MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE YEAR ENDED

DECEMBER 31, 2011

This management's discussion and analysis ("MD&A") dated April 23, 2012 should be read in conjunction with the audited financial statements and accompanying notes of Traverse Energy Ltd. ("Traverse" or "the Company") as at and for the year ended December 31, 2011 and 2010. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The reporting and measurement currency is the Canadian dollar. Additional information relating to the Company, including Traverse's Annual Information Form, is available on SEDAR at www.sedar.com.

Description of the Company

Traverse Energy Ltd. is an oil and gas exploration, development and production company based in Calgary, Alberta, Canada. Traverse conducts its operations in the province of Alberta. The common shares of Traverse trade on the TSX Venture Exchange under the symbol “TVL”. In June 2009 the Company changed its name to Traverse (previously Firstland Energy Limited) and began operations under a new management group.

Non-GAAP measures

The MD&A contains terms that are not considered measures under IFRS, such as funds flow from operations and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and stakeholders. Funds flow from operations is calculated as cash flow from operations before non-cash working capital and decommissioning expenditures as detailed under the heading "Funds flow from operations". Management believes that in addition to net loss, funds flow from operations is a useful supplemental measure as it provides an indication of Traverse’s operating performance. Operating netback reflects petroleum and natural gas revenues less royalties, operating and transportation costs and is calculated on a per unit basis. Investors should be cautioned, however, that these measures may not be comparable to measures reported by other companies nor should they be construed as an alternative to cash flow from operations or other measures of financial performance calculated in accordance with IFRS.

BOE presentation

Where amounts are expressed on a barrel of oil equivalent basis (BOE), natural gas volumes have been converted to BOE using a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. BOE figures may be misleading, particularly if used in isolation.

Forward-looking information

This MD&A contains forward-looking information. Forward-looking information is based upon the opinions, expectations and estimates of management as at the date the information is provided and, in some cases, information received from or disseminated by third parties. In particular, the Company’s statements with respect to scheduled exploratory drilling in the Turin area; production rates and recoverable reserves from Pekisko horizontal wells being projected to be more economic; volatility in commodity markets impacting realized prices in 2012; the range of operating costs; and intentions for funding capital expenditures during 2012 are forward-looking information. This forward-looking information is subject to a variety of substantial known and unknown risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking information. The Company’s Annual Information Form filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describes the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

The forward-looking information contained in this MD&A is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

	Three months ended December 31 (unaudited)		Year ended December 31	
HIGHLIGHTS	**2011**	**2010**	**2011**	**2010**
Financial *($ thousands, except per share amounts)*				
Petroleum and natural gas revenue	**1,569**	1,136	**4,561**	2,118
Funds flow from operations	**936**	636	**2,398**	795
Per share - basic and diluted	**0.02**	0.02	**0.07**	0.03
Cash flow from operations (including changes in working capital)	**814**	244	**2,358**	487
Per share - basic and diluted	**0.02**	0.01	**0.06**	0.02
Net loss	**(584)**	(2,709)	**(1,822)**	(3,535)
Per share - basic and diluted	**(0.01)**	(0.09)	**(0.05)**	(0.13)
Capital expenditures, net of dispositions	**3,279**	3,570	**10,408**	7,970
Total assets	**19,781**	12,035	**19,781**	12,035
Working capital	**2,532**	2,358	**2,532**	2,358
Common shares				
Outstanding *(millions)*	**42.2**	31.9	**42.2**	31.9
Weighted average *(millions)*	**40.3**	30.1	**36.5**	27.4
Operations *(units as noted)*				
Average production				
Natural gas *(mcf/day)*	**424**	423	**420**	370
Oil and NGL *(bbls/day)*	**172**	143	**127**	59
Total (BOE/day)	**243**	214	**197**	121
Average sales price				
Natural gas *($/mcf)*	**3.28**	3.73	**3.82**	3.91
Oil and NGL *($/bbl)*	**91.07**	75.10	**85.90**	73.46
Netback per BOE *($/BOE)*				
Petroleum and natural gas revenue	**70.27**	57.73	**63.50**	47.98
Royalties	**5.54**	2.71	**4.08**	2.18
Operating costs	**13.19**	12.59	**13.62**	12.72
Transportation costs	**1.15**	1.76	**1.61**	1.63
Operating netback	**50.39**	40.67	**44.19**	31.45

