

Trinity Plumas Capital Corp. | TPC CN

Research Report, November 2004

OIL & GAS - Texas | Guatemala

- High potential oil & gas opportunity
- Recent restructuring and new management
- Core asset of 3,200 Acres in the Barnett Shale prolific gas basin
- Proved reserves of 21.6bcf, additional Probable of 15.7bcf
- 24 Producing wells
23 Proved Undeveloped locations
20 Probable Undeveloped to be drilled
- Currently drilling one well per month
- Exploration and Development asset of 554,000 acres in Guatemala.
- Adjusted "fair value" of **C\$2.42** per share



One Year Price Graph (C\$), October 2004 | Source: Bloomberg

Overview

- Trinity Plumas Capital Corp (Trinity) is a new high risk, high return oil & gas opportunity
- Trinity is restructuring under its newly appointed management team consisting: CEO Robert Chamberlain Jr, and COO Bill Rhea, to become a focused E&P oil & gas business
- To facilitate institutional investment, Trinity has undergone a capital restructuring in order to eliminate outstanding convertible debentures thereby providing greater capital transparency
- As part of its restructuring, Trinity is actively seeking to sell its gold assets and expects to have disposed of them by year-end
- Post the sale of its gold assets: Trinity will have two core oil assets:
 - a) the Newark East Gas Field in the Barnett Shale, and
 - b) Guatemala License A-2-92
- The acquisition from Eagle Oil & Gas Co of its oil and gas interests in the Newark East Gas Field in Texas for approximately US\$15.7m, includes 24 producing natural gas wells, 23 Proved Undeveloped locations and 20 Probable Undeveloped locations to be drilled
- Trinity, through majority owned Ceiba Petroleo SA, is also one of only 9 companies engaged in oil and gas exploration and development in Guatemala
- Guatemala License A-2-92, governed by a PSC, encompasses 554,000 acres located in the oil-rich Peten Basin along the Mexico-Guatemala border. Successful wells are located to the east, west and north of the license area
- Trinity's management will seek to maximise shareholder value through the development of its current assets and through future acquisitions, acquired for a fraction of the cost it takes through exploration or by acquisition in other regions.

Valuation

The valuation of Trinity has been based on the Base Case Barnett Shale proposed Work Scope, utilising a natural gas price of US\$4.90mmbtu, a discount rate of 25% and a terminal value of 5. On these assumptions the "fair value" of Trinity is calculated at **C\$2.24**. In order to reflect some of the Guatemala value 10% of its appraised value has been taken into account, giving an adjusted "fair value" estimate of **C\$2.42** per share, a significant premium to the current share price.

Sales

Daniel Fox-Davies
Managing Director

T +44 (0) 20 7936 5202
F +44 (0) 20 7936 5203
E daniel@fox-davies.com

Craig Howie
Associate

T +44 (0) 20 7936 5212
F +44 (0) 20 7936 5213
E craig@fox-davies.com

Elizabeth Sieff
Associate

T +44 (0) 20 7936 5208
F +44 (0) 20 7936 5209
E elizabeth@fox-davies.com

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Executive Summary

Strategy

Trinity is focused on low risk, high reward oil and gas exploration opportunities. The company aims to build a portfolio of oil and gas assets where there is a balance between assets that are currently productive, and assets that represent low risk opportunities to develop high return Proved and Probable Undeveloped Reserves.

- The Barnett Shale assets are expected to be a "cornerstone" to be used to build the company's asset base, and provide cash flow for growth
- Guatemala is potentially a "high impact" asset that could transform the company in the next two years
- Trinity look to extract value from this asset through venturing-in an international partner, but will seek to retain a 50% interest in the license area
- Acquisition and Development are Trinity's plan for growth (domestic and international opportunities)
- Management is actively engaged in negotiations as to potential acquisitions ranging in transaction size from US\$10m to US\$100m
- Trinity is currently listed on the Toronto Venture Exchange. Trinity now seek a listing on the Toronto Stock Exchange, and thereafter to list on AIM: part of the London Stock Exchange.

Management

Trinity has assembled a world-class core management team with proven track records and combined industry experience of more than 70 years.

- This team, combined with leading external consultants in all disciplines, will facilitate Trinity's strategy to exponentially grow its assets and revenue, yet minimise and control costs
- The management goal for Trinity is to build maximum shareholder value through its current assets and future acquisitions and development of proven producing properties
- Management, while seeking to strategically position the business and to be opportunity driven, will continue to combine a responsible set of corporate values with the organisation, implementation, and financing of its business plan.

Asset Summary

Gas Assets

Newark East Gas Field - Barnett Shale.

Trinity has acquired 24 producing natural gas wells, 23 Proved Undeveloped locations and 20 Probable Undeveloped locations to be drilled in the highly prospective Barnett Shale gas play for a total initial purchase price of US\$15.7m.

- The properties to be acquired consist of 19 recently drilled, completed, and producing vertical wells and 5 producing horizontal wells in the Barnett Shale
- All locations are situated in the main fairway extension of the Newark East Field, the primary producing area of the play and located in Denton and Tarrant Counties, Texas. This acquisition also includes operational interests
- Trinity has acquired Proved appraisal at 21.6bn cubic feet of gas with an additional estimated 15.7bn cubic feet of gas of Probable Reserves. Probable Reserves in the Barnett Shale fairway carry a similar probability of success (90%) as Proved Reserves due to the blanket nature of the formation and the low-risk drilling environment
- The interests to be acquired are subject to an Area of Mutual Interest Agreement and a Joint Operating Agreement. At present, approximately one well a month is being drilled and completed under the Joint Operating Agreement. This pace is likely to quicken in the near future
- The finding and development costs are expected to range from US\$0.58 to US\$0.85 per thousand cubic feet of gas in the ground after development
- Trinity anticipates that cash flow will be re-invested in similar drilling opportunities.

Oil Assets

Guatemala License A-2-92

Governed by a production-sharing contract, the license encompasses 554,000 acres located in the oil-rich Peten Basin along the Mexico-Guatemala border. Successful wells are located to the east, west and north of the license area.

- The Company has acquired approximately 1,200 line miles of 2D seismic to identify and delineate target opportunities
- Trinity intends to exploit the potential of its Guatemalan asset by leveraging on the resources of a larger partner. It is currently speaking to several US independent oil companies with a view to negotiating an agreement whereby it takes a 10% working interest, and a 40% carried interest in 2 wells.

Gold Assets

Plumas Properties, California

Trinity has a leasehold interest in 12 gold mining claims (the "Featherfork Mine") located in Plumas County, California, in the northern end of the Mother Lode County. The Plumas Gold Mine is a large-scale underground gold placer project.

Capital costs to bring the mine into production are estimated at US\$1.5m.

Jasper Gold Prospect, Nevada

Nevada Mine Development Corp holds 15 unpatented gold mining claims located in White Pine County, Nevada. The claims are located adjacent to the formerly producing USMX Greensprings Mine.

The exploration target on the Jasper claims is a bulk mineable gold resource of at least 3Mt, with head grades ranging from 1.7g/t to 2.4g/t of gold.

Trinity Mine, California

Trinity's 51% owned subsidiary, Canadian Reserve Inc, is the registered holder of 18 unpatented gold mining claims and 3 patented gold mining claims encompassing approximately 289 acres (the "Trinity Mine", formerly known as the "Bully Choop Mine"), located approximately 22 miles west of Redding, California. The Trinity Mine is an underground hardrock vein type gold mine, open to depth and along strike.

The property presently has negligible proven reserves. The exploration target is for 500,000oz.

Company Overview

Strategy

Trinity is currently undergoing a structural and strategic transformation. To effect this change, trading in Trinity shares was halted between 14 September and 14 October 2004. During this period the capital structure of Trinity was transformed as clearance was secured from the TSE-V for the execution of the Purchase and Sale agreement entered into by Optima Trust in April 2004. During the Halt period the original terms of the agreement announced on 29 June, 2004, were renegotiated to enable the participation of five European portfolio investors and Westdale Construction Company of Toronto, which is also regarded as a private institutional investor. The overall size of the Debenture and units to be issued has not changed under the renegotiated deal.

