**TRAVERSE ENERGY LTD.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2015**

This management's discussion and analysis ("MD&A") of Traverse Energy Ltd. ("Traverse" or "the Company") dated May 11, 2015 should be read in conjunction with the Company's unaudited interim financial statements as at and for the three months ended March 31, 2015 and the audited financial statements as at and for the year ended December 31, 2014. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2014, as disclosure which is unchanged from December 31, 2014 may not be duplicated herein. 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”.

## Non-IFRS measures

In this MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share, operating netback, operating netback per BOE and working capital are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Funds from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations as detailed under the heading "Funds from operations and net income". Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Working capital is calculated as current assets (excluding financial derivative assets) less current liabilities (excluding financial derivative liabilities). Operating netback represents revenue and realized gain or loss on financial derivatives, less royalties, operating and transportation expenses and is calculated on a per unit basis. The calculation of Traverse's operating netback is detailed under the heading "Operating netback". Management believes that in addition to net income, the aforementioned non-IFRS measures are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned however, that these measures should not be construed as an alternative to both net income and net cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

## 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 the number of wells to be drilled in 2015; intentions for funding capital expenditures during 2015; drilling plans for the third quarter of 2015 and the decrease in the proportion of royalty interest production due to increased Company drilling 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 *(Unaudited)*** | Three months ended **March 31, 2015** | Dec. 31, 2014 | March 31, 2014 |
|---|---|---|---|
| Financial *($ thousands, except per share amounts)* | | | |
| Petroleum and natural gas revenue | **3,513** | 5,508 | 4,535 |
| Cash flow from operating activities | **2,000** | 3,473 | 2,088 |
| Funds from operations (1) | **1,739** | 3,420 | 2,596 |
| Per share - basic and diluted | **0.02** | 0.05 | 0.04 |
| Net income (loss) | **(555)** | (6,358) | 746 |
| Per share - basic and diluted | **(0.01)** | (0.10) | 0.01 |
| Capital expenditures, net of dispositions | **2,322** | 7,725 | 6,964 |
| Total assets | **43,676** | 44,038 | 46,223 |
| Working capital (deficiency) | **177** | (3,201) | 8,641 |
| Bank debt | **(5,417)** | (1,440) | - |
| Common shares | | | |
| Outstanding *(millions)* | **70.5** | 70.5 | 67.9 |
| Weighted average *(millions)* | **70.5** | 69.6 | 56.5 |
| Operations *(units as noted)* | | | |
| Average production | | | |
| Natural gas *(mcf/day)* | **2,932** | 3,287 | 1,809 |
| Oil and NGL *(bbls/day)* | **627** | 701 | 455 |
| Total (*BOE/day)* | **1,116** | 1,249 | 756 |
| Average sales price | | | |
| Natural gas *($/mcf)* | **3.66** | 3.96 | 5.49 |
| Oil and NGL *($/bbl)* | **45.09** | 66.83 | 88.98 |
| Operating netback *($/BOE)* (2) | | | |
| Petroleum and natural gas revenue | **34.97** | 47.94 | 66.65 |
| Realized loss on financial derivatives | **-** | (0.01) | (1.15) |
| Royalties | **(2.17)** | (4.60) | (9.30) |
| Operating costs | **(10.37)** | (11.20) | (10.32) |
| Transportation costs | **(1.69)** | (1.66) | (0.90) |
| Operating netback | **20.74** | 30.47 | 44.98 |

*(1) Funds from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Funds from operations does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.*
*(2) Operating netback represents revenue and realized gain or loss on financial derivatives, less royalties, operating and transportation expenses and is calculated on a per unit basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.*

### Operations review

In February 2015 Traverse announced a reduction in the 2015 exploration and development program to $15 million. The reduced program contains an estimated seven wells, including two horizontals. The 2015 program will continue to focus on light oil projects at Coyote and Michichi in southern Alberta. The budget is to be financed by cash flow and new equity issues or debt where appropriate.

