

Traxion Energy Inc.

**Operations Update
Management's Discussion and Analysis
September 30, 2009**

Operations Update

In the third quarter of 2009, Traxion Energy Inc. ("Traxion" or the "Company") closed the transaction with Oil Reserve Corp. ("ORC") and drilled the two associated farm in wells. Pursuant to the agreement, ORC acquired a 49% working interest in all of the Company's oil and gas assets for \$686,000 gross cash and committed to spend up to \$800,000 to drill, complete and equip two locations on the Company's Saskatchewan potential oil bearing properties. ORC's working interest is 70% in the two 40 acre spacing units drilled.

Traxion commenced work on these two drilling locations in Buffalo Coulee in late June. The LSD 1 well was drilled and abandoned. The LSD 2 well was drilled, cased and completed as a producing Bakken oil well and is producing approximately 14 barrels oil per day (net 4 boe/d) which brings Traxion's current net production to approximately 18 bbl/d.

The Company acquired an additional 7,434 acres (3,791 net) of potential Bakken oil bearing land in SW Saskatchewan through a Crown land sale in October 2009. The Corporation now holds a 51% working interest in 13,019 acres of potential Bakken, Mannville and Viking oil bearing land in SW Saskatchewan.

In October 2009, Traxion agreed to issue 10,000,000 common shares at \$0.075 per share for gross proceeds of \$750,000. Traxion also intends to complete a non-brokered private placement to raise up to an additional \$3,000,000 by issuing up to 40,000,000 common shares at \$0.075 per share. It is anticipated that the proceeds of the offering will be used for land acquisitions, to fund operations and capital activities on the Company's SW Saskatchewan Bakken oil bearing lands and for general corporate purposes.

Management's Discussion and Analysis

(tabular amounts in dollars, unless otherwise stated)

Advisories

The following Management's Discussion and Analysis ("MD&A") was prepared as at November 30, 2009, and should be read in conjunction with the unaudited interim financial statements for nine months ended September 30, 2009, and the audited financial statements for the year ended December 31, 2008.

The reader is advised that historical results are not necessarily indicative of future performance. Additional information relating to the Company is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or at the Company's web-site at www.traxion.ca.

The following MD&A contains forward-looking information and statements, refers to and discusses certain non-GAAP financial measures and aggregates certain oil and gas information in terms of barrels of oil equivalent. The reader is specifically referred to and encouraged to read the section entitled "Advisories" at the end of this MD&A.

Corporate Overview and Strategy

Traxion Energy Inc. ("Traxion" or the "Company") is a junior oil and gas company engaged in the exploration, development and exploitation of oil and gas reserves in Western Canada.

Financial Summary

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Petroleum and natural gas sales	\$ 103,098	\$ 4,204	\$ 389,642	\$ 176,397
Cash flow from operations ⁽¹⁾	\$ (21,461)	\$ (138,726)	\$ (86,867)	\$ (315,894)
Net loss	\$ (438,047)	\$ (159,222)	\$ (684,100)	\$ (412,764)
Capital expenditures	\$ (5,555)	\$ 499,095	\$ 47,129	\$ 1,079,877

(1) Cash flow from operations does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies. Please refer to the Non-GAAP Financial Measures section in the MD&A for more details and the Cash Flow from Operations section in the MD&A for a reconciliation to cash flow from operating activities.

Revenue rose in 2009 with the Company's first heavy oil well at Buffalo Coulee coming on stream in December 2008. In connection with the sale of 49% of its oil and gas assets to Oil Reserve Corp. ("ORC"), the Company recorded a loss of \$358,993 in August 2009. Excluding the loss on sale, Traxion's net loss improved from prior periods due to a combination of increased revenue and lower general and administrative costs, partially offset by higher operating expenses and depletion. Cash flow from operations improved in comparison to 2008, however, revenue was insufficient to cover operating costs and general and administrative expenses.

Revenue

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Average production				
Oil (bbls/d)	18	-	28	-
Natural gas (mcf/d)	-	8	-	74
Total (boe/d)	18	1	28	12
Benchmark prices				
AECO (\$/gj)	\$ 2.79	\$ 7.73	\$ 3.57	\$ 8.59
Hardisty Heavy (\$/bbl)	\$ 64.86	\$ 104.94	\$ 56.84	\$ 90.95
Realized prices				
Oil (\$/bbl)	\$ 63.35	\$ -	\$ 51.98	\$ -
Natural gas (\$/mcf)	\$ -	\$ 6.15	\$ -	\$ 8.69
Total (\$/boe)	\$ 63.35	\$ 36.88	\$ 51.98	\$ 52.13
Revenue				
Oil	\$ 103,098	\$ -	\$ 389,642	\$ -
Natural gas	-	4,204	-	176,397
Total	\$ 103,098	\$ 4,204	\$ 389,642	\$ 176,397

The Company's first heavy oil well in the Buffalo Coulee area was drilled in December 2008 and is the primary source of production to date in 2009. The heavy oil well drilled under the farm out arrangement with ORC came on stream late in September 2009 and did not contribute significant production volumes to the third quarter. In the first half of 2008, natural gas was produced from a well at Granlea that subsequently watered out during the summer of 2008.

Total production and revenue in the third quarter of 2009 decreased in comparison to the second quarter of 2009 as a result of selling 49% of the Company's PNG assets to ORC. Despite the sale, revenue for the nine months ended September 30, 2009, was higher than in 2008 due to a combination of higher production volumes and producing heavy oil in 2009, which received a higher price than natural gas on a barrel of oil equivalent basis.