The press release published on 13 October 2004, setting out the final form of the agreement was complex. However, the key point was that Optima had purchased the entire outstanding Debenture for C\$3m, thereby becoming Trinity's largest shareholder. The capital structure of Trinity post the restructuring is set out on page 25 of this report. The press release also noted a "Contingent Liability". This again is a somewhat complex situation. Optima has secured funding by using its own stock in Trinity. This capital once remitted to Trinity is recorded as a Contingent Liability. The term of this capital loan is 2 years or greater and it bears an interest rate of 6%. The sale of the Trinity stock by Optima creates a tax liability for Optima, therefore, Optima is seeking a tax ruling on the capital commitment to Trinity. Repayment of the capital commitment by Trinity is contingent on factors such as market conditions, tax consequences to Optima and the Balance sheet impact to Trinity. The loan from Optima can be reduced in part or whole, converted to shares of Trinity at prevailing market values in the future, repaid or used to offset warrant costs on exercise.

The final aspect of the press release that requires comment is that relating to the "Bridge Financing". A cash call by Eagle Oil & Gas Co to fund the drilling of a well occurred during the Halt period. As a result

of the Halt, Trinity was unable to sell shares as anticipated to fund its commitment. Chase Hoffman, a director of Trinity, and associated business interests, provided the necessary cash. In so doing they secured a 25% interest in Trinity's participation in the Eagle Farms no. 11H well. Clearly, the terms of this particular financing are onerous. However, in the context of the overall company, provided this funding is a "one-off", it is not significant. This particular financing is reflected in our numbers. The additional well mentioned, which was dropped, is not reflected in our numbers.

As noted in the press release of the 7th September, a new management team was appointed, led by CEO Robert Chamberlain Jr and COO Bill Rhea, to change Trinity into a focused E&P business.

Trinity's operational offices are located in Houston, Texas; and its corporate offices are based in Toronto, Canada.

Trinity is actively seeking to sell its gold assets, and post their sale Trinity will have two core oil assets: a) the Newark East Gas Field in the Barnett Shale, and b) Guatemala License A-2-92.

The Newark East Gas Field in the Barnett Shale will be the cornerstone of the new company. This acquisition includes 24 Producing Natural Gas Wells, 23 Proved Undeveloped locations and 20 Probable Undeveloped locations to be drilled. As such, it should provide cash flow and additional development and exploration opportunity.

Trinity holds through Ceiba Petroleo SA a 10% interest in an oil "production sharing" agreement with the Guatemalan government. In addition to its 10% interest, Trinity is seeking to re-acquire a 90% equity interest in the Oil Production Sharing Contract 4-93. ("PSC 4 93"). PSC 4-93 governs development of a 54,000-acre oil exploration block (License A-2-92) located in the South Peten Basin in Guatemala's primary oil production district.

Operating Strategy

Trinity's operating strategy is to acquire cornerstone, bedrock assets that provide high internal rates of return and cash flow, while maintaining a low-risk threshold. The strategy is to build a portfolio of assets where there is a balance between assets that are currently productive, and assets that represent low risk opportunities to develop high return Proved and Probable Undeveloped Reserves. Trinity will seek to grow by both acquisition and development, and will look at domestic and international opportunities.

Capital Markets Strategy

Trinity is currently listed on the Toronto Venture Exchange. As the company progresses and projects begin to take shape, it is the intention of the company to seek listing status on the Toronto Stock Exchange. Once Trinity has attained listing status on the TSE, it will seek to list on AIM, a divisional exchange of the London Stock Exchange.

Acquisition Strategy

Trinity is seeking producing oil and gas reserves that can be acquired at attractive prices where there is the opportunity to add value through development drilling, re-completions, work-over's and deeper outpost extension wells. A structured and detailed methodology is to be applied to the due diligence process encompassing an appraisal of the accounting, reserve engineering, geology, geophysics, land and finance of each project. All acquisitions will be carefully appraised as to their risk/reward profile and evaluated on the basis of internal rate of return, payout and return on investment. On its projects, Trinity seeks:

- Minimum IRR of 30%, or
- Payback of 3.5 years or less
- Minimum Risk Adjusted ROI of 25%.

Trinity intends to add value through operating and technical expertise. As such, it will seek to reduce its exposure to commodity volatility by hedging when deemed prudent.

Company Overview

Management

Executive Management

Robert Chamberlain, Jr (45)

Chief Executive Officer and Chief Financial Officer

Robert Chamberlain co-founded Genesis Financial Group in 1997, serving as a corporate advisor to many businesses – utilising his diverse experience from several industries. From 1986 to 1992, Robert worked for Solomon Brothers in corporate finance, and from 1992 through 1995 he worked for Laidlaw Securities and Dickinson & Co.

He earned his MBA from Northwestern University's Kellogg Graduate School of Management, and holds a BS in Chemical Engineering and a BS in Biomedical Engineering from Northwestern University's Technological Institute.

J.W. (Bill) Rhea, IV (51)

President & Chief Operating Officer

Bill. Rhea has been a Petroleum Engineering Consultant to the industry for many years and has served in senior management and chief executive roles in several independent oil and gas companies. He was President and Chief Executive Officer of APP Production Inc, which acquired various oil and gas producing properties totalling US\$85m, and recently served as President and Chief Operating Officer of BF Production Inc, which acquired exploration licenses for high-risk, high-potential exploration prospects in South Australia. Bill additionally served as President and Chief Executive Officer of LAE Energy Inc, a London based exploration venture that invested US\$100m in Lower 48 States exploration opportunities. Furthermore, he was Managing Partner of TexStar Partners and TexStar North America Inc, an independent oil and gas company engaged in exploration ventures – producing property acquisitions and secondary recovery operations.

Bill earned a BS in Mechanical Engineering with Honours from the University of Texas at Austin and worked toward an MBA from the University of Texas, Permian Basin.

Non-Executive Directors

Chase Hoffman

Chairman

An Economics and Business Administration Graduate from Stanford University, Mr Hoffman has a lengthy record of business accomplishments. Following the sale of his Val Gro Food Corporation to Knudsen Creamery of Los Angeles, the largest dairy company in California, Mr Hoffman served as Knudsen's Senior Vice President and General Manager. Mr Hoffman left Knudsen Creamery in 1978 returning to Tulare, California to personally manage his dairy and farm business. Mr Hoffman also has considerable experience in residential and commercial land development in California and Hawaii.

Paul B. Manson

Board Member

Mr Manson is the past President of Trinity and has been actively involved in the natural resources industry since 1987. Mr Manson also served as the past president of Ceiba Petroleo SA, (79% TPC Corp controlled Guatemalan subsidiary), and president of Plumas Gold Mines (TPC Corp 100% owned California mining subsidiary). His association with Trinity Plumas Capital Corp, as the Company Secretary, dates from 1988.

Asset Profile

Newark East Gas Field, Barnett Shale (Texas)

Acquisition

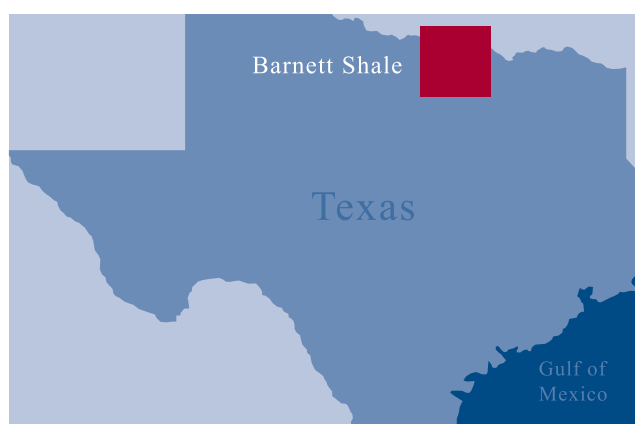
Trinity Americas Inc is the sole managing member of Trinity Barnett LLC, formed to facilitate the acquisition and operation of the oil and gas assets in the Newark East Gas Field in Texas from Eagle Oil & Gas Co. The total purchase price was approximately US\$15.7m. US\$1.6m note is non-interest bearing. Conversion price is the average closing price for 20 trading days preceding date of conversion, two years from date of issuance. An additional US\$2,834,600 is payable as a flow-through from promotional income on future wells to be drilled. Trinity expects that the acquisition of the Barnett Shale properties will have a significant positive effect on the revenues of the Company.