Operations review

In 2011 Traverse participated in the drilling of 5 gross (4.93 net) wells all within the province of Alberta. This drilling resulted in 3.93 net oil wells and 1 net suspended potential natural gas well. Traverse acquired 46,200 net acres of undeveloped land in 2011, all within the province of Alberta. At December 31, 2011 undeveloped land holdings totalled 155,600 gross (152,200 net) acres.

In the Turin area, production increased with the addition of 2 net oil wells and the expansion of the natural gas sweetening unit. Further expansion of the Turin battery was completed in the first quarter of 2012 with the addition of an injection facility for water disposal and the addition of a treater capable of handling up to 2,500 barrels of fluid per day. Future drilling in the Turin area can now be accommodated at the facility without further expansion. One net natural gas well resulted from the current drilling program, however the well is suspended until the economics for gas production improve. Traverse's land holdings in the area total 9,555 gross (9,104 net) acres. The majority of recently acquired land in the area is exploratory and will require further evaluation. Seismic surveys (2D and 3D) shot during the first quarter of 2012 resulted in a number of new exploration targets. Several exploratory wells are scheduled to be drilled in the second quarter of 2012.

In the Alliance area, Traverse drilled one horizontal well (0.93 net) in June targeting Viking oil. A 1,075 meter horizontal leg was drilled, completed and tied-in. The well was placed on production in early August with initial rates of 50 BOE/d (90% oil). The well continues to produce at a rate of approximately 30 BOE/d (75% oil). An application has been approved by the ERCB to allow for an additional horizontal well to be drilled on the 320 acre spacing unit.

During the second quarter of 2011 Traverse placed a 100% working interest vertical Pekisko oil well on production in the Carbon area. The well produced at low oil rates with associated natural gas and has subsequently been suspended due to low gas prices. The well confirms the existence of oil within the Pekisko zone which appears to be uneconomic in vertical wells. Production rates and recoverable reserves from horizontal Pekisko wells are projected to be more economic. Traverse drilled a horizontal well targeting Pekisko oil during the fourth quarter of 2011. The well was projected to drill a 1,000 meter horizontal section in the Pekisko formation but was completed in a 450 meter open hole section. The well was placed on production in January 2012 and is currently producing 45 BOE/d (30% oil). Traverse’s land holdings in the Carbon area total 12,200 acres at a 100% working interest.

In the Brazeau area of West Central Alberta, an industry partner commenced production in September from three horizontal Cardium wells in which the Company has a gross overriding royalty interest and a fourth well commenced production in November. Traverse's royalty is 5 to 10 percent on oil, dependent on production rates, and 10 percent on natural gas and associated liquids in 10 sections (6,400 acres). The operator has recently drilled five additional wells on the Traverse lands. By the end of the first quarter of 2012, the five additional wells were placed on production. The production from this property is light oil with associated natural gas and natural gas liquids. The March 2012 oil production was 125 BOE/d net to Traverse. This is a high net back property for Traverse.

	Three months ended December 31,		Year ended December 31,	
Production	2011	2010	2011	2010
Average production (including royalty interests)				
Natural gas *(mcf/day)*	424	423	420	370
Crude oil *(bbls/day)*	172	143	127	59
Total *(BOE/day)*	243	214	197	121
Natural gas % of production	29%	33%	36%	51%
Crude oil % of production	71%	67%	64%	49%

Production increased 63% to 197 BOE per day in 2011 (64% oil) compared to 121 BOE per day in 2010 (49% oil). New production was added during the second half of 2011 from Company drilling at Alliance and Turin and new royalty production volumes in the Brazeau area. All of the new production is oil related. Production in the fourth quarter of 2011 averaged 243 BOE per day (71% oil) compared to 214 BOE per day (67% oil) in the same period of 2010 due mainly to new production from the Alliance and Brazeau areas.