Royalties

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Royalties	\$ 13,378	\$ 5,643	\$ 58,646	\$ 37,973
Royalty rate (% of revenue)	13%	134%	15%	22%

The Alberta and Saskatchewan royalty structures are based upon commodity prices and well productivity, with higher prices and well productivity subject to higher royalty rates. Overall royalty expense rose with the increase in production in the current year and as a result of a new overriding royalty on Section 27 in Buffalo Coulee, which was granted to the debenture holder in lieu of approval fees and interest.

Production in 2009 originated from a heavy oil well in Saskatchewan whereas 2008 production was derived from natural gas produced in Alberta. The calculation of royalties from heavy oil is not identical to natural gas royalties, however the majority of the royalty rate decrease can be attributed to lower commodity prices in 2009. In the third quarter of 2008, the royalty rate was high due to recording unrecognized royalties from the second quarter of 2008.

Operating Expenses

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Operating expenses	\$ 41,870	\$ 20,863	\$ 146,623	\$ 54,745
Operating expenses per boe (\$/boe)	\$ 25.73	\$ 183.01	\$ 19.56	\$ 16.18

Total operating expenses increased in the current quarter compared to the second quarter of 2009, despite the sale of 49% of the Company's PNG properties to ORC. Additional costs were incurred for coiled tubing, pressure truck, salt water hauling, fuel and power and flushby rig in connection with the Company's heavy oil well in Buffalo Coulee.

Operating costs per bbl for the three months ended September 30, 2008 were above average due to the high initial start-up costs combined with corresponding low production volumes on 16-22 during the quarter.

Operating Netbacks

(\$/boe)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Realized price	\$ 63.35	\$ 36.88	\$ 51.98	\$ 52.13
Royalties	(8.22)	(49.50)	(7.82)	(11.22)
Operating expenses	(25.73)	(183.01)	(19.56)	(16.18)
Operating netback ⁽¹⁾	\$ 29.40	\$ (195.63)	\$ 24.60	\$ 24.73

(1) Operating netback does not have any standardized meaning prescribed by Canadian GAAP, and therefore may not be comparable to similar measures used by other companies. Please refer to the Non-GAAP Financial Measures section in the MD&A for more details.

The increase in the Company's operating netback in the current quarter compared to the third quarter of 2008 resulted from higher realized prices in combination with lower royalties and operating costs on a per boe basis. The operating netback for the nine months ended September 30, 2009, was relatively consistent with 2008 as the decrease in royalties per boe was offset by an increase in operating costs per boe.

The following is a reconciliation of operating netback per boe to net loss per boe.

(\$/boe)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Operating netback	\$ 29.40	\$ (195.63)	\$ 24.60	\$ 24.73
Interest income	0.05	333.38	0.10	16.55
General and administrative expenses	(42.64)	(1,354.64)	(33.89)	(134.63)
Interest expense	-	-	(2.39)	-
Depletion, depreciation and accretion	(31.74)	(65.10)	(29.27)	(20.25)
Loss on disposal of assets	(220.60)	-	(47.89)	-
Stock-based compensation	(3.65)	(114.69)	(2.51)	(11.07)
Future income tax recovery	-	-	-	2.69
Net loss	\$ (269.18)	\$ (1,396.68)	\$ (91.25)	\$ (121.98)

Depletion, Depreciation and Accretion

	Three months September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Depletion, depreciation and accretion	\$ 51,650	\$ 7,421	\$ 219,439	\$ 68,514
Depletion, depreciation and accretion per boe (\$/boe)	\$ 31.74	\$ 65.10	\$ 29.27	\$ 20.25

Total depletion rose in 2009 due to higher production volumes. It is expected DD&A per boe will decline as the Company brings additional production on stream.

Cash Flow from Operations

The following is a reconciliation of cash flow from operations to cash flow from operating activities:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash flow from operations (non-GAAP)	\$ (21,461)	\$(138,726)	\$ (86,867)	\$ (315,894)
Change in non-cash working capital	(94,450)	512,457	(82,941)	310,244
Cash provided by operating activities (GAAP)	\$ (115,911)	\$373,731	\$ (169,808)	\$ (5,650)

Capital Expenditures

Nine months ended September 30,	2009		2008	%
Drilling and completions	\$ 9,683	21%	\$ 630,401	58%
Equipment and facilities	(26,167)	-55%	469,711	16%
Geological and geophysical	42,693	90%	59,549	6%
Land	20,920	44%	220,216	20%
Total capital expenditures	47,129	100%	1,079,877	100%

Near the end of June 2009, the Company commenced drilling two wells in Buffalo Coulee in connection with the ORC farm in. The LSD 1 well was drilled and abandoned while the LSD 2 well was drilled, cased and completed as a producing Bakken oil well. Pursuant to the terms of the farm in agreement, ORC paid 100% of the costs to earn a 70% interest in the two 40 acre spacing units drilled.

The Company sold a sweetening unit from its Granlea location due to being excess equipment for \$30,750. The unit was previously necessary to produce the sour gas from the Sawtooth zone which subsequently watered out and production was halted.

Geological evaluation of the Company's Saskatchewan properties continued and lease rentals were incurred.

In the nine month period ended September 30, 2008, Traxion acquired 6,500 acres in SW Saskatchewan. The Company drilled and cased its first Bakken prospect in the area at 3-27-32-24W3 and continued processing seismic purchased across its Buffalo Coulee lands. In Alberta, the Section 13 prospect in the Pakowki area was drilled, cased and subsequently abandoned. The Granlea location was tied-in and produced commercial quantities of gas until the Sawtooth zone watered out. Additional expenditures were incurred to equip the well to allow the gas to flow, but those attempts were unsuccessful.

