Traverse Energy Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE MONTHS ENDED

MARCH 31, 2011

This management's discussion and analysis ("MD&A") dated June 20, 2011 should be read in conjunction with the unaudited interim financial statements and accompanying notes of Traverse Energy Ltd. ("Traverse" or "the Company") as at and for the three months ended March 31, 2011 and the audited financial statements and related notes for the year ended December 31, 2010. The interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Previously the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("previous GAAP"). The adoption of IFRS has not had an impact on the Company's operations, strategic decisions or cash flow from operations before changes in non-cash working capital. The reporting and measurement currency of Traverse 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 a Calgary based resource company engaged in the exploration for, and the development and production of natural gas, natural gas liquids and crude oil in Western Canada. 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-IFRS 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. The reconciliation between cash flow from operations and funds flow from operations can be found in the statement of cash flows in the financial statements with funds flow from operations calculated before non-cash working capital and decommissioning expenditures. 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 volatility in commodity markets, increasing royalties, the range of operating costs, declining general and administrative costs and intentions for funding capital expenditures 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.

HIGHLIGHTS	Three months ended		
(unaudited)	**March 31, 2011**	Dec. 31, 2010	March 31,2010
Financial *($ thousands, except per share amounts)*			
Petroleum and natural gas revenue	**984**	1,136	291
Funds flow from operations *	**404**	636	33
Per share - basic and diluted	**0.01**	0.02	0.00
Cash flow from operations	**768**	244	(57)
(including changes in working capital)			
Per share - basic and diluted	**0.02**	0.01	0.00
Net loss	**(7)**	(2,709)	(116)
Per share - basic and diluted	**0.00**	(0.09)	(0.00)
Capital expenditures, net of dispositions	**878**	3,569	2,348
Total assets	**10,960**	12,035	9,810
Working capital	**1,924**	2,358	2,243
Common shares			
Outstanding *(millions)*	**32.0**	32	25.0
Weighted average *(millions)*	**31.9**	30	25.0
Operations *(units as noted)*			
Average production			
Natural gas *(mcf/day)*	**403**	423	230
Oil and NGL *(bbls/day)*	**120**	143	27
Total (BOE/day)	**187**	214	66
Average sales price			
Natural gas *($/mcf)*	**3.96**	3.73	5.09
Oil and NGL *($/bbl)*	**78.02**	75.10	75.84
Netback per BOE *($/BOE)*			
Petroleum and natural gas revenue	**58.50**	57.73	49.34
Royalties	**3.25**	2.71	1.23
Operating	**12.20**	12.59	12.29
Transportation	**1.56**	1.76	1.25
Operating netback	**41.49**	40.67	34.57

* *Management uses funds flow from operations (before changes in non-cash working capital and decommissioning expenditures) to analyze operating performance. Funds flow from operations does not have any standardized meaning presribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.*

Operations review

Traverse plans an active 2011. Activities include 7-10 wells and 3D seismic shooting within an initial budget of $8-9 million. The Company will largely focus on its' existing light oil properties in central and southern Alberta.

During the first quarter the 100% owned oil well at Carbon was flow tested. Due to the associated natural gas, the well needs to be pipeline connected to nearby infrastructure for further production testing. The tie-in was scheduled immediately after spring break-up. Prolonged wet weather conditions have prevented installation to date. No new wells were drilled during the quarter. Other activities included land acquisition in the Long Coulee and Turin areas, third party seismic purchases, pre-drilling preparations in other areas and equipment expenditures.

Subsequent to the end of the first quarter, Traverse completed the drilling of 2 gross (1.93 net) wells. In the Turin area, 1 net well has been cased as a potential Mannville oil well. Completion and tie-in activities to the Company`s infrastructure and battery site are planned once the current wet weather conditions improve. In the Alliance area, Traverse drilled a 0.93 net well which included a 1075 meter horizontal leg in the Viking zone. Completion operations at the well are suspended due to wet weather and will resume once field conditions improve.

Traverse plans further drilling at Turin, Long Coulee, Carbon, and in several other areas during 2011.

	Three months ended		
	March 31	December 31	March 31
Production	**2011**	2010	2010
Average production (including royalty interests)			
Natural gas *(mcf/day)*	**403**	423	230
Crude oil *(bbls/day)*	**120**	143	27
Total *(BOE/day)*	**187**	214	66
Average production by quarter *(BOE/d)*			
Royalty production	**26**	30	34
Turin	**43**	43	17
Little Bow	**9**	10	5
Warwick	**10**	15	2
Long Coulee	**94**	109	-
Other	**5**	7	8
	187	214	66
% of BOE/d			
Royalty	**14%**	14%	52%
Working interest	**86%**	86%	48%

Production increased 183% to 187 BOE/day in the first quarter of 2011 as compared to the 2010 period. The increased production is due to the 2010 drilling program which resulted in new production at Turin and Long Coulee. Production declined 13% compared to the final quarter of 2010 (214 BOE/d) due to the reduction in flush production at Long Coulee, which commenced in the final quarter of 2010. No new production volumes were added during the first quarter of 2011.

