CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED

DECEMBER 31, 2009 AND 2008

MANAGEMENT'S REPORT

To the Shareholders of Traverse Energy Ltd.

The accompanying consolidated financial statements of Traverse Energy Ltd. are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management has established systems of internal controls, which are designed to provide reasonable assurance that the assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, which is comprised of independent, non-management directors. The Audit Committee has reviewed the consolidated financial statements with management and the auditors and has reported to the Board of Directors. On the recommendation of the Audit Committee, the accompanying consolidated financial statements have been approved by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders.

Laurie J. Smith

President and Chief Executive Officer

Sharon A. Supple

Chief Financial Officer

Calgary, Canada

April 21, 2010

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Traverse Energy Ltd. as at December 31, 2009 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2008 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated April 15, 2009.

KPMG LLP

Chartered Accountants

Calgary, Canada
April 21, 2010

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KPMG Canada provides services to KPMG LLP.

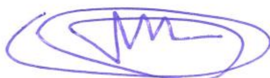
TRAVERSE ENERGY LTD.

Consolidated Balance Sheets
As at December 31,

	2009	2008
Assets		
Current		
Cash and cash equivalents	**$ 4,868,983**	$ 2,561,342
Accounts receivable	**149,554**	139,916
Prepaids and deposits	**164,596**	15,931
Income taxes receivable	**136,611**	-
	5,319,744	2,717,189
Petroleum and natural gas properties (note 3)	**4,920,999**	3,475,794
	$ 10,240,743	$ 6,192,983
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 774,050**	$ 80,007
Income taxes payable	**-**	136,611
	774,050	216,618
Asset retirement obligations (note 4)	**168,000**	63,432
Future income taxes (note 5)	**581,000**	677,000
Shareholders' Equity		
Share capital (note 6)	**6,969,498**	3,238,420
Contributed surplus (note 6)	**491,150**	18,000
Retained earnings	**1,257,045**	1,979,513
	8,717,693	5,235,933
Commitments (note 6(b))		
	$ 10,240,743	$ 6,192,983

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:



David van der Lee
Director

Laurie Smith
Director

TRAVERSE ENERGY LTD.

Consolidated Statements of Operations and Retained Earnings
For the years ended December 31,

		2009		2008
Revenue				
Petroleum and natural gas royalty income	$	**425,955**	$	1,079,781
Petroleum and natural gas sales		**121,305**		292,337
Royalties		**(3,320)**		(8,357)
Interest and other		**15,452**		61,354
		559,392		1,425,115
Expenses				
Operating		**116,813**		149,703
Transportation		**12,050**		24,607
General and administrative		**439,324**		266,866
Stock based compensation		**473,150**		-
Depletion, depreciation and accretion		**449,134**		505,526
		1,490,471		946,702
Income (loss) before income taxes		**(931,079)**		478,413
Income taxes				
Current income tax expense (recovery)		**(136,611)**		136,611
Future income tax reduction		**(72,000)**		(66,000)
		(208,611)		70,611
Net income (loss) and comprehensive income (loss)		**(722,468)**		407,802
Retained earnings, beginning of year		**1,979,513**		1,571,711
Retained earnings, end of year	**$**	**1,257,045**	$	1,979,513
Net income (loss) per share (note 6)				
Basic and diluted	**$**	**(0.04)**	$	0.03

See accompanying notes to the consolidated financial statements.

TRAVERSE ENERGY LTD.

Consolidated Statements of Cash Flows
For the years ended December 31,

		2009		2008
Cash provided by (used in):				
Operating activities				
Net income (loss)	**$**	**(722,468)**	$	407,802
Items not involving cash:				
Stock based compensation		**473,150**		-
Depletion, depreciation and accretion		**449,134**		505,526
Future income tax reduction		**(72,000)**		(66,000)
		127,816		847,328
Change in non-cash working capital		**(378,153)**		126,517
		(250,337)		973,845
Financing activities				
Issue of share capital, net of issuance costs		**3,707,078**		-
Investing activities				
Petroleum and natural gas properties		**(2,040,720)**		(457,064)
Petroleum and natural gas property dispositions		**362,749**		-
Corporate acquisition (note 2)		**(117,000)**		-
Change in non-cash working capital		**645,871**		-
		(1,149,100)		(457,064)
Increase in cash and cash equivalents		**2,307,641**		516,781
Cash and cash equivalents, beginning of year		**2,561,342**		2,044,561
Cash and cash equivalents, end of year	$	**4,868,983**	$	2,561,342