	Three months ended December 31,		Year ended December 31,	
Production by area (BOE/day)	2011	2010	2011	2010
Alliance	40	-	17	-
Brazeau	55	-	17	-
Carbon	6	-	2	-
Long Coulee	25	109	54	27
Turin	73	43	61	29
Minor	44	62	46	65
Total BOE per day	243	214	197	121
% of BOE/day				
Royalty	31%	14%	20%	25%
Working interest	69%	86%	80%	75%

Prior to 2010, the Company's production consisted mainly of natural gas royalty income. The contribution of royalty production to total production decreased during 2010 and the first six months of 2011 as no new royalty production was added. During the third quarter of 2011, new royalty production was added from oil wells in the Brazeau area. This increased the royalty percentage of total production for the fourth quarter of 2011 to 31% compared to 14% in the 2010 period. Royalty production will continue to increase in 2012 as additional royalty wells commence production.

In January 2011 the Company completed the disposition of a small, non-operated oil property consisting of 5 gross (1.2 net) oil wells for approximately $180,000 and the assumption of existing decommissioning obligations on the property. Production from the property averaged less than 5 BOE per day in 2010. As a result of the sale, the Company recorded a gain on sale of $21,196.

	Three months ended December 31,		Year ended December 31,	
Pricing	2011	2010	2011	2010
Average sales price				
Natural gas *($/mcf)*	$ 3.28	$ 3.73	$ 3.82	$ 3.91
Crude oil *($/bbl)*	$ 91.07	$ 75.10	$ 85.90	$ 73.46
Total *($/BOE)*	$ 70.27	$ 57.73	$ 63.50	$ 47.98

The average BOE sales price received during 2011 increased 33% from 2010. Crude oil prices increased 17% while natural gas prices received declined 2%. Crude oil prices have also impacted the average BOE price due to the increase in crude oil (64% in 2011 versus 49% in 2010) in the Company's production mix. Volatility in the commodity markets will continue to impact realized prices in 2012. Traverse currently has no commodity price risk management program in place due to the small volumes of production.

The average sales price for the fourth quarter of 2011 increased 22% compared to the 2010 period and 18% over the third quarter of 2011. Oil prices increased 22% from the 2010 fourth quarter to the fourth quarter of 2011 while natural gas prices declined 12%.

	Three months ended December 31,		Year ended December 31,	
Petroleum and natural gas revenue	2011	2010	2011	2010
Petroleum and natural gas revenue by source				
Production income	$ 1,035,097	$ 1,052,551	$ 3,730,777	$ 1,760,573
Royalty income	534,380	83,347	830,159	357,832
Total	$ 1,569,477	$ 1,135,898	$ 4,560,936	$ 2,118,405
Petroleum and natural gas revenue by commodity				
Oil	$ 1,441,366	$ 990,933	$ 3,975,723	$ 1,591,288
Natural gas	128,111	144,965	585,213	527,117
Total	$ 1,569,477	$ 1,135,898	$ 4,560,936	$ 2,118,405

Petroleum and natural gas revenue in 2011 increased 116% from 2010 due to oil production volume increases, increased oil pricing and a higher weighting to the higher valued oil production. Traverse's fourth quarter petroleum and natural gas revenue increased 39% over the comparable period in 2010 and 42% over the third quarter of 2011. Royalty income increased in 2011 due to the addition of new oil overriding royalty production at Brazeau.