Prior to 2010, the Company's production consisted mainly of natural gas royalty income. The contribution of royalty production to total production has decreased from 52% in the first quarter of 2010 to 14% the first quarter of 2011 due mainly to the Company's drilling activities. Royalty income production has declined from 34 BOE/d in the 2010 period to 26 BOE/d in the 2011 period mainly due to the sale of a royalty interest property in the third quarter of 2010. No new royalty production was added in 2010 or during the first quarter of 2011.

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 bbls/day in 2010. As a result of the sale, the Company recorded a gain on sale of $21,403 in the first quarter.

	Three months ended		
Pricing	March 31 2011	December 31 2010	March 31 2010
Average sales price			
Natural gas *($/mcf)*	3.96	3.73	5.09
Crude oil *($/bbl)*	78.02	75.10	75.84
Total *($/BOE)*	58.50	57.73	49.34

The average BOE sales price received during the first three months of 2011 increased 1% from the last quarter of 2010 and 19% from the first quarter of 2010. Natural gas prices increased 6% in the first quarter of 2011 over the fourth quarter of 2010, but declined 22% compared to the first quarter of 2010. Crude oil prices have increased slightly over the comparative periods but have impacted the average BOE price due to the increase in crude oil in the Company's production mix. Volatility in the commodity markets will continue to impact realized prices in 2011. Traverse currently has no commodity price risk management program in place due to the small volumes of production.

	Three months ended		
Petroleum and natural gas revenue	March 31 2011	December 31 2010	March 31 2010
Petroleum and natural gas revenue by source			
Production income	$ 905,026	$ 1,052,551	$ 167,412
Royalty income	78,677	83,347	123,934
Total	$ 983,703	$ 1,135,898	$ 291,346
Petroleum and natural gas revenue by commodity			
Oil and NGL	$ 840,056	$ 990,933	$ 185,760
Natural gas	143,647	144,965	105,586
Total	$ 983,703	$ 1,135,898	$ 291,346

Petroleum and natural gas revenue for the first quarter of 2011 has increased 238% compared to the first quarter of 2010 due mainly to increased production volumes and the increased proportion of oil production. Revenue has decreased 13% compared to the fourth quarter of 2010 mainly due to decreased oil production.

Royalties

Royalties have increased in the first quarter of 2011 as compared to the 2010 period due to the shift to working interest production from royalty interest production. In the first quarter of 2010, royalty interest production represented 52% of total production but by the first quarter of 2011 this percentage has declined to 14%. New production areas added in 2010 consisted of both Crown and freehold lands. New production from Crown lands benefits from the new well incentive program which provides for a maximum five percent royalty rate for the first year of production. All of the Company's previously owned working interest properties produce at very low rates and as a result pay minimal royalties.

Royalties have increased to $3.25 per BOE in the first quarter of 2011 compared to $2.71 per BOE in the final quarter of 2010. This increase is due to the expiry of the first year royalty rate of 5% on production from the Little Bow and Turin areas. As a result, royalties paid on existing production in these areas will continue to be higher in 2011 then in 2010. Production from the Long Coulee area remains on the 5% royalty until the fall of 2011.

Operating and transportation costs

Operating costs have decreased 3% to $12.20 per BOE in the first quarter of 2011 compared to $12.59 per BOE in the final quarter of 2010. Transportation costs have declined to $1.56 per BOE in the first quarter compared to $1.76 per BOE in the fourth quarter of 2010. Operating costs are anticipated to remain in this range as future drilling is planned on same or similar properties.

	Three months ended		
Operating netbacks	March 31	December 31	March 31
($/BOE)	2011	2010	2010
Petroleum and natural gas revenue	$ 58.50	$ 57.73	$ 49.34
Royalties	3.25	2.71	1.23
Operating	12.20	12.59	12.29
Transportation	1.56	1.76	1.25
Operating netback	$ 41.49	$ 40.67	$ 34.57

Operating netbacks increased from $34.57 per BOE in the first quarter of 2010 to $41.49 per BOE in the first quarter of 2011 due to increased oil production and the increasing proportion of oil production.