The assets acquired include 24 producing natural gas wells, 23 Proved Undeveloped locations and 20 Probable Undeveloped locations to be drilled in the highly prospective Barnett Shale gas play. The properties to be acquired consist of 19 recently drilled, completed, and producing vertical wells and 5 producing horizontal wells in the Barnett Shale. All locations are situated in the main fairway extension of the Newark East Field, the primary producing area of the play and located in Denton and Tarrant Counties, Texas. This acquisition also includes operational interests.

Trinity has therefore acquired Proved Reserves estimated by third party appraisal to be 21.6 billion Cubic Feet of gas with an additional estimated 15.7 billion Cubic Feet of gas of Probable Reserves. Probable Reserves in the Barnett Shale fairway carry a similar probability of success (90%) as Proved Reserves due to the blanket nature of the formation and the low-risk drilling environment.

The interests to be acquired herein are subject to both an Area of Mutual Interest Agreement and Joint Operating Agreement. At present, approximately one well a month is being drilled and completed under the Joint Operating Agreement. This pace is likely to quicken in the near future.

Trinity also plans to acquire additional leasehold interests for drilling through an aggressive acquisition effort in Denton and Tarrant Counties (Texas), staying within the main fairway.



Field Location, Texas

Overview

Barnett Shale is a giant gas field in the southern USA that is currently the focus of intensive exploration. 50 operators have drilled 3,500 wells in the Fort Worth Basin alone. The Barnett site is the largest producing gas field in Texas. The gas play area is now geographically moving south and west into numerous adjoining counties, although the main fairway remains Denton and Tarrant Counties for geologic reasons. The commercially productive area covers 600 square miles in Wise, Denton and Tarrant counties.

The Barnett Shale is estimated to have a trillion cubic feet of natural gas every 7 square miles. The average gas in place in the Barnett Shale is 160 billion cubic feet of gas per square mile. The expanded play now has well over 2,000 successful commercial wells with very few disappointments and marginal wells, attributable to the low-risk, blanket nature of the productive formation. Driven by technological advances in fracturing techniques and horizontal drilling, natural gas production from the Barnett Shale has now reached levels exceeding 900m cubic feet per day.

Barnett Shale Geology

The Barnett Shale hydrocarbon system is one of the 10 organically richest in the world due to the massive organic matter deposited in this geologic setting. It is the source rock for the entire Fort Worth Basin. This large, geologically continuous gas accumulation occupies a structurally low position straddling the Basin axis. The accumulation is characterised by the presence of gas downdip from water saturated rocks, no obvious lithologic or structural barrier (that separate the updip water and downdip gas), very low matrix permeability, and the absence of truly dry holes.

The productive reservoir is the secondary porosity and permeability that results from the expansion of gas in the shale as the source rock geologically moves down through the hydrocarbon generation window over time. The expansion 'shatters' the dry shale thus enhancing the primary low matrix permeability.

Extraction Technology

Barnett production is controlled by the formation's thickness, which ranges from 50 feet on the Bend Arch to close to 1,000 feet out in front of the Munster Arch in the basin's centre. The Barnett Shale is approximately 600 feet thick near the centre of the present producing trend. Most wells are completed in the lower part of the Barnett Shale with perforations typically spanning 200 to 300 feet.

Necessary for a successful Barnett Shale completion is the presence of the underlying Viola Simpson Limestone. Average permeability is in the nano-darcies and porosity averages between 5 and 6 percent. Matrix permeability is nil, but there may be permeability along the fractures. The typical fracture stimulation today consists of a million gallons of water and 50,000 pounds of sand to create a theoretical zone of fracturing that is about 1,500 feet long in both directions, for a total length of 3,000 feet.

Average cumulative production from the initial fracture stimulation is 1.25 billion cubic feet of gas per well. The wells initially produce for about 1m cubic feet of gas per day but experience a 50% decline in the first year. Then the wells stabilise and produce for an average 20 years, with expected life in excess of 30 years. Re-facing a well after 5 years or so of production can add another three quarters of a billion cubic feet of gas to a well's overall production.

Since September 2002, the industry has moved to horizontal drilling techniques coupled with slick water fracture stimulation techniques. In general, horizontal drilling has resulted in significant and material improvements in initial production rates over vertical wells (300-400%) with only a 40-50% increase in drilling costs. Ultimate expected recoveries have improved due to the flattening of the vertical well hyperbolic decline curve, to a much flatter exponential decline curve. Ultimate expected recoveries are anticipated to be in the range of 3-5 Bcf per well over the 30-40 year anticipated productive life, which should include initial fracture stimulation and at least one re-frac.

Standard operating procedure has now evolved to re-frac the older, vertical wells when production declines below certain thresholds. The same operating procedure, which has been highly successful in vertical wells, is expected to yield comparable results in horizontal wells in the future.

Asset Profile

Oil Agreement, Guatemala

Overview of Guatemala

Guatemala is a regional hub of commerce in Central America, and the dominant economy within the region. The country was freed of Spanish colonial rule in 1821. During the 2nd half of the 20th century, it experienced a variety of military and civilian governments as well as a 36-year guerrilla war. In 1996 a peace agreement formally ended the civil conflict, which had caused the death of more than 100,000 people and created over 1 million refugees. The peace accords removed a major obstacle to foreign investment, but widespread political violence and corruption scandals continued to retard investor confidence.

Guatemala Oil Exploration

Guatemala is an under-explored region: although many petroleum companies have recognised the existence of large geologic structures and oil-seeps in the northern provinces of Guatemala, the remote location and past political instability have kept large areas unexplored. However, improvements in infrastructure and political stability, combined with new seismic surveys and better exploration techniques, now make Guatemala an attractive exploration and producing province.

Guatemala has three major sedimentary basins with hydrocarbon potential, all located in the American portion of the Tethyan Belt, an ancient geologic feature that underlies 75% of the world's proven oil reserves.

Although oil has been found in three sedimentary basins in Guatemala, none have been fully developed in the past due to regulatory, political and other constraints.

The Peten Basin, a foreland basin sequence, covers more than 40% of the north and central parts of the country. The other two basins, Amatique (pull apart) and Pacific (fore arc) are not open to exploration at this time.

The Guatemalan Peten Basin is a relatively unexplored province. To the west, the southern Peten Basin is linked to the Campeche-Reforma Shelf area of Mexico. The geologic trends and structures in Guatemala are similar to those in southern Mexico.

In Mexico, oil discoveries have been made in three areas close to the Ceiba fields: in the Sierra De Chiapas region, near the town of Pelanque and at a relatively new field called Nazareth, which is just 90 miles to the west of the Ceiba concession. The Mesozoic age reservoirs in Mexico have contributed estimated oil reserves of 70 billion barrels from 50 fields and new discoveries are continuing to be being made. The recent discovery of the Nazareth and Lancantun oil fields to the west in Mexico indicate that oil fields with one billion barrel potential are possible throughout the south-eastern portions of Mexico and northern Guatemala.



Field Location, Guatemala

To date, ten oil fields have been discovered in Guatemala in similar geologic settings. Only 137 wells have been drilled in the country, of which 95% are in the Peten Basin.

Of these, 76 are considered exploration wells. Since 1985, 48% of all wells drilled in the country have been completed as producing oil wells with average initial potential exceeding 3,500 barrels of oil per day. The success rate of drilling has risen to 48%. Crude oil throughout the Peten Basin varies from 14° to 38° API gravity indicating a complex hydrocarbon generation system. All crude oil production is transported cross country to the east by a 60,000 barrel per day regional pipeline to the port city of Puerto Barrios on the Caribbean Coast.