	Three months ended December 31,		Year ended December 31,	
Royalties	2011	2010	2011	2010
Royalties *($)*	$ 123,745	$ 53,303	$ 293,329	$ 96,117
Royalties *(% of revenue)*	7.9%	4.7%	6.5%	4.6%
Royalties *(per BOE)*	$ 5.54	$ 2.71	$ 4.08	$ 2.18

Royalties have increased in 2011 as compared to 2010 due mainly to the expiry of the new well incentive program on wells placed on production in 2010. New working interest production consists mainly of Crown lands which benefit from the new well incentive program providing for a maximum 5% royalty rate for the first year of production.

Royalties increased in the fourth quarter of 2011 compared to both the 2010 period and the third quarter of 2011 as a result of the expiry of the first year crown royalty rate on existing production at Long Coulee. The impact of this increase was diluted by the addition of new royalty production.

Operating and transportation costs

Operating and transportation costs increased to $15.23 per BOE in 2011 compared to $14.35 per BOE in 2010 as a result of costs associated with new production mitigated by increasing royalty volumes which do not incur operating costs. New production added during the third quarter was accompanied by significant water volumes resulting in increased operating costs. In the first quarter of 2012, Traverse expanded the Turin facility to include treatment and water disposal.

Operating and transportation costs for the fourth quarter of 2011 were $14.34 per BOE compared to $14.35 in the 2010 period. Operating costs are anticipated to remain in this range as future drilling is planned on the same or similar properties.

	Year ended December 31			
	2011		2010	
Operating netbacks	$	Per BOE	$	Per BOE
Petroleum and natural gas revenue	$ 4,560,936	$ 63.50	$ 2,118,405	$ 47.98
Royalties	293,329	4.08	96,117	2.18
Operating and transportation	1,093,610	15.23	633,577	14.35
Operating netback	$ 3,173,997	$ 44.19	$ 1,388,711	$ 31.45

The operating netback in 2011 increased 129% to $3.2 million compared to $1.4 million in 2010 due to increased oil production and prices partially offset by increases in royalties and operating costs. On a per unit basis, operating netbacks increased 40% to $44.19 per BOE in 2011 compared to $31.45 per BOE in 2010. The operating netback for the fourth quarter of 2011 was $50.39 per BOE compared to $40.67 in the final quarter of 2010 and $37.88 in the third quarter of 2011 due mainly to the increased oil royalty volumes in the fourth quarter of 2011.

	Three months ended December 31,		Year ended December 31,	
General and administrative	2011	2010	2011	2010
General and administrative costs - gross	$ 246,819	$ 245,706	$ 975,572	$ 794,811
Operator recoveries	51,136	74,420	170,196	183,131
General and administrative costs - net	$ 195,683	$ 171,286	$ 805,376	$ 611,680
$/BOE				
General and administrative costs - gross	$ 11.05	$ 12.49	$ 13.58	$ 18.00
Operator recoveries	$ 2.29	$ 3.78	$ 2.37	$ 4.15
General and administrative costs - net	$ 8.76	$ 8.71	$ 11.21	$ 13.85

Gross general and administrative costs increased in 2011 due to increasing operations and the conversion to IFRS but are declining on a BOE basis due to increasing production. Net general and administrative costs on a BOE basis were comparable between the final quarter of 2011 and 2010.

Share based compensation

Share based compensation expense of $357,994 relates to the vesting of options granted to consultants in the fall of 2010 and a new grant of options to directors, officers and consultants in September 2011.

Exploration and evaluation expense

Exploration and evaluation ("E&E") expenses result from impairment of E&E assets, unsuccessful E&E costs and the expiry of undeveloped lands. In 2011 Traverse recorded $2.4 million of E&E expense (2010 - $2.8 million) related to impairments on current drilling projects, the costs associated with a re-entry of an existing Turin wellbore and the impairment of land costs related to pending expiries.