General and Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
General and administrative expenses	\$ 69,393	\$ 154,429	\$ 254,046	\$ 455,560
Total general and administrative expenses per boe (\$/boe)	\$ 42.64	\$ 1,354.64	\$ 33.89	\$ 134.63

Total general and administrative expenses ("G&A") were lower in the three and nine months ended September 30, 2009, than in the comparative periods. In the nine months ended September 30, 2008, additional costs were incurred for salaries, audit fees, financing and international travel to

examine exploration prospects in Colombia. In the three months ended September 30, 2008, Traxion incurred additional audit fees, salaries, international travel and financing expenses in comparison to the current quarter.

Related Party Transactions

Management services were provided to the Company by consulting and legal firms controlled by Directors and Officers of the Company. The related party transactions are in the normal course of operations and were measured at the exchange amount, which was comparable to similar transactions conducted between arm's length parties based on standard commercial terms.

Jim Ehret, an Officer and Director of the Company, owns a consulting firm that was engaged to provide management and engineering services. In the nine months ended September 30, 2009, the Company incurred costs of \$63,000 (nine months ended September 30, 2008 – \$nil) to this firm for services which were charged to general and administrative expenses. No amounts were payable as at September 30, 2009, (December 31, 2008 – \$nil) relating to these transactions.

Frank van der Vliet, an Officer and Director of the Company, owns a consulting firm that was engaged to provide management and geological services. In the nine months ended September 30, 2009, the Company incurred costs of \$36,295 (nine months ended September 30, 2008 – \$52,550) to this firm for services, of which \$3,000 were charged to general and administrative expenses and \$33,295 were capitalized. Included in accounts payable at September 30, 2009, is \$4,500 (December 31, 2008 – \$10,550) relating to these transactions.

Jim Brander, an Officer of the Company, owns a consulting firm that was engaged to provide management and accounting services. In the nine months ended September 30, 2009, the Company incurred costs of \$9,750 (nine months ended September 30, 2008 – \$24,100) to this firm for services, which were charged to general and administrative expenses. Included in accounts payable at September 30, 2009, is \$2,000 (December 31, 2008 – \$10,815) relating to these transactions.

Brent Walter, an Officer and Director of the Company, controls a legal practice that was engaged to provide services. In the nine months ended September 30, 2009, the Company incurred costs of \$9,116 (nine months ended September 30, 2008 – \$nil) to this firm for legal services, which were charged to general and administrative expenses. Included in accounts payable at September 30, 2009, is \$30,960 (December 31, 2008 – \$24,096) relating to these transactions.

Liquidity and Capital Resources

As at	September 30, 2009	December 31, 2008
Working capital (deficiency) before inclusion of debenture	\$ (60,931)	\$ (514,868)
Debenture	-	(300,000)
Working capital (deficiency) including debenture	\$ (60,931)	\$ (814,868)
Share capital	\$ 3,094,836	\$ 2,851,223
Contributed surplus	121,781	102,980
Deficit	(2,056,402)	(1,372,302)
Shareholders' equity	\$ 1,160,215	\$ 1,581,901

The Company's first heavy oil well in the Buffalo Coulee area was completed in October 2008. Cash flow from the well was expected to sustain a portion of G&A expenses in 2009. The continued low price commodity environment in the first half of 2009 reduced incoming cash flow for the Company and it was necessary to secure additional sources of financing to fund operating costs, general and administrative costs as well as costs incurred in 2008 to drill the Buffalo Coulee well.

The weakening of the global economy further reduced access to debt and other capital for the Company in 2009. Due to the challenges of raising additional capital or obtaining a borrowing facility from a bank, Traxion secured a \$700,000 fixed and floating debenture in 2009. The proceeds of the debenture were used to reduce outstanding trade payables. In exchange for fees and interest on a portion of the debenture until July 1, 2009, the Company granted the lender an overriding royalty on its Section 27 Buffalo Coulee property.

Given that additional resources are required to continue developing the Company's prospects and that the outstanding debenture was payable on July 1, 2009, Traxion sold 49% of its oil and natural gas properties to ORC in August 2009. Subsequent to the sale, ORC farmed in to the Company's Saskatchewan potential oil bearing properties and committed to spend \$800,000 to drill, complete and equip two locations. ORC's working interest is 70% in the two 40 acre spacing units drilled. In connection with the joint venture, ORC also purchased 1,000,000 common shares of the Company in May 2009, on a flow-through basis at \$0.12 per share, for proceeds to Traxion of \$120,000.

In February 2009, common shares and flow-through share units were issued on a private placement basis for proceeds of \$35,900 and \$30,000 respectively. An additional 516,666 flow-through common shares were issued in July at a price of \$0.12 per share for gross proceeds of \$62,000. The Company will be required to incur \$200,500 of qualifying expenditures prior to December 31, 2010, with respect to the flow through shares issued.

Funds received from the common share and flow through share issuances as well as the asset sale to ORC increased cash at September 30, 2009, in comparison to December 31, 2008. Although a portion of the funds to repay \$700,000 of outstanding debentures during the second quarter of 2009, the Company's overall working capital deficiency at September 30, 2009, was lower than at December 31, 2008, as a result of the increase in cash.

At September 30, 2009, and as at November 24, 2009, the date of this MD&A the Company had 32,609,922 common shares issued and outstanding respectively.

Contractual Obligations

Traxion is required to incur \$200,500 of qualifying expenditures prior to December 31, 2010, with respect to the flow through common shares issued in 2009.

The Company has also committed to software costs of approximately \$3,000 for the remainder of 2009.