All Peten Basin Fields produce from the Coban Formation. The Coban Formation consists of alternating layers of dolomitic, anhydrite and limestone. The layers are heavily folded, faulted and fractured. In the known fields, the dolomitic layers are heavily fractured and produce on closed anticlines. Average porosity is 6 percent and permeability is extremely variable because of fracturing. Calculated permeabilities in some wells average more than 7,500 millidarcies. The Jurassic Todos Santos Formation is becoming developed as a prolific reservoir in the Chiapas area of Mexico. The Todos Santos is believed to be present throughout the southern Peten Basin. However, it does not yet produce in Guatemala.

17m barrels of oil have been produced from 4 fields immediately to the north and west of the Trinity concession. Exploration is continuing in these areas because the fields are not fully developed. These fields are Rubelsanto (7.1m), Chinaja (5.5m), Caribe (2.9m) and Tierra Blanca (1.5m). Each of these fields is a surface anticline that is at least partially identifiable on seismic data.

The most recent discovery, Xan Field, is not a surface anticline. Discovered with more recent exploration and production technology, Xan is currently producing more than 4,800 barrels of oil per day. Development drilling is continuing in the Xan area. Basic Resources International operates Xan Field and has estimated Xan's reserves to be over 37Mboe.

Ceiba Petroleo S.A.

Trinity, through Ceiba Petroleo SA, in which it has a 94% interest, is one of only 9 companies engaged in oil and gas exploration and development in Guatemala.

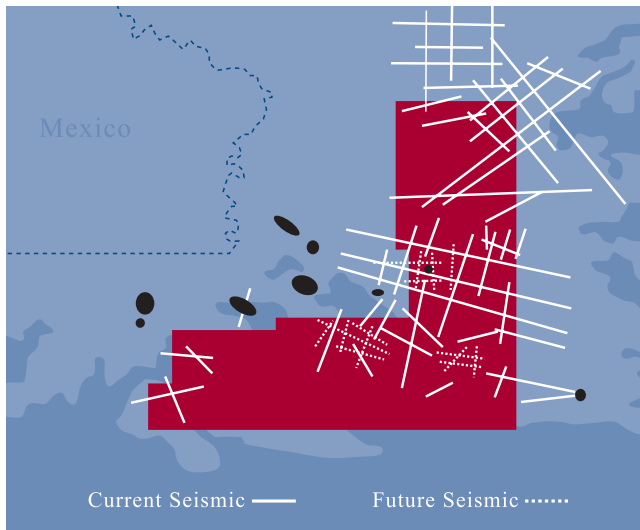
Ceiba holds a 10% equity interest in Guatemalan Oil Production Sharing Contract 4-93. ("PSC 4-93"). The remaining 90% interest in PSC 4-93 is held by Compania General de Combustibles ("CGC") of Buenos Aires, Argentina, who is the operator of the project.

PSC 4-93 governs development of a 554,000-acre oil exploration block (License A-2-92) located in the South Peten Basin in Guatemala's primary oil production district. The agreement with CGC stipulated that CGC stay current with all costs at all levels and abide by the license conditions imposed by the Guatemalan government. One of the terms of PSC 4-93 required that a well be drilled on License A-2-92 by December 31, 2000. However, in November 2000, CGC filed for protection from its creditors having failed to satisfy its drilling obligation. Trinity has proposed re-acquiring the 90% interest from CGC, and has offered to bring current all outstanding land fees and to satisfy all license obligations.

Such an assignment requires the approval of the Guatemalan Ministry of Energy and Mines. Trinity has incorporated a new wholly owned subsidiary, Roble Petroleo SA, to take control of the asset once the matter is heard. Trinity expects no difficulties in the hearing process and has met with all relevant Governmental authorities to ensure the process continues quickly.

Asset Profile

Oil Agreement, Guatemala



Guatemala License A-2-92: existing fields and seismic lines

Guatemala License A-2-92

Guatemala License A-2-92, owned by Trinity and governed by a production-sharing contract, encompasses 554,000 acres located in the Peten Basin along the Mexico-Guatemala border. The license area is located along the boundary of the Mexico-Guatemala thrustbelt and the southern Peten Basin.

Successful wells are located to the east, west and north of the license area. In addition, the San Diego #1, within the license area, was drilled off-structure in 1981 to a deep exploration target on one of several interpreted, mapped anticlinal closures. This well briefly produced in excess of 145,000 bbl of oil from the shallower Coban Formation. The Proved Undeveloped Reserves from the Coban were never developed on-structure as Hispanoil, the operator, exited the country. It is estimated that the San Diego structure alone may contain 5m to 25Mboe potential. In addition, Trinity believes there is excellent exploration and exploitation potential on the remaining interpreted, untested structures, of which there are at least three within the seismic coverage area.

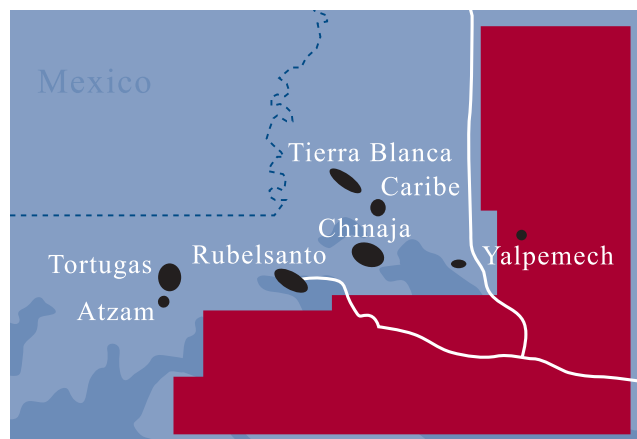
Over the past 6 years, Trinity has studied data from

satellite photographs, surface geological work and from a review of existing extensive seismic data from the government of Guatemala. The Company's exploration database also includes the interpretation of radar and Landsat images. During 1998 and 1999, 1,200 line-miles of modern, 2D seismic data were acquired at a cost of approximately US\$3.5m.

The new data, coupled with the previously acquired 1,025 line-kilometres of seismic, were processed and interpreted to further delineate the aerial extent of the San Diego structure and other known structures, including the large Goliath structure, located in the foothills of the Candelaria Mountain range.

The Goliath structure is a large sub-surface anticline, with surface expression, and was first identified by Landsat and later confirmed by aerial photography and side-scanning radar. This structure hosts beds that are believed to be analogous to those producing in adjoining fields.

Prospects for productive drilling are enhanced by the fact that the Goliath is among the shallowest in the South Peten Basin. The reserve potential for Goliath is difficult to assess statistically but could easily eclipse San Diego, due to the larger interpreted aerial extent, and be in the 50m to 100m barrel range.



Guatemala License A-2-92: existing fields and pipeline

Development Strategy

Trinity intends to exploit the potential of its Guatemalan asset through a low risk strategy where it leverages on the resources of a larger partner. It is currently speaking to several US independent oil companies with a view to negotiating an agreement whereby it takes a 10% working interest, and a 40% carried interest in 2 wells. There is anticipated to be no difficulty in getting rigs and oil field services from Southern Mexico into the targeted area. The estimated cost for a 10,000 foot well is US\$3m.

The forecasts on which Trinity has based its strategy for Guatemala envisage a participation of 50%. There is currently a 20% royalty, and with production up to 20,000boe per day, the state has right to a 34.1% participate, and the option to increase it up to 70%, provided it pays its share of the capital expenditure. Legislation is being contemplated, however, to cap this at 35%. An adjustment for royalties have been made, and average well recovery have been assumed. In 3 years Trinity expects to drill 4 to 6 wells, and over 5 years it anticipates that it will drill 12 wells. In terms of potential exploration targets, Trinity has already delineated 4 closed Coban structures.

Asset Profile

Gold Mines, Nevada & California

Trinity is currently actively seeking to sell its existing portfolio of gold prospects. Trinity hopes to have a purchase for stock completed by year-end with a full distribution to shareholders in the form of a dividend.