Drilling and completion costs associated with the drilling of 3 oil wells in 2011 were impaired at the time the wells were placed on production as current reserve estimates indicate that the full amount of the expenditures will not be recoverable. The costs associated with the re-entry of a Turin wellbore in 2010 were impaired in the current year as it was determined that the wellbore was not suitable for water injection purposes. Pending expiries of land within natural gas project areas were also impaired as Traverse does not plan to pursue these projects before expiry.

E&E expense in 2010 resulted from unsuccessful exploration at Manyberries in the fourth quarter of the year as well as the deferral of a natural gas project at Warwick.

Depletion and depreciation

Traverse depletes its developed oil and natural gas properties based on proved and probable reserves. The calculation of depletion expense includes future development costs related to these reserves of $1,163,000 at December 31, 2011 (2010 - $743,000) and excluded $295,000 (2010 - $nil) for estimated salvage values. The majority of the future development costs at December 31, 2011 related to the Turin facility expansion and the tie-in of a well at Carbon and have been incurred in the first quarter of 2012.

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Depletion and depreciation	$ 477,781	$ 512,462	$ 1,631,066	$ 1,235,164
Impairment on property and equipment	-	761,899	-	761,899
Total depletion and depreciation expense	$ 477,781	$ 1,274,361	$ 1,631,066	$ 1,997,063
Depletion and depreciation per BOE	$ 21.39	$ 26.12	$ 22.71	$ 27.98
Impairment per BOE	$ -	$ 38.72	$ -	$ 17.26
Total depletion and depreciation expense per BOE	$ 21.39	$ 64.84	$ 22.71	$ 45.24

Depletion and depreciation expense, before impairment, was $22.71 per BOE in 2011 compared to $27.98 per BOE in 2010. This decrease results from the addition of lower cost reserve additions in 2011 as well as the impact of the 2010 impairment on 2011 depletion. In the fourth quarter of 2010, an impairment charge was recognized as a result of continued decreases in natural gas prices and the impact on the fair value to the Company's minor cash generating unit (CGU). The minor CGU is composed mainly of overriding royalty gas interests. The impairment loss may be reversed in the future if facts and circumstances change. At December 31, 2011 impairment testing of CGUs did not result in any impairment or reversal of previous impairment.

Finance income and costs

Finance income consists of interest earned on cash balances during the year. Finance income increased in 2011 to $29,707 from $18,201 in 2010 due to a higher average daily cash balance and a small increase in the effective interest rate. Finance costs is composed of the accretion of decommissioning liabilities.

Income taxes and net loss

A loss before income taxes of $2.0 million in 2011 resulted as gains in production and pricing were more than offset by exploration and evaluation expense. The 2011 loss before income taxes has decreased compared to the 2010 period due to the increased operating netback, reduced E&E expense, and reduced depletion and depreciation expense.

A deferred income tax recovery of $177,441 has been recorded for 2011 composed of a recovery of deferred tax due to the current loss and a deferred income tax expense relating to flow-through share expenditures. A premium is recognized on the issue of flow-through shares representing the difference in price over a common share with no tax attributes. This premium is set up as a liability on the statement of financial position and is reclassified to deferred income tax liability as the expenditures are incurred. To the extent that the Company's effective tax rate on the incurred expenditures exceeds this premium, a deferred income tax expense is recognized. During the year the Company incurred approximately $3.6 million of qualifying expenditures related to the flow-through issues completed in December 2010 and May 2011. The Company's expected tax rate on these expenditures is 25%. The difference of approximately 10% between the Company's expected tax rate and the premium realized on the flow-through share issue results in additional deferred income tax expense of $372,790.

After income taxes, a net loss of $1,821,953 has been recorded for 2011 compared to a net loss of $3,535,117 in the comparable period. Net loss per share was $0.05 in 2011 compared to $0.13 in 2010.

Shareholders' equity

As at April 23, 2012 total common shares outstanding are 42,209,911 and total common share options outstanding are 3,525,000. The weighted average number of shares outstanding during 2011 increased 33% to 36,451,924 from 27,409,689 in 2010 due to private placements completed in both 2010 and 2011.