Financial Instruments

The Company's financial instruments are comprised of cash, accounts receivable, abandonment deposit, accounts payable and accrued liabilities and debentures. The fair values of cash, accounts receivable, accounts payable and accrued liabilities and debentures approximate their carrying amounts due to their short term maturities. The Company's abandonment deposit currently earns interest at an annual rate of 2.05%. In the nine months ended September 30, 2009, the deposit earned \$736 of interest income, classified as interest and other income on the financial statements.

It is Management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial Reporting Update

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with IFRS on January 1, 2011, including the comparative 2010 period.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is continuing to assess the impact of the conversion from Canadian GAAP to IFRS on its results of operations, financial position and disclosures and is in the process of developing an IFRS changeover plan. The impacts to the financial statements on the adoption of IFRS will depend on the circumstances prevailing on January 1, 2011 as well as the accounting policy choices by the Company. Assessments of the impacts of conversion to IFRS, including the adoption of potential IFRS standards under development that might impact the Company, have not been finalized.

Quarterly Information

The following table sets forth certain quarterly financial information of the Company for the eight most recent quarters.

	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Revenue	\$103,098	\$162,515	\$124,472	\$ 35,809	\$ 21,209	\$ 83,646	\$92,540	\$ 14,675
Net (loss) income	\$ (438,047)	\$ (123,744)	\$(122,309)	\$(261,436)	\$(159,222)	\$(166,865)	\$(86,677)	\$24,081
per share – basic	\$ (0.02)	\$ (0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.00	\$0.00
per share – diluted	\$ (0.02)	\$ (0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.00	\$0.00

Revenue in the third quarter of 2009 decreased from the prior quarter due to selling 49% of its producing assets to ORC on August 7. The net loss for the Company included a loss of \$358,993 recorded as part of the ORC transaction.

Production remained consistent in the second quarter of 2009, with higher realized commodity prices increasing revenue. The net loss for the three months ended June 30, 2009 was consistent with the first quarter of 2009 as higher revenue was offset by an increase in royalties, general and administrative costs and interest expense.

Revenue in the three months ended March 31, 2009, rose as the Company's first heavy oil well completed in October 2008 at Buffalo Coulee averaged 35 boe/d of production during the quarter.

In the third quarter of 2008, revenue decreased as the Company's one producing well at the time was shut-in. Net loss increased due to lower revenue and increase in overall G&A costs.

Revenue in the first and second quarters of 2008 increased when the Company's gas well began producing in January 2008. The net loss in the first and second quarters increased due to reporting requirements associated with the Company becoming a reporting issuer and a general increase in G&A.

In 2007, revenue consisted of interest earned on the Company's cash and cash equivalents. The net loss increased in the third quarter of 2007 due to costs associated with the reverse takeover of Apex Capital Corp.

Critical Accounting Estimates

The significant accounting policies used by the Company are disclosed in note 3 to the audited financial statements for the year ended December 31, 2008. The timely preparation of financial statements requires that Management make estimates and assumptions and use judgment regarding the measurement of assets, liabilities, revenues, and expenses. Such estimates relate primarily to transactions and events that have not settled as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Additional Information

Additional information relating to the Company, including the Company's 2008 Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or at the Company's web-site at www.traxion.ca.

Advisories

Forward Looking Statements

This document contains forward looking or outlook information which reflects management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Forward looking statements include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact, including statements regarding cash flow, production, capital expenditures and planned wells in 2009, as well as the liquidity plans of the Company. These statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in these forward looking statements. Although management believes the expectations reflected in these forward looking statements are reasonable, there can be no assurances that actual results will be consistent with these forward looking statements. Readers should not put undue reliance on forward looking information. These statements are made as of the date hereof and management assumes no obligation to update or revise these statements to reflect new events or circumstances except as required by law.

Use of BOE Equivalent

The calculation of barrels of oil equivalent ("boe") is based on a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil to estimate relative energy content and does not represent a value equivalency at the wellhead. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip. Boe may be misleading, particularly if used in isolation.

Non-GAAP Financial Measures

Included in the MD&A and elsewhere in this report are references to terms used in the oil and natural gas industry such as cash flow from operations and corporate netbacks. These terms are not defined by accounting principles generally accepted in Canada ("GAAP") and consequently are referred to as non-GAAP measures. Non-GAAP measures do not have any standardized meaning and therefore reported amounts may not be comparable to similarly titled measures reported by other companies.

Cash flow from operations is used by the Company to evaluate operating results and the Company's ability to generate cash to fund capital expenditures. Cash flow from operations is derived from cash flow from operating activities before abandonment costs incurred and changes in non-cash working capital. Cash flow from operations should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with GAAP, as an indicator of the Company's performance or liquidity. Cash flow from operations is reconciled to cash provided by operating activities under the heading "Cash Flow from Operations".

The Company considers operating netback an important measure as it demonstrates its profitability relative to current commodity prices. Operating netback, which is calculated as average unit sales

price less royalties and operating expenses, represents the cash margin for every barrel of oil equivalent sold. Operating netback per boe is reconciled to net earnings per boe under the heading "Operating Netbacks".

Traxion Energy Inc.

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Vice President, Exploration, Traxion Energy Inc.

Brent Walter
Lawyer, ProVenture Law LLP

Officers

James Ehret
President & CEO

Frank van der Vliet
Vice President, Exploration

Jim Brander
Chief Financial Officer

Legal Counsel

ProVenture Law LLP

Auditors

Collins Barrow Calgary LLP

Consulting Engineers

Chapman Petroleum Engineering Ltd.

Bankers

The Bank of Nova Scotia

Transfer Agent

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Stock Exchange Listing

TSX Venture Exchange
Trading symbol: TXE

Traxion Energy Inc.