	Three months ended		
	March 31	December 31	March 31
General and administrative	2011	2010	2010
General and administrative costs - gross	$ 320,513	$ 245,706	$ 214,516
Operator recoveries	21,632	74,420	40,431
General and administrative costs - net	$ 298,881	$ 171,286	$ 174,085
$/BOE			
General and administrative costs - gross	$ 19.06	$ 12.49	$ 36.33
Operator recoveries	$ 1.29	$ 3.78	$ 6.85
General and administrative costs - net	$ 17.77	$ 8.70	$ 29.49

Gross general and administrative costs have increased approximately $75,000 in the first quarter of 2011 compared to the final quarter of 2010 due to first quarter expenses associated with the 2010 audit, the external engineering report and the conversion to IFRS. In addition to these increases the Company has added additional staff since the first quarter of 2010. Operator recoveries declined in the first quarter of 2011 in accordance with reduced operated capital expenditures in the quarter. General and administrative costs are anticipated to decline on a BOE basis for the remainder of 2011.

Share based compensation

Share based compensation expense of $10,411 in the first quarter relates to the vesting of options granted under the Company's stock option plan. Additional details on the stock option plan are available in the notes to both the interim and audited financial statements.

Depletion and depreciation

As a result of conversion to IFRS, Traverse now depletes its developed oil and natural gas properties based on its proved and probable reserves as opposed to proved reserves under the previous GAAP. The calculation of depletion expense includes future development costs related to proved and probable reserves of $393,204 at March 31, 2011. For the first quarter of 2011, depletion expense was $21.77 per BOE compared to $25.38 per BOE in the first quarter of 2010.

Finance income and costs

Finance income consists of interest earned on cash balances during the quarter. Finance costs is composed of the accretion of decommissioning liabilities which, under previous GAAP, was classified with depletion and depreciation for financial statement purposes.

Income taxes and net loss

First quarter operations in 2011 generated income before income taxes of $44,556 compared to a loss before income taxes of $130,425 in the first quarter of 2010 due to increases in net production income partially offset by additional general and administrative expenses.

A deferred income tax expense of $51,780 has been recorded in the first quarter of 2011 composed of deferred tax on income of $10,630 and deferred income tax relating to flow-through share expenditures. Under IFRS 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 quarter the Company incurred $430,000 of qualifying expenditures related to the flow-through issue completed in December 2010. The Company's expected tax rate on these expenditures is 25.4% and the premium recognized on issuance of the flow-through shares was 15.8%. This difference of approximately 9.6% on the incurred expenditures in the first quarter of 2011 results in additional deferred income tax expense of $41,150.

After income taxes, a net loss of $7,224 has been recorded for the first quarter of 2011 compared to a net loss of $116,445 in the comparable period. Net loss per share was $0.0002 in the 2011 first quarter compared to $0.0047 in the 2010 period.

Shareholders' equity

As at June 20, 2011 total common shares outstanding are 38,384,461 and total common share options outstanding are 2,525,000. The weighted average number of shares outstanding during the first quarter of 2011 increased 28% to 31,903,333 from 24,965,555 in the 2010 period due to private placements completed in 2010.

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. 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 flow-through commitment remaining for these private placements at March 31, 2011 was $720,000.

In May 2011 the Company completed a private placement of both common and flow-through common shares. 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.

Funds flow from operations

Funds flow from operations increased to $404,333 in the first quarter of 2011 compared to $32,514 in the first quarter of 2010 due mainly to increased oil production. Funds flow from operations in the first quarter of 2011 decreased from the final quarter of 2010 ($635,766) due to decreased oil production and increased general and administrative expenses. As finance income currently consists of interest income earned on cash balances, Traverse has chosen to continue classifying this income under operating activities and as a result the conversion to IFRS has not resulted in a change to cash flow from operations as reported under previous GAAP.

Liquidity and capital resources

During the first quarter of 2011 the Company incurred expenditures in the following categories: 27% land acquisition and retention, 30% geological and geophysical, 39% drilling and completions and 4% on facilities. No wells were drilled during the first quarter due to field conditions and equipment availability. Completion operations were performed at Carbon and the well is scheduled for tie in by the third quarter. Geological and geophysical activities were undertaken in the Carbon, Long Coulee and Turin areas.

	Three months ended	
Capital expenditures	March 31 2011	March 31 2010
Land acquisition and rentals	290,271	250,665
Geological and geophysical	314,758	210,041
Drilling and completions	407,236	1,352,007
Equipping and facilities	45,470	760,493
Exploration and development capital	1,057,735	2,573,206
Corporate assets	-	24,398
Net property dispositions	179,514	249,750
Total capital expenditures	878,221	2,347,854

At March 31, 2011 the Company had working capital of approximately $1.9 million and no debt outstanding. In May 2011 the Company completed a private placement for gross proceeds of approximately $5.6 million and established a revolving production loan facility with a Canadian banking institution. The Company intends to fund capital expenditures during the remainder of 2011 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

Equity transactions

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. 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. 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. 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 and flow-through common shares for gross proceeds of $263,125.