In June 2010 the Company completed a private placement of 2,135,000 units at a price of $1.30 per unit for gross proceeds of $2,775,500. Each unit consisted of one common share at $0.60 and one flow-through common share at $0.70. The Company has incurred the required qualifying expenditures of $1,494,500. Directors and officers of the Company subscribed for 317,400 units for consideration of $412,620.

In December 2010 the Company completed a private placement of 2,500,000 flow-through common shares at a price of $0.95 per common share for gross proceeds of $2,375,000. The Company has incurred the required qualifying expenditures. Directors and officers of the Company subscribed for 233,300 flow-through common shares for consideration of $221,635.

In May 2011 the Company completed a private placement of both common and flow-through common shares. Common shares were issued at $0.80 per share, flow-through common shares eligible for Canadian exploration expenses were issued at $0.95 per share and flow-through common shares eligible for Canadian development expenses were issued at $0.87 per share. A total of 6,531,128 common shares were issued for gross proceeds of $5,574,593. Of this amount, 2,637,939 common shares were issued on a flow-through basis for gross proceeds of $2,460,042. Directors and officers of the Company subscribed for 305,000 common shares for gross proceeds of $263,125. The Company has incurred the required qualifying expenditures.

In November 2011 the Company completed a private placement of both common and flow-through common shares. Common shares were issued at $0.70 per share and flow-through common shares eligible for Canadian exploration expense were issued at $0.80 per share. A total of 3,725,450 common shares were issued for gross proceeds of $2,921,260. Of this amount, 3,134,450 common shares were issued on a flow-through basis for gross proceeds of $2,507,560. Directors and officers of the Company subscribed for 542,500 common shares for gross proceeds of $419,000. The obligation remaining for this flow through issue at December 31, 2011 was $2,507,560.

Funds flow from operations

Funds flow from operations increased to approximately $2.4 million in 2011 ($0.07 per share) compared to $0.8 million in 2010 ($0.03 per share) due mainly to increased oil production. Fourth quarter funds flow from operations increased to $935,543 from the third quarter of 2011 ($600,439) due mainly to increased royalty oil production.

The following table reconciles cash flow from operating activities to funds flow from operations for the periods noted:

	Three months ended December 31 (unaudited)		Year ended December 31	
	2011	**2010**	**2011**	**2010**
Cash flow from operating activities	$ 814,045	$ 243,658	$ 2,357,695	$ 486,889
Decommissioning expenditures	-	49,000	-	49,000
Change in non-cash working capital	121,498	343,109	40,633	259,343
Funds flow from operations	$ 935,543	$ 635,767	$ 2,398,328	$ 795,232

Liquidity and capital resources

The Company incurred $10.4 million in expenditures during 2011 in the following categories: 11% land acquisition and retention, 6% geological and geophysical, 68% drilling and completions and 15% on facilities. In 2011 Traverse acquired 46,200 net acres of land and acquired seismic in the Carbon, Long Coulee and Turin areas. Traverse drilled 5 gross (4.9 net) wells in 2011 consisting of three wells at Turin and one well in each of the Alliance and Carbon areas.

	Three months ended December 31,		Year ended December 31,	
Capital expenditures	2011	2010	2011	2010
Land acquisition and rentals	$ 166,865	$ 206,350	$ 1,175,524	$ 915,589
Geological and geophysical	108,986	199,993	579,599	611,829
Drilling and completions	2,500,449	2,348,895	7,299,214	5,060,623
Equipping and facilities	501,634	919,577	1,644,050	2,202,561
Exploration and development capital	3,277,934	3,674,815	10,698,387	8,790,602
Corporate assets	1,245	(14,250)	64,156	24,398
Net property dispositions	-	90,883	354,307	844,650
Total capital expenditures	$ 3,279,179	$ 3,569,682	$ 10,408,236	$ 7,970,350

At December 31, 2011 Traverse had working capital of approximately $2.5 million and no debt outstanding. The Company intends to fund capital expenditures and commitments during 2012 with a combination of cash flow and working capital. New equity issues and debt may be used to expand future capital expenditures where appropriate.