Financial Statements September 30, 2009

The September 30, 2009, financial statements have not been reviewed by the Company's auditors.

**Traxion Energy Inc.
Balance Sheets**

As at	September 30, 2009	December 31, 2008
Assets		
Current assets		
Cash	\$ 464,984	\$ 52,914
Accounts receivable	185,322	131,331
Prepaid expenses and deposits	22,140	8,553
	672,446	192,798
Property and equipment (note 4)	1,231,572	2,448,143
Abandonment deposit (note 6)	36,848	36,444
	\$ 1,940,866	\$ 2,677,385
Liabilities		
Current liabilities		
Account payable and accrued liabilities	\$ 733,377	\$ 707,666
Debenture (note 5)	-	300,000
	733,377	1,007,666
Asset retirement obligations (note 6)	47,274	87,818
	780,651	1,095,484
Shareholders' equity		
Share capital (note 7)	3,094,836	2,851,223
Contributed surplus (note 7)	121,781	102,980
Deficit	(2,056,402)	(1,372,302)
	1,160,215	1,581,901
	\$ 1,940,866	\$ 2,677,385

Commitments (note 13)

See accompanying notes to the financial statements.

Approved by the Board,

"Signed"

"Signed"

James Ehret
Director

Brent Walter
Director

Traxion Energy Inc.
Statements of Loss, Comprehensive Loss and Deficit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue				
Petroleum and natural gas	\$ 103,098	\$ 4,204	\$ 389,642	\$ 176,397
Royalties	(13,378)	(5,643)	(58,646)	(37,973)
	89,720	(1,439)	330,996	138,424
Interest	82	38,005	736	55,987
	89,802	36,566	331,732	194,411
Expenses				
Operating	41,870	20,863	146,623	54,745
Depletion, depreciation and accretion	51,650	7,421	219,439	68,514
General and administrative	69,393	154,429	254,046	455,560
Loss on disposal of assets (note 4)	358,993	-	358,993	-
Stock-based compensation (note 7)	5,943	13,075	18,801	37,442
Interest	-	-	17,930	-
	527,849	195,788	1,015,832	616,261
Operating loss before income taxes	(438,047)	(159,222)	(684,100)	(421,850)
Income taxes				
Future income tax recovery	-	-	-	(9,086)
Net loss and comprehensive loss	(438,047)	(159,222)	(684,100)	(412,764)
Deficit, beginning of period	\$ (1,618,355)	\$ (951,644)	\$ (1,372,302)	\$ (698,102)
Deficit, end of period	\$ (2,056,402)	\$ (1,110,866)	\$ (2,056,402)	\$ (1,110,866)
Net loss per share				
Basic and diluted loss per share (note 10)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)

See accompanying notes to the financial statements.

**Traxion Energy Inc.
Statements of Cash Flows**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Operating activities				
Net loss	\$ (438,047)	\$ (159,222)	\$ (684,100)	\$ (412,764)
Depletion, depreciation and accretion	51,650	7,421	219,439	68,514
Stock-based compensation	5,943	13,075	18,801	37,442
Loss on sale of property	358,993	-	358,993	-
Future income tax recovery	-	-	-	(9,086)
	(21,461)	(138,726)	(86,867)	(315,894)
Changes in non-cash working capital (note 11)	(94,450)	512,457	(82,941)	310,244
	(115,911)	373,731	(169,808)	(5,650)
Financing activities				
(Repayment) issuance of debenture	-	-	(300,000)	-
Net proceeds on issuance of common share units	-	-	34,900	-
Net proceeds on issuance of flow through share units	-	-	29,000	-
Net proceeds on issuance of flow through shares	61,040	-	179,713	-
Changes in non-cash working capital (note 11)	(700,190)	-	14,817	(21,876)
	(639,150)	-	(41,570)	(21,876)
Investing activities				
Property and equipment expenditures	5,555	(499,096)	(77,879)	(1,082,011)
Disposition of oil and gas properties	644,723	-	644,723	-
Sale of equipment	-	-	30,750	-
Abandonment deposit	(37)	-	(403)	(1,397)
Changes in non-cash working capital (note 11)	400,588	99,100	26,257	291,649
	1,050,829	(399,996)	623,448	(791,759)
Change in cash	295,768	(26,265)	412,070	(819,285)
Cash, beginning of period	169,216	97,693	52,914	890,713
Cash, end of period	\$ 464,984	\$ 71,428	\$ 464,984	\$ 71,428

See accompanying notes to the financial statements.

1. Nature of Operations

Apex Capital Corp. ("Apex") was incorporated under the Business Corporations Act of Alberta on September 15, 2004. On August 29, 2007, Apex acquired all of the issued and outstanding common shares of Traxion Energy Inc., a company incorporated under the Business Corporations Act of Alberta on April 29, 2003. This resulted in a reverse takeover of Apex by Traxion Energy Inc. and on July 14, 2008, the consolidated entity amalgamated and changed its name to Traxion Energy Inc. (the "Company" or "Traxion").

The Company is a junior oil and gas company engaged in the exploration, development and exploitation of petroleum and natural gas properties in Western Canada.

2. Basis of Presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements have been prepared using the same accounting policies, except as described in note 3 below and should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2008.