In the first quarter of 2015, Traverse drilled one well in the Coyote area resulting in a potential oil well. This well appears to extend the Coyote oil pool approximately 0.4 miles further to the west. The well awaits tie-in (to conserve the associated natural gas) when field conditions permit after spring break up. Activity on the Turin property included workovers of three existing wellbores resulting in minor natural gas production additions. In the Hanna area, the Company re-entered an existing wellbore which was abandoned after testing minor hydrocarbons and water. No drilling activities are planned for the second quarter.

In the third quarter, Traverse is planning to drill two horizontal wells from padsites that can be tied into existing infrastructure. In 2014 the Coyote battery was expanded to accommodate production from new wells to be drilled in the area. One horizontal development well will be drilled into the Mannville Q13Q pool (Ellerslie) as a follow up to the two horizontal wells completed in mid November 2014. One horizontal well continues to flow and has produced 34 Mstb of oil and 32 Mmcf of gas to March 31, 2015. The other horizontal well is a pumping oil well and has produced a total of 13.6 Mstb and 9 Mmcf of gas to March 31, 2015.

A second horizontal well planned for the third quarter will be drilled into a new Upper Mannville zone. This zone was discovered when drilling to develop the deeper Ellerslie oil pool and was delineated by vertical wells drilled in 2013 and 2014. One well is now producing from this Upper Mannville zone at modest rates, confirming oil production from the zone. The production capability of this zone will be tested with a horizontal well which, if successful, will lead to exploitation of the pool with further horizontal drilling. In addition, several vertical exploration wells are planned for the Coyote-Michichi area.

Undeveloped land holdings in Alberta at March 31, 2015 were 188,800 gross (188,100 net) acres. At March 31, 2015 the Company had working capital of approximately $177,000 and had drawn $5.4 million on the approved credit facility of $10 million.

| | Three months ended March 31, | |
|---|---|---|
| **Production** | **2015** | 2014 |
| Average working interest production | | |
| Natural gas *(mcf/day)* | **2,718** | 1,391 |
| Oil and NGL *(bbls/day)* | **600** | 396 |
| Total *(BOE/day)* | **1,053** | 628 |
| Average royalty production | | |
| Natural gas *(mcf/day)* | **214** | 418 |
| Oil and NGL *(bbls/day)* | **27** | 59 |
| Total *(BOE/day)* | **63** | 128 |
| Total production | | |
| Natural gas *(mcf/day)* | **2,932** | 1,809 |
| Oil and NGL *(bbls/day)* | **627** | 455 |
| Total *(BOE/day)* | **1,116** | 756 |
| % Oil and NGL | **56%** | 60% |

Production increased 48% to 1,116 BOE per day in the first quarter of 2015 as compared to 756 BOE per day in the quarter ending March 31, 2014 (the "Corresponding Period") as a result of drilling in the Coyote and Michichi areas. Production declined 11% from 1,249 BOE per day in the fourth quarter of 2014 as flush production from the horizontal wells at Coyote declined.

| | Three months ended March 31, | |
|---|---|---|
| **Production by area (BOE/day)** | **2015** | 2014 |
| Coyote | **668** | 207 |
| Turin | **377** | 394 |
| Minor | **71** | 155 |
| **Total BOE per day** | **1,116** | 756 |
| % of BOE/day | | |
| Royalty | **6%** | 17% |
| Working interest | **94%** | 83% |

Production from the Coyote area increased 223% for the first three months of 2015 compared to the Corresponding Period as a result of the 2014 drilling program. Production from minor areas, which includes royalty income, decreased 54% over the Corresponding Period. The royalty proportion of total production has decreased to 6% in the first quarter of 2015 as compared to 17% in the Corresponding Period. Future increases in royalty production will be dependent on the level of industry drilling on the royalty lands. Royalty interest production is anticipated to continue to decrease as a percentage of total production due to increased Company drilling.

| | Three months ended March 31, | |
|---|---|---|
| **Pricing** | **2015** | 2014 |
| Average realized prices | | |
| Oil *($/bbl)* | **46.63** | 90.13 |
| NGL *($/bbl)* | **25.78** | 70.34 |
| Natural gas *($/mcf)* | **3.66** | 5.49 |
| BOE (*$/BOE)* | **34.97** | 66.65 |

Traverse realized an oil price of $46.63 per bbl during the three months ended March 31, 2015 compared to $90.13 per bbl during the Corresponding Period. During the first quarter of 2015, Traverse's discount to Edmonton Par approximated $5 per bbl (Corresponding Period $9 per bbl). These pricing differentials are a function of North American refinery supply/demand fundamentals as well as crude quality.

