qualifying oil and natural gas expenditures were renounced in 2008 and the Corporation had until December 31, 2009 to incur the expenditures, using the look-back rule. As at December 31, 2009 only \$1,859,275 of qualifying expenditures were renounced. The previous renouncement has been amended to reflect the above and \$1,640,746 will be expended and renounced by December 31, 2010. The Corporation is required to indemnify the flow-through Class A Share subscribers for any penalties incurred as a result of amending the previous renouncement and this may result in a contingent liability for the Corporation.

Operating leases

TriOil is committed to operating leases for office space annually as follows:

2010	357,262
2011	77,310
2012	12,885

10. Financial Instruments**Fair Value**

The Corporation's financial instruments as at March 31, 2010 and December 31, 2009 include accounts receivable, accounts payable and accrued liabilities and bank debt. The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to their short terms to maturity.

The Corporation considers all accounts receivable greater than 90 days past due. As at March 31, 2010 receivables outstanding for more than 90 days totaled \$420,495 (2009 - \$434,904). As at March 31, 2010, the Corporation had an allowance for doubtful accounts of \$47,257 (2009 - \$44,117). The Corporation regularly monitors its accounts receivable and allowance for doubtful accounts. As at March 31, 2010, there are no receivables for which management believes to be uncollectible that have not been provided for in the Corporation's allowance for doubtful accounts.

As at March 31, 2010, the Corporation had a working capital surplus of \$17,032,409.

Bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The Corporation had no bank debt outstanding as at March 31, 2010 or December 31, 2009. The fair value of the notes payable approximates their carrying amounts due to their short term to maturity. The notes payable were repaid in full in March of 2010.

The Corporations financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1- Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2- Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3- Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The above classifications do not impact the Corporation as the Corporation does not have any financial instruments in which it uses fair values, other than cash and cash equivalents, which is considered to be level 2.

11. Capital Management

The Corporation's objectives when managing its capital are: (i) maintain a flexible capital structure to meet its financial obligations; (ii) finance its growth, which may include accessing capital markets and credit facilities to fund the drilling of exploration and development wells as well as potential asset or corporate acquisitions; and (iii) maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level and to provide an optimal return to shareholders.

The Corporation manages its capital structure and adjusts it as a result of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Corporation considers its capital structure to include shareholders equity, bank debt and working capital. In order to maintain or adjust capital structure, TriOil may issue new common shares, increase or decrease bank borrowing capacity, adjust exploration and development capital expenditures, and acquire or dispose of assets.

The Corporation monitors its capital structure and short-term financing requirements using non-GAAP financial metrics consisting net debt to annualized funds from operations ratio. At March 31, 2010, the Corporation had a working capital surplus of \$17,032,409.

12. Subsequent Events

At a special meeting on March 4, 2010, shareholders approved a share consolidation of the Class A Shares on the basis of one Class A Share ("New Class A Share") for each 20 Class A Shares then issued and outstanding. Post consolidation, there were 12,134,911 New Class A Shares issued and outstanding. In addition, the exercise price and number of Class A Shares of the Corporation issuable upon the exercise of outstanding options, performance warrants and other convertible securities were proportionally adjusted pursuant to the Share Consolidation. Shareholders also approved changing the name of the Corporation to TriOil Resources Ltd., which took effect on April 1, 2010. The New Class A Shares began trading on the TSX Venture Exchange under the new stock symbol, "TOL", at market opening on April 7, 2010.

On February 10 2010, the Corporation and Canext Energy Ltd. ("Canext") entered into an arrangement agreement pursuant to which the Corporation agreed to acquire all of the outstanding common shares of Canext ("Canext Shares") for consideration consisting of 2.0 Class A Shares for each Canext Share. A total of approximately 8,798,154 New Class A Shares on a post consolidation basis were issued to the holders of Canext shares. The estimated value of the transaction was \$55 million. The Canext Arrangement closed on April 12, 2010.

On March 31, 2010, the Corporation entered into an agreement to purchase 17 net sections of undeveloped land in the Lochend area of Alberta and approximately 50 boe/d of production for a cash purchase price of \$7,500,000 and 1,312,566 Class A Shares on a post consolidation basis for total consideration of \$15,000,000. The transaction closed on April 30, 2010.

After giving effect to the transactions subsequent to March 31, 2010, there were 22,245,632 Class A Shares outstanding on a post consolidation basis.

On April 13, 2010, the Corporation entered into an agreement for a \$25 million revolving credit facility with a Canadian chartered bank. The credit facility is collateralized by a demand debenture for \$75 million secured by a floating charge over all of the assets of the Corporation and a general assignment of book debts. Advances bear interest at the bank's prime lending rate plus an applicable margin. The applicable margin charged by the bank is dependent upon the Corporation's bank debt plus working capital to annualized most recent quarter's cash flow. The facility is open for review with the next review occurring in May of 2010. As the available lending limits of the facility are based upon the bank's interpretation of the Corporations reserves and future commodity prices there can be no assurance as to the amount of available facilities that will be determined at each scheduled review.

13. Comparative Amounts

Certain comparative figures have been reclassified to conform to the current presentation.