Plumas Properties, California

Plumas Gold Mines Ltd. is the Canadian parent holding company of Plumas Gold Mines USA Inc. PGM USA Inc has a leasehold interest in 12 gold mining claims (the "Featherfork Mine") located in Plumas County, California, near the town of LaPorte, in the northern end of the Mother Lode country. The Featherfork Mine is an underground placer type of deposit that was profitably worked in the early 1900s.

The Plumas Gold Mine is a large-scale underground gold placer project. During the 1980s, extensive drilling and sampling was conducted on the property. The project has produced on a pilot plant basis from underground workings reaching a depth of 250 feet. 3 years of testing and development work yielded an average grade of 0.12oz gold per cubic yard in an alluvial pay channel extending across widths of up to 1,500 feet and a distance of 1.5 miles. The major gold-bearing channel occurs under a thick layer of overlying gravels and comprises the bottom 10 feet of this alluvial bed.

A number of mining technologies are being examined to extract the gold content profitably. Capital costs to bring the mine into production are estimated at US\$1.5m. Few regulatory impediments are anticipated as Plumas county is an established mining community.

The lease agreement requires the payment of royalties against production. Minimum annual royalties are required. As no exploration work on the properties has been undertaken in recent years, Trinity has written the carrying value of the property down to a nominal value and is charging the annual royalty to operations.

Jasper Gold Prospect, Nevada

Nevada Mine Development Corp holds 15 unpatented gold mining claims located in White Pine County, Nevada. The claims are located adjacent to the formerly producing USMX Greensprings Mine.

A diamond drill program is required to test the mineralisation on the property, and to determine its future viability as a development prospect. The exploration target on the Jasper claims is a bulk mineable gold resource of at least 1 million tons, with head grades ranging from 1.7 grams to 2.4 grams of gold per tonne.

A management decision was made to write down the capitalised value of this project, effective December 31, 2000 to a nominal value.

Trinity Mine, California

The Company's 51% owned subsidiary, Canadian Reserve Inc, is the registered holder of 18 unpatented gold mining claims and 3 patented gold mining claims encompassing approximately 289 acres (the "Trinity Mine", formerly known as the "Bully Choop Mine"), located approximately 22 miles west of Redding, California.

The Trinity Mine is an underground hardrock vein type gold mine, open to depth and along strike. The Bully Choop mine was in continuous production from 1890 to 1930, over which time an estimated 40,000 tons of ore were produced at an average grade of 0.4oz gold per ton producing 16,000 ounces of gold.

The property presently has negligible proven reserves. The exploration target is for 500,000 ounces. During 2000, Trinity undertook a program to complete the installation of a milling facility on the property with the intention of commencing commercial production. Weak gold prices in the autumn of 2000 forced a decision to instead place the mill and property on "care and maintenance" status. Additional survey work and supplementary permitting work to enable production of 100 tons per day has been conducted on the project. The mine has a crew, all required equipment on site, and underground workings upgraded to current standards.

Risk Factors

The risk factors listed below are some important risks, however the list is not exhaustive and investors must assure themselves that by acknowledging these factors, that Trinity is an appropriate investment taking their specific requirements into account.

Financial Success

Financial Success will depend on Trinity's ability to obtain financing. Trinity requires further financing to continue its operations, which if not available, may require that it substantially reduce or cease its operations.

Business Development

The development of Trinity's business will depend upon its ability to obtain financing through private placement financing, public financing or other means. Trinity currently has no revenue from operations and is experiencing negative cash flow, accordingly, the only other sources of funds presently available to the company is through the sale of equity and debt capital.

Equity Dilution

Significant potential equity dilution. There is significant risk of dilution, as Trinity will require further capital.

“Going Concern” Assumption

Trinity's financial statements have been prepared on a “going concern” basis. If additional funding is not obtained Trinity's assets may have to be written down to asset prices realisable in insolvency or distress circumstances.

Realisable Value

The value of properties do not necessarily reflect realisable value. The amounts attributed to properties in financial statements represent acquisition and exploration expenditures to date, and should not be taken to necessarily reflect realisable value.

Revenues

Revenues of the company depend on fluctuating energy prices. The revenues are derived from the sale of oil and gas. The prices of these commodities fluctuate and are affected by numerous factors beyond the control of the Company and cannot accurately be predicted.

Key Personnel

Trinity's success is dependent on its ability to retain and hire key personnel. If Trinity cannot attract and retain management personnel with appropriate backgrounds it will have an adverse effect on the company.

Reserves

Success of the Company will depend on the discovery of reserves in commercially viable quantities. Substantial expenditures are required to establish reserves, however, no assurance can be given that the contained minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

Calculation of Reserves is subject to uncertainty. There is a degree of uncertainty attributable to the calculation of reserves. Until reserves are processed, the quantity of reserve data must be considered as estimates only.

Hazards and Risks

The Oil & Gas industry is subject to significant operating hazards and risks. Mineral exploration, development and production involve many risks, any of which could result in work stoppages, damage to property and possible environmental damage.

Economic Changes

The Oil & Gas Industry is subject to economic changes, industry competition, and operating cost variations, and changes in government rules and regulations. An adverse change in any one of such factors could have a material adverse effect on Trinity.

Securities

Investors may have difficulty disposing of the company's securities. There is no established market in Europe or the United States of America for Trinity's securities. Accordingly, investors must rely on Canadian equity markets to trade in the company's securities that may not have sufficient liquidity to facilitate a sale.

Conflicts of Interest

Directors and Officers serve on Boards of other exploration companies. Some of the directors and officers are engaged in the search for additional business opportunities on their own behalf and on behalf of other companies, and situations may arise where there are conflicts of interest.

Independent Contractors

Trinity's success depends on performance and service of independent contractors. Trinity depends, to a significant extent, on the performance and continued service of certain independent contractors. Poor performance by such contractors or the loss of such services could delay exploration projects, resulting in a reduction of share value.

Financial Analysis

Reserves & Production

Year End 31st December (US\$)

| Prices | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|------------------|-------------------|-------------------|-------------------|-------------------|
| Oil | \$29.40 | \$29.40 | \$29.40 | \$29.40 | \$29.40 |
| Gas | \$4.90 | \$4.90 | \$4.90 | \$4.90 | \$4.90 |
| Reserves (boe) | 2005 | 2006 | 2007 | 2008 | 2009 |
| Reserves | 0 | 5,100,000 | 17,644,667 | 28,167,833 | 35,197,833 |
| Acquisition | 991,667 | 0 | 0 | 0 | 0 |
| Developed | 4,615,167 | 14,895,167 | 14,397,833 | 13,171,000 | 8,820,667 |
| - Barnett Shale | 4,615,167 | 9,695,167 | 9,197,833 | 7,971,000 | 3,620,667 |
| - Guatemala | 0 | 5,200,000 | 5,200,000 | 5,200,000 | 5,200,000 |
| Production (boe) | 2005 | 2006 | 2007 | 2008 | 2009 |
| - Barnett Shale | 506,833 | 2,350,500 | 3,874,667 | 6,141,000 | 7,440,667 |
| - Guatemala | 0 | 299,000 | 955,000 | 1,783,000 | 2,255,000 |
| Remaining Balance | 5,100,000 | 17,644,667 | 28,167,833 | 35,197,833 | 36,577,833 |
| boe | 506,833 | 2,350,500 | 3,874,667 | 6,141,000 | 7,440,667 |
| Production - mmcf | 3,041 | 14,103 | 23,248 | 36,846 | 44,644 |
| Daily Production (boe) | 2005 | 2006 | 2007 | 2008 | 2009 |
| Barnett Shale | 1,389 | 5,621 | 7,999 | 11,940 | 14,207 |
| Guatemala | 0 | 819 | 2,616 | 4,885 | 6,178 |
| Total | 1,389 | 6,440 | 10,616 | 16,825 | 20,385 |
| Net Revenue | 12,772 | 59,233 | 97,642 | 154,753 | 187,505 |
| - Price Sensitivity | | | | | |
| Medium (\$29.40/bbl & \$4.90/mcf) | 12,772 | 59,233 | 97,642 | 154,753 | 187,505 |
| Downside (\$21.60/bbl & \$3.60/mcf) | 9,384 | 43,518 | 71,737 | 113,696 | 137,759 |
| Upside (\$37.20/bbl & \$6.20/mcf) | 16,161 | 74,947 | 123,547 | 195,810 | 237,251 |

Share Price (C\$)

15 October, 2004

Price: 0.79

Market Cap: 25,692,175

Barnett Shale

The Reserve Profile shows the acquisition of the developed reserves. However, the initial acreage holding of 3,200 acres is split approximately 1/3 Developed and 2/3 Undeveloped. The Undeveloped acreage has a minimum of 43 drill sites: 23 Proved Undeveloped and 20 Probable. The Probable Reserves in the acquisition reflect wells which not included in Harper's third party valuation. Harper's original report was SEC style presentation, which by definition includes only Proved Class and Categories.