Supplemental cash flow information (note 8)

See accompanying notes to the consolidated financial statements

TRAVERSE ENERGY LTD.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

Nature of operations

Traverse Energy Ltd. (the "Company" or "Traverse") is incorporated under the Business Corporations Act (Alberta) and is a public company listed on the TSX Venture Exchange. Traverse is a resource based company engaged in the exploration for, and the development and production of natural gas, natural gas liquids and crude oil in Western Canada. The Company's name changed to Traverse Energy Ltd. from Firstland Energy Limited on June 11, 2009.

1. Significant accounting policies

a) Basis of presentation

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada and they include the accounts of the Company and its wholly owned subsidiary. All inter-company transactions have been eliminated. Certain comparative figures have been restated to conform to the current year's financial statement presentation.

b) Petroleum and natural gas operations

The Company follows the full cost method of accounting for petroleum and natural gas properties and facilities whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of drilling both productive and unproductive wells and production equipment. Gains or losses are not recognized upon the disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would result in a change in the depletion rate of 20% or more.

The accumulated costs and future costs, less the costs of unproved properties, are depleted and depreciated using the unit-of-production method based on the sum of working interest proved reserves before royalties and royalty interests in proved reserves, as determined by independent evaluators. Natural gas reserves and production are converted into equivalent barrels of oil based upon the estimated relative energy content.

The costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion.

The Company places a limit on the carrying value of petroleum and natural gas properties, which may be depleted against revenues of future periods (the "ceiling test"). The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceed the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of the assets exceeds the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects. The cash flows are estimated using future product prices and costs and are discounted using a risk-free interest rate.

c) Asset retirement obligations ("ARO")

The Company recognizes the fair value of the ARO liability in the period in which it is incurred or acquired when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on the unit-of-production method based on the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is expensed to income in the period. Actual costs incurred upon the settlement of the obligations are charged against the liability.

d) Joint arrangements

Significant portions of the Company’s oil and gas exploration and development activities are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Company’s proportionate interest in such activities.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition, all financial instruments, including all derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other financial liabilities. The Company has designated its cash as held for trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities, which are also measured at amortized cost.

The Company may enter into certain financial derivative or physical delivery sales contracts in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments will not be used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges. As a result, all financial derivative contracts will be classified as held for trading and will be recorded on the balance sheet at fair market value, with changes in the fair value recognized in petroleum and natural gas revenue. Settlements of financial derivative contracts will be recognized in petroleum and natural gas revenue at the time each transaction under contract is settled.

The Company may enter into physical delivery sales contracts for the purpose of receipt or delivery of oil or natural gas. Settlements of physical sale contracts will be recognized in petroleum and natural gas sales at the time of the settlement and there will be no recognition of fair value on the balance sheet.

f) Stock based compensation plans

The Company has an equity incentive plan as described in note 6. The Company accounts for its stock based compensation plan using the fair value method. Under this method, the compensation cost attributable to stock options is measured at fair value at the date of the grant and expensed over the vesting period of the options with a corresponding increase to contributed surplus. The fair value of options granted is estimated at the date of grant using the Black-Scholes evaluation model. Upon the exercise of the stock option, the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options; actual forfeitures are accounted for as they occur.

g) Future income taxes

Traverse uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets are recognized to the extent it is more likely than not that sufficient taxable income will be available to allow the future income tax assets to be realized. A valuation allowance if recorded to the extent that there is uncertainty regarding utilization of future income tax assets. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that date of enactment or substantive enactment.

h) Flow-through shares

The Company may finance a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company provides for the future effect on income taxes related to flow-through shares as a charge to share capital in the period in which the renouncement of the expenditures is filed with tax authorities.

i) Administrative assets

Administrative assets are stated at cost less accumulated depreciation. Depreciation is provided on a declining balance basis at a rate of 30%.

j) Cash and cash equivalents

The Company considers cash and short term deposits with original maturities of three months or less as cash and cash equivalents.

k) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended. Actual results could differ from those estimates.