3. Changes in Accounting Policies and Future Accounting Pronouncements

(a) Adoption of new accounting pronouncements

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountant's Handbook Section 3064, "Goodwill and Intangible Assets," which establishes guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of Section 3064 did not have an impact on the Company's financial statements

(b) Recent accounting pronouncements

In 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will be adopted as Canadian GAAP to be applied to interim and annual reporting by publicly accountable enterprises, effective for January 1, 2011, including the compilation of comparatives for 2010.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is continuing to assess the impact of the conversion from Canadian GAAP to IFRS on its results of operations, financial position and disclosures and is in the process of developing an IFRS changeover plan. The impacts to the financial statements on the adoption of IFRS will depend on the circumstances prevailing on January 1, 2011 as well as the accounting policy choices by the Company. Assessments of the impacts of conversion to IFRS, including the adoption of potential IFRS standards under development that might impact the Company, have not been finalized.

4. Property and Equipment

As at September 30, 2009	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 1,506,771	\$ (280,312)	\$ 1,226,459
Furniture and fixtures	32,796	(27,683)	5,113
Property and equipment	\$ 1,539,567	\$ (307,995)	\$ 1,231,572

As at December 31, 2008	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 2,748,071	\$ (312,276)	\$ 2,435,795
Furniture and fixtures	32,796	(20,448)	12,348
Property and equipment	\$ 2,780,867	\$ (332,724)	\$ 2,448,143

On August 7, 2009, Traxion closed the sale of 49% of its oil and gas properties for proceeds of \$686,000, prior to purchase price adjustments of \$41,277. The sale resulted in an adjustment to the book value of properties and equipment of \$1,244,871 and an adjustment to accumulated DD&A of \$241,155. A loss of \$358,993 was recorded as crediting the proceeds from disposition to property and equipment resulted in a change of more than 20% to the DD&A rate. The asset retirement obligation was also reduced by \$50,451 as a result of the sale.

In the first nine months of 2009, no general and administrative expenses (2008 – \$nil) were capitalized. Future capital expenditures of \$700,000 (December 31, 2008 – \$1,400,000) relating to the development of proved reserves have been included in costs subject to depletion. All costs associated with unproved properties that were included in property, plant and equipment, were subject to depletion.

5. Debenture

As at September 30, 2009, the Company did not have (December 31, 2008 – \$300,000) fixed and floating charge debentures outstanding. The debentures were repaid in June 2009.

In exchange for approval fees on the \$700,000 debenture and interest accruing to July 1, 2009, the Company granted the lender an overriding royalty on its Section 27 Buffalo Coulee property. The overriding royalty rate will vary between 2% and 3% depending on the number of wells drilled and completed.

6. Asset Retirement Obligations

	Nine months ended September 30, 2009	Year ended December 31, 2008
Asset retirement obligations, beginning of period	\$ 87,818	\$ 74,291
Liabilities incurred	6,890	22,682
Accretion expense	3,017	3,845
Liabilities settled	-	(13,000)
Liabilities discharged with disposed properties	(50,451)	-
Asset retirement obligations, end of period	\$ 47,274	\$ 87,818

The total undiscounted amount of estimated cash flows required to settle the future asset retirement obligations is \$87,267 (December 31, 2008 – \$142,779), which has been discounted using a credit adjusted risk free rate of 9.6% (September 30, 2008 – 9.2%). The majority of these obligations are

not expected to be settled for several years and settlements will be funded from general Company resources at the time of retirement and removal.

As at September 30, 2009, \$36,847 (December 31, 2008 – \$36,444) was deposited in a guaranteed investment certificate to satisfy these obligations.

7. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

(b) Issued

	Nine months ended September 30, 2009		Year ended December 31, 2008	
	Number	Amount	Number	Amount
Common shares outstanding, beginning of period	20,494,256	\$2,851,223	19,994,256	\$2,860,309
Issuance of common shares, net	359,000	26,284	-	-
Issuance of flow through shares, net	1,756,666	202,689	-	-
Warrants	-	14,640	-	-
Shares released from under performance escrow	-	-	500,000	-
Tax benefits renounced on flow through shares	-	-	-	(9,086)
Common shares outstanding, end of period	22,609,922	\$3,094,836	20,494,256	\$2,851,223

On July 29, 2009, the Company completed a private placement of 516,666 flow through shares at \$0.12 per share. Net proceeds of the issuance were \$61,040, comprised of gross proceeds of \$62,000, less a finder's fee of \$960 paid to an arm's length party which assisted in placing a portion of the shares. The finder also received non-transferable warrants to acquire 8,000 common shares at a price of \$0.10 per share for a period of 12 months.

On May 21, 2009, 1,000,000 flow through shares were issued at \$0.12 per share on a private placement basis. These flow-through shares were issued in accordance with the joint venture agreement with ORC where ORC agreed to purchase or arrange for the purchase of 1,000,000 common shares of the Company on a flow through basis. Net proceeds of the issuance were \$118,673, comprised of gross proceeds of \$120,000 less expenses of \$1,327. The Company will be required to incur \$120,000 of qualifying expenditures prior to December 31, 2010, with respect to the flow through shares issued.

On February 13, 2009, 359,000 common shares units were issued at \$0.10 per unit, composed of one common share and one half warrant. Net proceeds of the issuance were \$34,900, comprised of gross proceeds of \$35,900 less expenses of \$1,000. Additionally, 240,000 flow through share units were issued, at \$0.125 per unit, composed of one flow through share and one half warrant. Net proceeds of the issuance were \$29,000, comprised of gross proceeds of \$30,000 less expenses of \$1,000. Each full warrant is exercisable to acquire one common share at \$0.17 per share until February 5, 2010. Management and Directors subscribed for \$50,900 of the units. The Company will be required to incur \$30,000 of qualifying expenditures prior to December 31, 2010, with respect to the flow through shares issued.