The nature of the Undeveloped reserves in the Barnett Shale is that there is a high degree of confidence in the ability to turn them into Developed reserves. As such, Trinity expects that the balance of Undeveloped in the acquisition will be worked into the proven Developed reserve numbers over the next few years.

On this basis, Trinity intends to aggressively drill and complete one horizontal well per month. The capital expenditure on drilling a well is estimated at US\$1.4m to US\$2.2m depending on the length of the horizontal leg and volumetric size of fracture stimulation. Trinity estimates minimum reserve potential of 3BCF per well, equivalent to 500,000boe.

Beyond its initial acreage to be drilled, Trinity expects to exercise an option to purchase an additional 4,000 acres and an interest in transportation assets. This option covers a pipeline plus 72 additional drill sites. At that point, Trinity expects to accelerate the pace of its drilling to 18 to 24 horizontal wells per year. Beyond, that drilling programme, there are opportunities to lease additional acreage for further development in Barnett shale.

As such, Trinity has at least 115 locations on the Barnett Shale to drill, equivalent to 5 years work. In the New Year Trinity will bring a second rig on site and drill 1 to 2 wells per month. This has been factored into time-line pro forma's as shown.

In the period 2008/9, reserves in the table are shown to fall off. This is because the Table is based only on drill opportunities in Area 1 and 2, which are known. These pro formas based on exploration and development assets, only identified opportunities. The Table does not take anything else into account: however, Trinity does have additional opportunities. Indeed, if the resources are available, Trinity could accelerate the whole programme and acquire additional acreage and intensify the drilling programme.

Guatemala

To develop its interest in Guatemala, Trinity intends to enter into a joint venture development agreement with an independent to promote out the risk on the front-end of two development wells - one an option and the other an obligation. The aim would be to drill two proved undeveloped locations delineated in the San Diego structure. In these wells, Trinity aims to negotiate a 10% participation: and a 40% carried interest. Overall, Trinity is assuming 50% equity in both wells.

The Work Scope is based on the drilling of 1 well per quarter beginning in the 3rd quarter 2005. The Reserves are calculated using the metrics of capital expenditure of US\$3m per well: with reserve potential of 2.5Mboe per well. The average well in Guatemala producing from the Coban Formation has a 2.5Mboe ultimate expected recovery, and a 3,500boe/d initial production. These are strong wells. The success rate is estimated to be 50% on drilling of wells. Since 1985, 52% of wells produced in Guatemala completed as producers. The Tables assume an annual depletion rate of 19.5%. Overall, Guatemala is viewed as a high impact asset. From an exploration perspective, it is low risk on the basis of these numbers: Trinity expects to add to Reserves 5.2Mboe as shown

This is not intended to be wildcat drilling. Trinity will be drilling in its license area where there is already 1 discovery. The 1st exploitation well will be a further development of Proved Undeveloped locations, of which there are at least 2 on the license. The targets are on the closed structure that has been delineated by seismic and off-structure deep testing drilled in 1981 by Hispanoil, to a depth of 17,000 feet.

Though Trinity has assumed that half the wells drilled will be dry, that assumption should be set against the knowledge that in Guatemala every closed Coban structure drilled has been productive. Trinity has 4 such structures on its license area, of which only 1 has been drilled so far. This well was drilled in 1981. On this well, production was established, but the completion was not mechanically sound. This well produced over the period mid-1986 into 1988 with oil prices in single digits. Extraneous water production overrode oil production and the completion was abandoned after producing 145,000bbls.

The production will be marketed through the existing pipeline to the eastern coast. This pipeline has a 60,000 barrel per day capacity with current throughput of approximately 28,000 barrels per day.

Financial Analysis

Profit & Loss Statement

Year End 31st December (US\$)

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------|---------------|---------------|----------------|----------------|----------------|
| Gross Revenue | 17,030 | 78,977 | 130,189 | 206,338 | 250,006 |
| Royalty Paid | -4,257 | -19,744 | -32,547 | -51,584 | -62,502 |
| - as % of Revenue | -25.0% | -25.0% | 25.0% | 25.0% | 25.0% |
| Net Revenue | 12,773 | 59,233 | 97,642 | 154,753 | 187,505 |
| - growth (%) | | 363.7% | 64.8% | 58.5% | 21.2% |
| Production costs | -691 | -3,205 | -5,283 | -8,372 | -10,144 |
| - as % of Gross Revenue | 4.1% | 4.1% | 4.1% | 4.1% | 4.1% |
| Production Taxes | -319 | -1,481 | -2,441 | -3,869 | -4,688 |
| - as % of Gross Revenue | -1.9% | -1.9% | -1.9% | -1.9% | -1.9% |
| Ad Valorem Taxes: | -191 | -886 | -1,461 | -2,315 | -2,805 |
| - as % of Gross Revenue | -1.1% | -1.1% | -1.1% | -1.1% | -1.1% |
| Operating Profit | 11,571 | 53,661 | 88,457 | 140,197 | 169,868 |
| - as % of Gross Revenue | 67.9% | 67.9% | 67.9% | 67.9% | 67.9% |
| G&A costs | -1,323 | -3,159 | -5,208 | -8,254 | -10,000 |
| - as % of Gross Revenue | -7.8% | 4.0% | 4.0% | 4.0% | 4.0% |
| EBITDA | 10,248 | 50,502 | 83,250 | 131,943 | 159,868 |
| - as % of Gross Revenue | 60.2% | 63.9% | 63.9% | 63.9% | 63.9% |
| Dep. & Amort. Costs | -2,226 | -9,607 | -15,837 | -25,100 | -30,412 |
| - as % of Gross Revenue | -13.1% | -12.2% | -12.2% | -12.2% | -12.2% |
| EBIT | 8,022 | 40,895 | 67,413 | 106,844 | 129,456 |
| - as % of Gross Revenue | 47.1% | 51.8% | 51.8% | 51.8% | 51.8% |
| Interest costs: | -427 | -770 | -169 | -169 | -169 |
| - as % of Gross Revenue | -2.5% | -1.0% | -0.1% | -0.1% | -0.1% |
| Pre-Tax | 7,595 | 40,125 | 67,244 | 106,675 | 129,287 |
| - as % of Gross Revenue | 44.6% | 50.8% | 51.7% | 51.7% | 51.7% |
| Tax | -2,279 | -12,038 | -20,173 | -32,002 | -38,786 |
| - Tax rate (%) | -30.0% | -30.0% | -30.0% | -30.0% | -30.0% |
| Net Profit | 5,317 | 28,088 | 47,071 | 74,672 | 90,501 |
| - as % of Gross Revenue | 31.2% | 35.6% | 36.2% | 36.2% | 36.2% |
| - Dividend | 0 | 0 | 0 | 0 | 0 |
| - as % of Net Profit | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Retained Earnings | 5,317 | 28,088 | 47,071 | 74,672 | 90,501 |

| Shares in issue: | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------|------------|------------|------------|------------|------------|
| Issued | 32,521,740 | 32,521,740 | 32,521,740 | 32,521,740 | 32,521,740 |
| Fully Diluted | 56,524,247 | 56,524,247 | 56,524,247 | 56,524,247 | 56,524,247 |

Revenue

- Derived from the Project Work Scope Analysis as set out in the prior section. Revenue sensitivities are shown at the bottom of that table. The pro forma Profit & Loss shown above is based on the base medium case scenario. As shown, Trinity expects a rapid growth in revenue based on its projected drilling programme.