The amount recorded for depletion is based on the estimates of reserve volumes and ARO is based on estimated costs and timing of expenditures. The ceiling test calculation is based on estimates of proved and probable reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. The amounts for stock based compensation are based on estimates of risk-free interest rates, expected lives and volatility. Future income taxes are based on estimates as to timing of the reversal of temporary differences at tax rates substantively enacted in those years. By their nature, these estimates are subject to measurement uncertainty and may impact the financial statements of future periods.

l) Per share information

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if options to issue shares were exercised. Diluted per share information is calculated using the treasury stock method that assumes any proceeds received by the Company upon the exercise of options plus the unamortized stock compensation cost would be used to buy back Company shares at the average market price for the period. The weighted average number is then adjusted by the net change.

m) Revenue recognition

Revenues from the sale of petroleum and natural gas, including royalty income, are recorded when title transfers to an external party and collection of funds are reasonably assured.

n) New accounting standards and future accounting changes

Effective January 1, 2009 the Company adopted Section 3064 "Goodwill and Other Intangible Assets" issued by the CICA. Under the new accounting standard, criteria for the recognition, measurement and disclosure of goodwill and intangible assets were revised. The new standard had no current impact on the Company's consolidated financial statements.

During 2009, amendments were made to Section 3862 "Financial Instruments – Disclosures". The amendments include additional disclosure about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

On January 1, 2011 the Company will be required to adopt International Financial Reporting Standards ("IFRS") and prepare its financial statements under this new set of standards, including comparative figures for 2010. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies as well as increased disclosure requirements under IFRS. The Company is currently assessing the impact of the conversion from Canadian GAAP to IFRS on its consolidated financial statements.

2. Acquisition

In December 2009 Traverse acquired all of the outstanding shares of a private oil and gas corporation for consideration of $105,180. The acquisition has been accounted for using the purchase method. The results of operations of the private company have been included in the Company's financial statements beginning December 7, 2009. Details of the acquisition are as follows:

Cost of acquisition:		
Cash	$	105,180
Transaction costs		11,820
	$	117,000

Allocated:		
Petroleum and natural gas properties	$	120,800
Working capital	$	5,200
Asset retirement obligations	$	(9,000)
	$	117,000

The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as estimated values subject to estimate are finalized.

3. Petroleum and natural gas properties

		2009		2008
Petroleum and natural gas properties	$	7,516,304	$	5,638,237
Administrative assets		19,544		6,440
	$	7,535,848	$	5,644,677
Less: accumulated depletion and depreciation		2,614,849		2,168,883
	$	4,920,999	$	3,475,794

At December 31, 2009 future developments costs of $200,750 (2008 - $nil) were included in the depletion calculation and costs of acquiring unproved properties in the amount of $2,004,000 (2008 - $2,262,703) were excluded from the depletion calculation.

Traverse performed a ceiling test calculation as at December 31, 2009 to assess the recoverable value of petroleum and natural gas properties. The oil and gas prices for the December 31, 2009 ceiling test are based on the January 1, 2010 commodity price forecast of our independent reserve evaluators. The following table summarizes the benchmark prices used in the ceiling test calculation. Based on these assumptions, the undiscounted value of future net revenue from Traverse's proved reserves exceeded the carrying value of petroleum and natural gas properties at December 31, 2009.