As part of the reverse takeover transaction of Apex by Traxion Energy Inc. in 2007, 2,000,000 common shares were subject to performance escrow restrictions. These shares were to be released to the shareholders of Traxion Energy Inc. (as to 500,000 common shares per well) in the event that four wells drilled subsequent to September 27, 2006, showed sufficient potential to warrant the installation of production casing in accordance with good oilfield practice, failing which the subject 2,000,000 common shares would be cancelled. In 2008, all of the wells were drilled and cased and accordingly the remaining 500,000 common shares were released from escrow.

As at August 31, 2007, there were 3,330,000 Apex common shares held in escrow pursuant to an agreement among Apex, its transfer agent and certain shareholders of Apex. Following the issuance of the Final Exchange Bulletin by the TSX Venture Exchange, 5% of the escrowed shares are releasable on each of the 6, 12, 18, and 24 month anniversaries of the Final Exchange Bulletin and 10% of the escrowed shares are releasable every six months thereafter.

(c) Warrants

The Company has the following common share warrants outstanding:

Nine months ended September 30, 2009	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	-	-
Granted	307,500	-
Outstanding, end of period	307,500	\$0.17

In connection with the July 29, 2009, flow through share private placement, the Company issued 8,000 warrants as a finder's fee. Each warrant is exercisable to acquire one common share at \$0.10 per share until July 29, 2010. The warrants were valued at \$0.033 each or \$264 using the Black-Scholes model, assuming an expected life of 365 days, 234% volatility, a risk-free interest rate of 0.005% and a dividend yield rate of 0%.

As part of the February 13, 2009, private placement, the Company issued 299,500 warrants. Each warrant is exercisable to acquire one common share at \$0.17 per share until February 5, 2010. The warrants were valued at \$0.048 each or \$14,376 using the Black-Scholes model, assuming an expected life of 357 days, 218% volatility, a risk-free interest rate of 0.008% and a dividend yield rate of 0%.

As at September 30, 2009, the weighted average remaining life of the outstanding warrants was 0.36 years.

(d) Stock options

The Company has the following stock options outstanding:

	Nine months ended September 30, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	975,000	\$0.20	833,000	\$0.29
Granted to officers and directors	-	-	875,000	0.20
Expired	-	-	(425,000)	0.30
Cancelled	-	-	(308,000)	0.30
Outstanding, end of period	975,000	\$0.20	975,000	\$0.20

As at September 30, 2009, 325,000 stock options, with a weighted average remaining life of 3.28 years, were exercisable at \$0.20 per share. The weighed average remaining life of the 975,000 stock options outstanding is 3.28 years.

(e) Agent options

Options to purchase 500,000 common shares at an exercise price of \$0.30 per common share were granted to agents at the time Apex completed its initial public offering. These options expired on July 27, 2008. All amounts related to stock-based compensation for these options in contributed surplus were eliminated upon the reverse takeover transaction.

(f) Contributed surplus

The following table presents the reconciliation of contributed surplus:

As at	September 30, 2009	December 31, 2008
Contributed surplus, beginning of period	\$ 102,980	\$ 53,329
Stock-based compensation expense	18,801	49,651
Contributed surplus, end of period	\$ 121,781	\$ 102,980

8. Capital Disclosures

The Company's goal is to maintain a strong capital base to maximize financial flexibility while optimizing the cost of capital, ensure the Company's ability to fulfill its financial obligations and sustain future development of the business. The Company's capital management objectives have remained unchanged over the periods presented.

The Company prepares a budget to assist in the management of its capital structure. The budget is updated to reflect results of operations and capital expenditures, changes to forecasted prices and costs, general industry conditions and other factors. The Company manages its capital structure and makes adjustments to it in response to changes in general industry conditions and its petroleum and natural gas assets. The Company may choose to issue equity or debt, revise its capital expenditure program and sell assets. External restrictions on the Company's share capital are described in note 7(b).

The Company's capital structure is:

As at	September 30, 2009	December 31, 2008
Current assets	\$ 672,446	\$ 192,798
Accounts payable and accrued liabilities	(733,377)	(707,666)
Working capital (deficiency) before inclusion of debenture	(60,931)	(514,868)
Debenture	-	(300,000)
Working capital (deficiency) including debenture	\$ (60,931)	\$ (814,868)
Share capital	\$ 3,094,836	\$ 2,851,223

Current assets at September 30, 2009, were higher than at December 31, 2008, as the result of cash received from selling 49% of the Company's petroleum and natural gas assets, as described in note 4, in addition to issuing common shares and flow through shares, as described in note 7(b). Accounts payable and accrued liabilities remained consistent from December 31, 2008.

The Company repaid its outstanding debentures during the second quarter of 2009 using cash advanced from ORC. Share capital increased from December 31, 2008, due to the issuance of common share and flow through share units in February 2009 and flow through shares issued in May 2009, as described in note 7(b).

9. Related Party Transactions

Management services provided to the Company by consulting and legal firms controlled by Directors and Officers of the Company totaled \$120,160 in the nine months ended September 30, 2009 (nine months ended September 30, 2008 – \$80,237). The related party transactions were in the normal course of operations and were measured at the exchange amount, which was comparable to similar transactions conducted between arm's length parties based on standard commercial terms.

Accounts receivable at September 30, 2009, includes \$6,250 (December 31, 2008 – \$6,250) due from a Director and Officer of the Company relating to amounts paid on the individual's behalf. Accounts payable at September 30, 2009, include \$37,460 (December 31, 2008 – \$45,410) due to Directors and Officers of the Company related to amounts owing for consulting services.

10. Per Share Amounts

The weighted average number of common shares outstanding used to calculate basic and diluted per share amounts during the three and nine months ended September 30, 2009 was 22,450,948 and 21,595,427 respectively (three and nine months ended September 30, 2008 – 19,994,256).