Operating Costs

- Assumed to account for up to 10% of net revenue. Looking further out, capital costs are expected to creep up because of: i) Oil Field inflation, ii) new horizontal and fracturing technology. However, the higher costs will be offset by improved flow rates and enhanced expected recovery rates.
- In Guatemala, Operating costs are estimated to be up to 15% of net revenue. There is a 20% government royalty for Guatemala. In addition, the government has the right to participate up to 35% of a well if it pays its portion of costs.

Production Taxes

- Texas gas production taxes are normally 7.5%. In November 2003, the Texas Railroad Commission declared the Barnett Shale as an unconventional gas source. As a consequence the state has made an exception:
i. For horizontal wells the production tax was reduced from 7.5% to 1.9%, ii. For vertical wells the tax was reduced from 7.5% to 4%. These tax rates will be in place for 10 years, and the vast majority of the production will occur within 10 years
- No production taxes in Guatemala.

Ad valorem taxes

- These are property taxes that apply in Texas.

General & Administrative

- According to the budget, these start at US\$ 1.3m. As the company grows it will take on more people. There is a need for a Land Manager plus 1 or 2 assistants. This position is important as in Barnett Shale Trinity already has a portfolio of 400 gas leases which need to be properly managed. Further out, additional Engineers and Geologists will be required. The Accounting and Finance capability will also need to be built up. As such, in 2 to 3 years Trinity expects to employ between 25 to 30 people.

Interest costs

- This reflects the expected draw-down on the Bank of America facility. Trinity expects to be able to access US\$6m when they have US\$10m of contributed capital, of which US\$6m of equity is required. The initial advance rate or draw down will be between US\$6m to US\$8m. The cost is Libor + 2.5%. This Bank of America facility will replace the Bridge Loan of US\$10.5m. Thereafter, Trinity will be self-funding after approximately US\$20m drawn down.

Tax

- This reflects expected deferred tax. Trinity will not be paying tax so long as it is able to deduct intangible drilling costs. The statutory tax rate ranges between 34% to 40%

Dividend

- Trinity does not intend to pay a dividend, but will re-invest in more development properties. Going forward, this policy will be subject to Board review.

Financial Analysis

Balance Sheet

Year End 31st December (US\$)

Assets

| Fixed Assets | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------|---------------|----------------|----------------|----------------|----------------|
| Gross Value | 14,002 | 29,454 | 65,604 | 92,984 | 106,024 |
| - Depreciation | 2,226 | 9,607 | 15,837 | 25,100 | 30,412 |
| + Capital Expenditure | 17,678 | 45,757 | 43,217 | 38,139 | 23,000 |
| = Net Asset | 29,454 | 65,604 | 92,984 | 106,024 | 98,612 |
| Discontinued Operations | 0 | | | | |
| Other Assets | 25 | 50 | 75 | 100 | 125 |
| Total Fixed Assets | 29,479 | 65,654 | 93,059 | 106,124 | 98,737 |
| Current Assets | 2005 | 2006 | 2007 | 2008 | 2009 |
| Cash & equivalents | 7,815 | 7,768 | 15,876 | 67,528 | 165,460 |
| Inventory | 0 | | | | |
| Other | 0 | | | | |
| Total Current Assets | 37,294 | 73,422 | 108,936 | 173,652 | 264,198 |
| Total Assets | 66,773 | 139,076 | 201,995 | 279,776 | 362,935 |

Liabilities

| Current Liabilities | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------------------------|---------------|---------------|----------------|----------------|----------------|
| - Creditors | 281 | 289 | 298 | 307 | 316 |
| - Other | 1,008 | 1,038 | 1,069 | 1,101 | 1,134 |
| = Total Current Liabilities | 1,288 | 1,327 | 1,367 | 1,408 | 1,450 |
| Long Term Liabilities | 2005 | 2006 | 2007 | 2008 | 2009 |
| - Long Term Debt | 13,600 | 21,600 | 10,000 | | |
| - Provisions | 0 | | | | |
| - Other | 84 | 86 | 89 | 91 | 94 |
| = Total LT Liabilities | 13,684 | 21,686 | 10,089 | 91 | 94 |
| Equity | 2005 | 2006 | 2007 | 2008 | 2009 |
| - Share Capital | 32,521 | 32,521 | 32,521 | 32,521 | 32,521 |
| - Retained Profit/Loss | -10,199 | 17,888 | 64,959 | 139,632 | 230,132 |
| = Total Equity | 22,322 | 50,409 | 97,480 | 172,153 | 262,653 |
| Total Liabilities | 37,294 | 73,422 | 108,936 | 173,652 | 264,198 |

"Going concern"

There is currently a "going concern" qualification from Trinity's auditors on the company's accounts. Trinity will endeavour to get this lifted as there is positive cash flow from operations. Cash flow is negative only after adding capital expenditure and investment outlays. The intended capital raising will also facilitate the lifting of this qualification.

Value of properties

The value of the oil and gas properties is that shown for the recent acquisition. Trinity believes that the oil and gas assets it has just acquired can be sold for substantially more than their purchase price. The gold assets have been written down to or below realisable values: in some cases as little as \$1.00. The gold assets are assumed to have been disposed of in the Balance Sheet as shown.

Capital Expenditure

The envisaged capital expenditure programme is as shown. It reflects the proposed drilling programme and is directly linked to the Project Work Scope Analysis as set out previously.

Debt

The Debt profile reflects the outstanding vendor loan given as part of the Eagle Oil & Gas transaction. There is a US\$1.6m convertible debt structure/ convertible into shares of company 2 years hence at company's election, based on closing price averages 2 years hence. In addition, there is the expected draw-down on the Bank of America facility.

Capital Structure

The capital structure of Trinity, post the recent conversion of the convertible debentures, is set out below.

Proposed Cap Structure as of 15 October, 2003

| | Common | % | Options | % | Total | % |
|---------------|-------------------|--------------|----------------|-------------|-------------------|---------------|
| Public Float | 7,271,932 | 12.87 | 566,386 | 1.00 | 12,643,966 | 22.37 |
| Management | 7,369,808 | 13.04 | | | 16,358,158 | 28.94 |
| Institutional | 17,880,000 | 31.63 | | | 27,522,123 | 48.69 |
| Total | 32,521,740 | 57.54 | 566,386 | 1.00 | 56,524,247 | 100.00 |

Notes:

Public Float: High net worth individuals plus approximately 1,700 common shareholders.

Insiders and Management: Includes Optima Trust and key management executives.

Institutional Holders: Approximately 8 holders, 65% various European and 35% North American.

Financial Analysis

Cash Flow

Year End 31st December (US\$)

| Cash In | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| - Pre-Tax Profit | 7,595 | 40,125 | 67,244 | 106,675 | 129,287 |
| - Depreciation | 2,226 | 9,607 | 15,837 | 25,100 | 30,412 |
| Total | 9,821 | 49,732 | 83,081 | 131,774 | 159,699 |
| Cash Out | 2005 | 2006 | 2007 | 2008 | 2009 |
| Capital Expenditure | -17,678 | -45,757 | -43,217 | -38,139 | -23,000 |
| Total | -17,678 | -45,757 | -43,217 | -38,139 | -23,000 |
| Free Cash Flow | -7,857 | 3,975 | 39,864 | 93,635 | 136,699 |
| Financing | 2005 | 2006 | 2007 | 2008 | 2009 |
| - Equity | 0 | | | | |
| - LT Debt | 9,000 | 4,000 | | | |
| - ST Debt | 0 | | | | |
| = Net | 1,143 | 7,975 | 39,864 | 93,635 | 136,699 |

Trinity currently has approximately US\$500,000 in net monthly revenue, and has positive cash flow from operations. However, current capital expenditure requirements to meet the dictates of the drilling program exceed cashflow. From its current position, Trinity expects positive free cash flow within 18 to 24 months.