Year	WTI @ Cushing ($US/bbl)	Crude Oil CDN/US Exchange Rate	Edmonton reference price ($CDN/bbl)	Natural gas AECO Gas ($CDN/mmbtu)
2010	80.00	0.95	82.43	5.82
2011	82.50	0.95	85.02	6.29
2012	85.00	0.95	87.62	6.77
2013	90.00	0.95	92.84	7.28
2014	95.00	0.95	98.07	7.80
2015	96.90	0.95	100.03	8.05
2016	98.84	0.95	102.03	8.30
2017-2027 average	111.53	0.95	115.13	9.53
Escalate thereafter 2.0% per year				

4. Asset retirement obligations

The Company's asset retirement obligations result from ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimated the total undiscounted amounts required to settle its asset retirement obligation at December 31, 2009 to be approximately $277,000 (2008 - $87,500). The majority of the costs are scheduled to be incurred between 2012 and 2015. A credit adjusted risk-free interest rate of 8.5 percent and an inflation rate of 2.0 percent was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	2009	2008
Balance, beginning of year	$ 63,432	$ 67,331
Accretion expense	3,168	2,801
Liabilities incurred	40,000	4,604
Liabilities acquired (note 2)	9,000	-
Revision of estimates	52,400	(11,304)
Balance, end of year	$ 168,000	$ 63,432

5. Future income taxes

The provision for income taxes in the consolidated financial statements differs from the result which would have been obtained in applying the combined federal and provincial income tax rate as follows:

	2009	2008
Income (loss) before income taxes	$ (931,079)	$ 478,413
Combined federal and provincial income tax rate	29.0%	29.5%
Expected income tax expense (recovery)	$ (270,013)	$ 141,132
Increase (decrease) in taxes resulting from:		
Change in income tax rates	(75,812)	(70,521)
Stock based compensation	137,214	-
Income tax expense (reduction)	$ (208,611)	$ 70,611

The components of the Company's future income tax liability at December 31, 2009 and 2008 are as follows:

		2009		2008
Future income tax liabilities:				
Petroleum and natural gas properties	$	(604,200)	$	(695,700)
Future income tax assets:				
Asset retirement obligations		43,500		18,700
Share issue costs		14,700		-
Non-capital losses		105,300		-
Valuation allowance		(140,300)		-
	$	23,200	$	18,700
Net future income tax liability	$	(581,000)	$	(677,000)

At December 31, 2009, subject to confirmation by income tax authorities, Traverse has approximately $2.7 million of income tax deductions available for application against future taxable income. Included in these deductions is $371,000 of non-capital losses, the full benefit of which has not been included in these consolidated financial statements.

The Company's non-capital losses, if not utilized, expire as follows:

2015	$	10,800
2026		73,600
2027		111,500
2028		99,600
2029		75,500
Non-capital losses available	$	371,000

6. Share capital

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares. No preferred shares have been issued.

a) Common shares issued

	Number of Shares		Amount
Balance, December 31, 2007 and 2008	12,950,000	$	3,238,420
Issued for cash	10,000,000		2,800,000
Issued for cash - flow-through	2,000,000		1,000,000
Issue costs, net of income tax effect of $24,000	-		(68,922)
Balance, December 31, 2009	24,950,000	$	6,969,498

b) Private placements

In June 2009 the Company completed a private placement of 8,000,000 common shares (gross proceeds of $2,000,000) to two directors and officers of the Company and members of their immediate families. This private placement was approved by the shareholders of the Company on June 11, 2009.

In October 2009 the Company completed a private placement of 2,000,000 units at a price of $0.90 per unit for gross proceeds of $1,800,000. Each unit consisted of one common share at $0.40 and one flow-through common share at $0.50. As a result, the Company must incur $1.0 million of qualifying resource expenditures before December 31, 2010. The related tax impact will be recorded in the first quarter of 2010. The obligation remaining for this flow-through issue was $380,000 at December 31, 2009. Directors and officers of the Company subscribed for 280,000 units for consideration of $252,000.

c) Stock option plan

The Company has established a stock option plan for the benefit of its directors, officers, employees and consultants. The Board of Directors establishes at the time of grant, subject to regulatory approval, the option exercise price, the expiry date and vesting provisions. The options granted to directors and officers vest immediately and the options granted to consultants vest over a one year time period. Options granted expire five years from the date of grant.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: zero dividend yield, expected volatility of one hundred percent, risk-free interest rates of two percent and an expected life of five years. The fair market value of options granted during 2009 was $0.30 per option. Options granted to consultants were revalued at year end resulting in a fair market value per option of $0.45.