Related party transactions

During the 2011, office expenses of approximately $131,000 (2010 - $154,000) were paid to a company controlled by two directors of the Company. These transactions were in the normal course of business and on terms consistent with parties dealing at arm's length. At December 31, 2011 Traverse had an amount of $nil (2010 - $107,000) included within prepaid expenses and deposits relating to the office expenses.

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 the year ended December 31, 2011, the aggregate value of transactions entered into between Traverse and these entities was approximately $401,000 (2010 - $1,775,000). Traverse had outstanding payables to the related parties of $121,000 (2010 - $84,000) and accounts receivable due to Traverse of $nil at December 31, 2011 (2010 - $55,000).

Commitment

In March 2011 Traverse entered into an operating lease for office premises beginning on November 1, 2011 and expiring on October 31, 2021. The annual payments under this commitment are approximately as follows:

Year	Annual amount
2012	$ 196,900
2013	$ 199,100
2014 and 2015	$ 210,400
2016	$ 212,600
2017	$ 223,900
2018	$ 226,100
2019 and 2020	$ 237,400
2021	$ 197,800

Summary of quarterly results

($ thousands, except per share amounts)
(unaudited)

Quarter ended	December 31 2011	September 30 2011	June 30 2011	March 31 2011
Petroleum and natural gas sales	1,569	1,105	903	984
Net loss	(584)	(1,079)	(152)	(7)
Per share - basic and diluted	(0.01)	(0.04)	0.00	0.00
Working capital	2,532	2,059	4,314	1,924
Shareholders' equity	15,375	13,397	14,179	9,274
Production (BOE/d)	243	202	155	187
Capital expenditures	3,279	2,836	3,415	878

Quarter ended	December 31 2010 (1)	September 30 2010 (1)	June 30 2010 (1)	March 31 2010 (1)
Petroleum and natural gas sales	1,136	346	345	291
Net loss	(2,709)	(478)	(232)	(116)
Per share - basic and diluted	(0.09)	(0.02)	(0.01)	(0.01)
Working capital	2,358	3,045	4,274	2,243
Shareholders' equity	9,230	9,987	10,252	9,810
Production (BOE/d)	214	103	100	66
Capital expenditures	3,569	1,314	739	2,348

(1) As restated under IFRS

In 2010 production volumes and revenues increased as a result of drilling activities. Losses continued throughout the year due mainly to higher depletion expenses. In the final quarter of 2010 exploration and evaluation expense of approximately $2.8 million was recorded due to unsuccessful exploration at Manyberries and the suspension of activity in the natural gas project at Warwick due to declining commodity prices. Additional impairment of $0.8 million was included in depletion relating to impairment of the Company's gas producing properties due to natural gas prices.

In 2011 production volumes and revenue initially declined as no new production was added. In the third quarter of 2011 new production commenced from 2011 drilling activities as well as new oil royalty production and revenue began increasing. The net loss increased in the third and fourth quarter of 2011 due to impairments recognized on exploration and evaluation assets relating to pending land expiries, limitations on recoverable amounts and an unsuccessful re-entry well.

Change in accounting policies

Prior to 2011, Traverse prepared its financial statements under Canadian Generally Accepted Accounting Principles ("GAAP"). Effective January 1, 2011 Canadian public companies were required to adopt International Financial Reporting Standards ("IFRS"). The Company's financial statements for the year December 31, 2011, including comparative amounts, have been prepared on an IFRS basis. The date of the transition to IFRS was January 1, 2010, being the start of the earliest period of comparative information.In order to explain how Traverse's reported performance, financial position and accounting policies are affected by the changeover to IFRS, information previously reported for 2010 under Canadian GAAP has been restated under IFRS with reconciliations provided in note 17 to the financial statements at December 31, 2011.