All of the Company's outstanding stock options and warrants are anti-dilutive and were excluded from the calculation of the weighted average number of diluted common shares outstanding.

11. Statement of Cash Flows

Changes in non-cash working capital items are as follows:

	Three months ended September 30, 2009		2008		Nine months ended September 30, 2009		2008	
Other short term deposits	\$	-	\$	487,609	\$	-	\$	341,926
Accounts receivable		(110,492)		26,993		(53,991)		206,448
Prepaid expenses and deposits		(1,325)		9,403		(13,587)		(3,734)
Accounts payable and accrued liabilities		(282,235)		87,552		25,711		35,377
	\$	(394,052)	\$	611,557	\$	(41,867)	\$	580,017
Net change in non-cash working capital								
Relating to:								
Operating activities	\$	(94,450)	\$	512,457	\$	(82,941)	\$	310,244
Financing activities		(700,190)		-		14,817		(21,876)
Investing activities		400,588		99,100		26,257		291,649
	\$	(394,052)	\$	611,557	\$	(41,867)	\$	580,017

Amounts actually paid during the nine months ended September 30, 2009, relating to interest were \$17,975 (nine months ended September 30, 2008 – \$nil).

12. Financial Instruments

(a) Fair value of financial instruments

The Company's financial instruments are comprised of cash, accounts receivable, abandonment deposit, debentures and accounts payable and accrued liabilities. Due to their short term nature, the carrying value of the Company's financial instruments are a reasonable approximation of their fair value.

(b) Risk management

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk, credit risk and liquidity risk.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. In the normal course of operations, the Company is exposed to market risks resulting from fluctuations in commodity prices and interest rates.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Commodity prices realized by the Company are impacted by several interdependent factors including global commodity reference prices denominated in US dollars, the exchange rate between the Canadian and US dollar and heavy/light oil differentials. Due to the interrelationship between these forces, the Company monitors only its final realized commodity prices and does not analyze the impact that any one of the aforementioned factors may have on its results.

If production remained constant and the Company's realized prices changed by \$1.00 per barrel of oil equivalent, the Company's net loss would vary by \$7,496 in the nine months ended September 30, 2009 (September 30, 2008 – \$3,384). The Company did not have any financial instruments in place to manage commodity prices during the nine months ended September 30, 2009.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent of interest rate fluctuations on its abandonment deposit, which currently earns 2.05% interest annually. The Company had no interest rate swaps or hedges in place during the nine months ended September 30, 2009, to reduce its risk from interest rate fluctuations.

If the rate of interest earned on the Company's abandonment deposit in the nine months ended September 30, 2009, had decreased by 1%, with all other variables held constant, the net loss for the period would have been \$273 (September 30, 2008 – \$4,960) higher. An equal and opposite impact would have occurred to the Company's net loss if the prime rate had been 1% higher.

(ii) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss to the Company. The Company is subject to credit risk on its cash and cash equivalents, accounts receivable and the abandonment deposit. The Company mitigates its exposure to credit risk on cash and cash equivalents and the abandonment deposit by holding its cash and abandonment deposit in a major Canadian financial institution.

A significant portion of the Company's accounts receivable are with entities in the petroleum and natural gas sector and are subject to normal industry credit risk. The primary source of credit risk for the Company arises from its accounts receivable from joint venture partners and petroleum and natural gas marketers. The Company generally grants unsecured credit, but routinely assesses the financial strength of its customers. As at September 30, 2009, the Company had \$44,340 (December 31, 2008 – \$63,641) of accounts receivable that were greater than 90 days old and considered past due, but not impaired. The majority of these amounts are due from large, well established joint venture partners.

Joint venture receivables are typically collected within one to three months of the joint venture bills being issued to partners. However, the receivables are typically from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs, the risk of unsuccessful drilling and occasional disagreement between parties. The Company attempts to mitigate this risk by obtaining partner approval of significant capital expenditures prior to performance of the project. The Company typically does not obtain collateral from joint venture partners; however, a cash call may be requested in

advance of the start of a project. In some cases, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

As is common in the petroleum and natural gas industry in Western Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. The Company sells the majority of its production to one petroleum and natural gas marketer and is therefore subject to concentration risk. As at September 30, 2009, \$81,790 (December 31, 2008 - \$19,485) due from this marketer. The Company attempts to mitigate credit risk associated with these balances by establishing marketing relationships with large purchasers. No collection issues have been incurred to date with the Company's petroleum and natural gas marketer.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages its liquidity risk through cash and debt management and monitors the financial obligations created by its operating activities and capital expenditures.

13. Commitments

Traxion is required to incur \$200,500 of qualifying expenditures prior to December 31, 2010, with respect to the flow through common shares issued in 2009.

The Company has also committed to software costs of \$3,000 in 2009.

14. Subsequent Events

In October 2009, Traxion agreed to issue 10,000,000 common shares at \$0.075 per share for gross proceeds of \$750,000. It is anticipated Directors of the Company will subscribe for up to 4,000,000 of the shares with the remaining shares placed with accredited investors.

Traxion intends to complete a non-brokered private placement to raise up to an additional \$3,000,000 by issuing up to 40,000,000 common shares at \$0.075 per share. It is anticipated that the proceeds of the offering will be used for land acquisitions, to fund capital activities on the Company's SW Saskatchewan Bakken oil bearing lands and for general corporate purposes.

Concurrent with the closing the placements, Traxion intends to grant stock options to directors, officers, employees and consultants, exercisable for a period of up to 5 years at \$0.10 per share.