Cash In

Based on Trinity's projections, as the drilling programme gains momentum, The Company expects to be highly cash generative. However, it must be cautioned that these are forecasts, and the actual cash generation may vary considerably from the forecast.

Cash Out

This reflects capital expenditure on known commitments only. As noted previously, Trinity may accelerate the drilling programme, or make further acquisitions.

Funding

The cash requirements show portions of the Bank of America draw-down. It is assumed that the equity capital raising takes place in 2004.

Capital Requirements

Trinity intends to aggressively seek out acquisition opportunities. As such, its strategy with regards to managing its capital needs is important. Trinity is still analysing its total debt tolerances. The parameters are dependent on its ability to hedge production at attractive terms, as well as terms of mezzanine structures and risk profile of assets. Trinity intends to hedge a minimum of 50% of its production. Senior debt is available to approximately 60% of PV9 on proved developed producing reserves. Trinity, going forward is willing to issue equity if the proceeds thereof can be prudently leveraged and invested to meet, or exceed, the internal minimum hurdle rates of return.

Financial Analysis

Valuation

Year End 31st December (US\$)

| Operating Cash Flow | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|---------|--------|--------|--------|---------|
| Net Profit | 5,317 | 28,088 | 47,071 | 74,672 | 90,501 |
| DD&A | 2,226 | 9,607 | 15,837 | 25,100 | 30,412 |
| Net Cash Flow | 7,543 | 37,695 | 62,908 | 99,772 | 120,912 |
| Cap Ex | 17,678 | 45,757 | 43,217 | 38,139 | 23,000 |
| Free Cash Flow | -10,135 | -8,062 | 19,691 | 61,633 | 97,912 |

Risk Adjusted NPV - Operating Cash Flow

| | |
|-------------------------|------------|
| Terminal Value Multiple | 5.00 |
| Terminal Value | 489,562.49 |

Discount Rate Determination

| | |
|----------------|------|
| Risk Free | 4.1% |
| Equity Premium | 2.0% |

Specific Risk Factors:

| | |
|-----------------|--------------|
| Financial | 5.0% |
| Management | 3.0% |
| Technology | 3.0% |
| Market Position | 3.0% |
| Other | 5.0% |
| Total | 25.1% |

| | |
|---------------------|---------------|
| Fair value US\$ | 3.21 |
| Value per share C\$ | 4.02 |
| C\$/US\$ | 1.2524 |

Adjusted Value

| | |
|--|-------------|
| Basic Value: Barnett Shale + Gautemala | 4.02 |
| - ex Gautemala | 2.24 |
| = Gautemala | 1.78 |
| 10% of Gautemala | 0.18 |
| Adjusted Value | 2.42 |
| Current Share Price | 0.79 |

Free Cash Flows are set out in the Table opposite. A NPV of Free Cash Flow is a standard valuation methodology. However, this methodology needs to be used with care.

In this instance, what is being valued is a Business Plan. These are not certain Cash Flows, they are "best guess" possible cash flows based on what management intends to do. There are distinct execution risks.

An investor therefore must analyse and review each of the assumptions, and reach a view as to whether the milestones are credible, as well as whether forecast revenues and costs are attainable.

A 5 Terminal Value has been used and is derived from the residual Reserves as set out in the Project Work Scope Analysis.

The Discount Rate determination shows a rough approximation. The key point here is that Trinity is currently quoted on Toronto Venture Exchange. Liquidity is light. As such, an appropriate discount rate is one that reflects the private equity nature of which is still a highly speculative investment. A 25% discount rate would appear to adequately reflect the risks of the investment.

The basic "fair value" of C\$4.02 needs to be adjusted for the uncertainty surrounding the Guatemala License. Until the legal uncertainties are resolved it would be wrong to give more than a 10% weighting to the value of this asset.

As such, an adjusted "fair value" is **C\$2.42**.

Price Drivers

Theoretically, the share price will rise as will the fair value as management execute on milestones, and progressively reduce identified risk factors.

A key milestone is the next phase Equity financing, followed by the draw-down of the Bank of America facility and the replacement of the Bridge loan. Clarification of the situation in Guatemala may also release value. Thereafter, the major impetus driving expectation will be operational milestones, specifically news flow relating to the drilling programme and results there from.

Company History

Fox-Davies CAPITAL was formed as a UK private limited company in February 2001, and received authorisation by the FSA in September 2001, to provide financial advisory services — specialising in financing resource companies.

Our goal is to offer a tailored advisory service to public and private corporates and financial institutions in the European and international marketplace. We focus on the smaller to medium sized companies, with a market valuation of up to approximately €50 million, and are determined to build a reputation internationally as a first class company for the provision of investment banking services.

Since inception, Fox-Davies CAPITAL has become an active and successful player in the European market advisory arena. Fully regulated by the FSA and with accelerating deal flow, Fox-Davies CAPITAL has established a solid platform from which to continue to prosper in the future, growing rapidly both in terms of size and reputation. In each of the transactions completed to date, we have delivered solutions exceeding client expectations, typically with innovative ideas and creative structures.

We plan to continue to grow through carefully managed expansion to exploit the market opportunity that exists for dynamic investment banks, while ensuring the consistently superior quality of our service is maintained.

Corporate Advisory

We recognise that managing a business is complex and that there are a wide range of day-to-day challenges, and Fox-Davies CAPITAL provides a range of Strategic Corporate Advisory services to help you achieve your objectives.

Successful business must forward-plan, but all too often the pressures of keeping the business going on a daily basis result in strategic planning not being given the attention it needs. The result is often rushed judgments, under or over capacity, or missed opportunities. We can provide:

- Feasibility Studies of your current business and proposed new projects
- Prepare a Business Plan, Market and Competitor Appraisal, Financial Forecasts, Scenario Analysis, and Prospectuses
- Corporate governance
- Regulatory Advice.

In addition, we provide a series of bespoke Management Consultancy services including “Best Practice” reviews.

Corporate Finance

Fox-Davies CAPITAL provide corporate finance solutions from initiation to closure, advising on capital markets and managing transactions: brokers, nomads, lawyers, investor relations and public relations. We coordinate syndicates of brokers and corporate finance houses to execute a deal or to raise capital, sourced from a range of UK and European institutional investors, venture capital parties, private banks, sophisticated investors and family offices.

Our services extend to the appraisal of your financial requirements, and determine whether you have the necessary finance to achieve your objectives. Depending on your needs we can help raise new capital, or advise on a capital restructuring: developing your Business Plan and preparing an Information Memorandum.

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Author

Mark P. M. Horn

This report was written on behalf of Fox-Davies CAPITAL by Mark P. M. Horn, Chief Executive of M. Horn & Co Ltd, an independent research boutique authorised by the FSA as the Appointed Representative of Lakeshore Capital.

Mark has 17 years of City experience, 10 years as a Fund Manager and 7 as an Analyst and Corporate Adviser. Mark has worked as a European and International Fund Manager for the CIS, Globe Investment Trust, Rockefeller & Co and Kleinwort Benson Investment Management. Subsequently, he was Head of Research at Canaccord Capital (Europe) Ltd, and has been an Extel and Reuters rated analyst. Mark has undertaken a wide range of Corporate Finance and Advisory projects throughout Europe, North America, Asia and Africa. His areas of interest include Natural Resources, Technology, Transport, Food and Industrials.

Mark holds a BA (Hons) (First Class), MA (Rhodes), LLB (Hons) (London), Dip B Admin (Manchester), FSI (Dip). He also qualified as a Barrister of the Honourable Society of Lincoln's Inn.



M. Horn & Co. Ltd
The Manor Crown
17 Meadow Drove
Bourne
Lincolnshire PE10 0BP

T/F +44 (0) 7092 111 101
www.horn.co.uk



Fox-Davies CAPITAL

T +44 (0) 20 7936 5200 F +44 (0) 20 7936 5201 www.fox-davies.com

Fox-Davies CAPITAL, Whitefriars House, 6 Carmelite Street, London EC4Y 0BS

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