Common management and directors

During the first quarter of 2011, office expenses of approximately $54,909 (2010 - $56,820) 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 March 31, 2011 an amount of $106,949 (2010 - $106,650), representing prepaid rent and security deposit, is included within prepaid expenses 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 the three months ended March 31, 2011, the aggregate value of transactions entered into between Traverse and these entities was approximately $92,409 (2010 - $550,000). Traverse had outstanding payables to the related parties of $79,286 (2010 - $144,064) and accounts receivable and prepaid cash calls due to Traverse of approximately $11,660 at March 31, 2011 (2010 - $152,476).

Legal services

During the first quarter of 2011, the Company incurred approximately $274 (2010 - $3,200) 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 March 31, 2011 accounts payable and accrued liabilities include $274 (2010 - $nil) to the legal firm.

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:

Period		**Annual amount**
November 1, 2011 to October 31, 2013	$	178,200
November 1, 2013 to October 31, 2016	$	191,700
November 1, 2016 to October 31, 2018	$	205,200
November 1, 2018 to October 31, 2021	$	218,700

Summary of quarterly results

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

Quarter ended	March 31 2011	December 31 2010 (1)	September 30 2010 (1)	June 30 2010 (1)
Revenue	984	1,136	346	345
Net (loss)	(7)	(2,709)	(478)	(232)
Per share - basic and diluted	0.00	(0.09)	(0.02)	(0.01)
Working capital	1,924	2,358	3,045	4,274
Shareholders' equity	9,274	9,230	9,987	10,252
Production (BOE/d)	187	214	103	100
Capital expenditures	878	3,569	1,314	739

Quarter ended	March 31 2010 (1)	December 31 2009 (2)	September 30 2009 (2)	June 30 2009 (2)
Revenue	291	156	117	97
Net (loss)	(116)	(177)	(515)	(24)
Per share - basic and diluted	(0.01)	(0.01)	(0.02)	0.00
Working capital	2,243	4,546	4,089	4,329
Shareholders' equity	9,810	8,718	7,061	7,164
Production (BOE/d)	66	48	47	43
Capital expenditures	2,348	1,290	259	164

(1) As restated under IFRS
(2) As reported under previous GAAP

Production declined during 2009 as no new production volumes were added. Revenue, although declining with production, fluctuated quarterly with changes in commodity pricing. Drilling activities late in 2009 had no impact on revenue for the year as new production did not commence until 2010. The change in Traverse's operations to an active exploration and development company resulted in large increases in general and administrative costs in 2009.

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 depletion expense included approximately $2.8 million of impairment on exploration and evaluation assets relating to an abandoned well at Manyberries and the suspension of activity on Warwick natural gas wells 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.

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.

Adoption of International Financial Reporting Standards ("IFRS")

The March 31, 2011 interim financial statements present Traverse's initial financial results of operations and financial positions under IFRS, including 2010 comparative periods. As a result, they have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The interim financial statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("previous GAAP").

The Company's IFRS accounting policies are provided in Note 3 to the interim financial statements. Note 14 to the interim financial statements provides details on the transition to IFRS, including reconciliations of the statements of financial position as at the transition date (January 1, 2010) and comparative periods and reconciliations of the statements of income and comprehensive income for comparative periods. Note 14 also details the IFRS 1 "First-time adoption of International Financial Reporting Standards" exemptions taken.

CORPORATE INFORMATION

DIRECTORS

David H. Erickson
J. Reid Hutchinson*
Daniel G. Kolibar
Robert M. Libin*
Laurie J. Smith
A. David van der Lee*
Adam O. Wells*

* Member, Audit Committee

OFFICERS

Laurie J. Smith, President & CEO
David H. Erickson, Vice-President & COO
Sharon A. Supple, CFO
Daniel G. Kolibar, Corporate Secretary

LISTED

TSX Venture Exchange
Common share symbol: TVL

AUDITOR

KPMG LLP
Calgary, Alberta

WEBSITE

www.traverseenergy.com

REGISTERED OFFICE

1900, 520 - 3rd Avenue SW
Calgary, Alberta T2P 0R3

HEAD OFFICE

800, 839 - 5th Avenue SW
Calgary, Alberta T2P 3C8
Tel: (403) 264-9223

LEGAL COUNSEL

Borden Ladner Gervais LLP
Calgary, Alberta

BANKER

Alberta Treasury Branch
Calgary, Alberta

TRANSFER AGENT & REGISTRAR

Valiant Trust Company Limited
Calgary, Alberta