Recent accounting pronouncements

The International Accounting Standards Board ("IASB") regularly issues new and revised accounting pronouncements which have future effective dates and therefore are not reflected in the Company's financial statements. Once adopted, these new and amended pronouncements may have an impact on the Company's financial statements. As of January 1, 2013 the Company will be required to adopt the following standards as issued by the IASB. The Company is evaluating the impact, if any, that these standards may have on its financial statements.

- IFRS 10 *Consolidated Financial Statements*
  This standard supercedes IAS-27 *Consolidation and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities* and provides a single model to be applied in control analysis for all investees including special purpose entities.

- IFRS 11 *Joint Arrangements*
  This standard divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting.

- IFRS 12 *Disclosure of Interests in Other Entities*
  This standard combines into a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities.

- IFRS 13 *Fair Value Measurement*
  This standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In November 2009, the IASB issued IFRS 9 *Financial Instruments* with amendments published in October 2011. In December 2011, the IASB published an additional amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015. This new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. The Company does not expect IFRS 9 to have a material impact on its financial statements based on the financial assets held at this time. The Company is currently not anticipating early adopting the new standard.

Selected annual information

($ thousands, except per share amounts)

Year ended December 31	2011	2010	2009 [1]
Petroleum and natural gas sales	$ 4,561	$ 2,118	$ 547
Cash flow from operations	2,358	487	(250)
Funds flow from operations	2,398	795	128
Per share - basic and diluted	0.07	0.03	0.01
Net loss	(1,822)	(3,535)	(722)
Per share - basic and diluted	(0.05)	(0.13)	(0.04)
Daily production	197	121	48
Total Assets	19,781	12,035	14,177
Total Non-current liabilities	1,738	1,127	859

[1] The results for 2009 have not been adjusted for IFRS and reflect the results in accordance with the previous GAAP.

2009 was a year of transition for the Company. Historically the Company's business model was based on acquiring undeveloped land holdings in under developed areas of Alberta and then entering into farm-out arrangements with industry partners where the partners contributed seismic and/or drilling in exchange for an interest in those lands. After successful exploration, the Company would in some cases participate in lower risk development activities.

In June 2009, new management was appointed and the Company changed its name to Traverse Energy Ltd. and began planning to actively participate in exploration and development activities. During the third quarter of 2009 Traverse's existing asset base was evaluated by the new management and preparations were made to begin a new capital program. In the fourth quarter of 2009 new lands and seismic were acquired and late in the quarter, drilling commenced. No new production volumes were added in 2009.

In 2010 Traverse participated in the drilling of 10 gross (9.25 net) wells all within the province of Alberta. Petroleum and natural gas sales, cash flow from operations, funds flow from operations and daily production all increased as a result of successful drilling. No new royalty production was added in 2010. The net loss increased as a result of the expense recognized relating to unsuccessful drilling and impairment of natural gas projects due to the decline in natural gas pricing.

In 2011 petroleum and natural gas sales, cash flow from operations, funds flow from operations and daily production all increased as a result of both Company drilling and industry drilling on Company owned lands. Increases in production, both working interest and royalty, have originated in oil projects which have higher netback than natural gas. This has resulted in the commodity mix moving towards more oil and has increased the overall Company netbacks, revenues and funds from operations. A net loss resulted in 2011 due to the impairment of current year drilling and completion costs related to 3 wells where current reserve estimates indicate that the full amount of expenditures will not be recoverable. In addition, Traverse expensed the costs associated with an unsuccessful re-entry and impaired costs associated with the pending expiry of lands in natural gas project areas.

Business environment and risk

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Traverse’s operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, interest rate and foreign exchange risks, competition and government regulations – all of these govern the business and influence the controls and management at the Company.

Traverse manages these risks by attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company, operating properties in order to maximize opportunities, maintaining a strong financial position and maintaining strict environmental, safety and health practices.