The following table summarizes information about the stock options granted and outstanding at December 31, 2009. No options were forfeited, exercised, cancelled or expired in 2009.

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.40	1,800,000	4.3	$0.40	1,600,000	$0.40
$0.47	75,000	4.9	$0.47	25,000	$0.47
$0.40	1,875,000	4.3	$0.40	1,625,000	$0.40

d) Contributed surplus

The following table reconciles the Company's contributed surplus:

	2009	2008
Balance, beginning of year	$ 18,000	$ 18,000
Stock based compensation	473,150	-
Balance, end of year	$ 491,150 $	$ 18,000

e) Per share amounts

The following table summarizes the weighted average common shares used in calculating net income (loss) per share. Options outstanding are anti-dilutive because the Company is in a net loss position in 2009.

	2009	2008
Basic	18,199,315	12,950,000
Diluted	18,199,315	12,950,000

7. Related party transactions

a) Common management and directors

During 2009, management fees of $72,000 (2008 - $52,000) were paid to a company controlled by a director of the Company. The fees related to the administration and overall operations of the Company. These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the related party.

During 2009, office expenses of approximately $112,000 (2008 - $24,000) were paid to a company controlled by two directors of the Company. These transactions were in the normal course of business and are on terms that are consistent with parties dealing at arm's length. At December 31, 2009 an amount of $106,224 (2008 - $2,259), representing prepaid rent and security deposit, are included within prepaids and deposits.

Certain directors of Traverse are also the directors or management of other entities that participate in joint operations with the Company. All transactions were completed on an arm's length basis consistent with normal industry terms. During 2009, the aggregate value of transactions entered into between Traverse and these entities was approximately $540,000 (2008 - $nil). Traverse had outstanding payables to the related parties of $439,436 and accounts receivable and prepaid cash calls due to Traverse of approximately $71,952 at December 31, 2009 (2008 - $nil).

b) Legal services

During 2009, the Company incurred approximately $59,000 (2008 - $nil) in legal services and disbursements with a legal firm in which a director of Traverse is a partner. These transactions were in the normal course of business and are measured at the exchange amount. At December 31, 2009 accounts payable and accrued liabilities include $14,991 (2008 - $nil) to the legal firm.

8. Supplemental cash flow information

	2009	2008
Income tax paid	$ 136,611	$ -

9. Financial and capital risk management

The Company carries a number of financial instruments, such as cash, accounts receivable and accounts payable. The fair value of these instruments approximates their carrying value due to their short terms to maturity.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from joint venture partners and petroleum and natural gas marketers. Virtually all of Traverse's accounts receivable are from counterparties in the oil and gas industry and are subject to normal industry credit risks. During the year ended December 31, 2009 there was no impairment provision required of any of the financial assets of the Company due to the historical success of collecting receivables. At December 31, 2009 approximately $3,500 or 3% of the Company's accounts receivable were outstanding for over 90 days. The Company does not have any significant credit risk exposure to any single counterparty.

b) Market risk

Market risk is the risk that changes in market prices, such as currency risk, commodity price risk and interest rate risk will affect the Company's net earnings, future cash flows or the fair value of its assets and liabilities. Although the Company generally does not sell or transact in foreign currency, the United States dollar influences the price of petroleum and natural gas sold in Canada. Commodity prices for crude oil, natural gas liquids and natural gas are also impacted by political events, meteorological conditions, disruptions in supply and changes in demand. The Company currently has no financial derivative sale contracts or physical sale contracts in place. The Company currently has no interest bearing debt and is therefore not subject to interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on the balance sheet consist of accounts payable. The Company anticipates that it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows and existing cash.

d) Capital risk management

Traverse considers its current capital structure to include shareholders' equity and working capital. The Company's objective in managing its capital structure is to maintain financial flexibility through periods of market fluctuations and to sustain the future development of the business. The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to maintain the capital structure, the Company may from time to time issue shares, adjust its capital spending or consider utilizing credit. The Company monitors its working capital in order to assess capital and operating efficiency.

The Company is not subject to any externally imposed capital requirements. During 2009, the Company's strategy in managing its capital was unchanged.