In the three months ended March 31, 2015, Traverse realized natural gas prices of $3.66 per mcf (Corresponding Period: $5.49 per mcf). The Company's natural gas generally receives a premium of 5 to 10% above the AECO daily benchmark due to the higher heat content of its natural gas. The realized natural gas price also incorporates the result of any fixed physical delivery contracts. During the three months ended March 31, 2015 the impact on natural gas sales of these contracts was $188,308 (Corresponding Periods: $(60,178)).

The average BOE sales price received in the three months ended March 31, 2015 decreased 48% due mainly to declining commodity prices and an increase in the proportion of natural gas in the Company's sales. The proportion of oil and NGL in the Company's sales mix for the three months ended March 31, 2015 has declined to 56% (Corresponding Period: 60%).

Volatility in the commodity markets will continue to impact realized prices in 2015. At March 31, 2015 Traverse had natural gas physical delivery contracts pertaining to the remainder of 2015 outstanding for an average of 1,000 GJ per day at $2.81 per GJ.  There were no derivative commodity contracts outstanding during the first quarter of 2015 or as at March 31, 2015.

| | Three months ended March 31, | |
|---|---|---|
| **Petroleum and natural gas revenue ($)** | **2015** | 2014 |
| Revenue by source | | |
| Working interest production | **3,343,553** | 3,818,816 |
| Royalty interest production | **169,379** | 716,036 |
| Total | **3,512,932** | 4,534,852 |
| Revenue by commodity | | |
| Oil and NGL | **2,546,632** | 3,640,410 |
| Natural gas | **966,300** | 894,442 |
| Total | **3,512,932** | 4,534,852 |

Revenue in the first quarter of 2015 decreased 23% compared to the Corresponding Period despite increased production volumes due to declines in commodity prices. Revenue in the first three months of 2015 decreased 36% from the final quarter of 2014 due to declining commodity prices and the reduced flush production from the Coyote horizontals.

**Royalties**

| | Three months ended March 31, | |
|---|---|---|
| ***($)*** | **2015** | 2014 |
| Royalties | **218,315** | 632,889 |
| $ per BOE | **2.17** | 9.30 |
| Percentage of revenue | 6% | 14% |

The Company's corporate royalty rate (as a percentage of revenue) decreased in the three months ended March 31, 2015 compared to the Corresponding Period. Royalties decreased as a result of crown incentives on new production and reduced crown royalty rates due to commodity price declines.

**Operating and transportation expenses**

| | Three months ended March 31, | |
|---|---|---|
| ***($)*** | **2015** | 2014 |
| Operating | **1,041,292** | 702,096 |
| Transportation | **169,980** | 61,081 |
| | **1,211,272** | 763,177 |
| ***$/BOE*** | | |
| Operating | **10.37** | 10.32 |
| Transportation | **1.69** | 0.90 |
| | **12.06** | 11.22 |

Transportation expenses increased during the three months ended March 31, 2015 as compared to the Corresponding Period due to the Coyote battery expansion which was completed in the third quarter of 2014. Prior to the battery expansion, oil from the Coyote area was shipped as emulsion and the related costs were classified as operating. After the battery expansion clean oil hauling costs have been classified as transportation costs. Operating costs increased on a BOE basis for the three months ended March 31, 2015 compared to the Corresponding Period, despite the clean oil hauling, mainly due to higher gas production and the decline in royalty production, which does not have associated operating costs.

### Operating netback

| Operating netback ($/BOE) | Three months ended March 31, 2015 | 2014 |
|---|---|---|
| Petroleum and natural gas revenue | **34.97** | 66.65 |
| Realized gain (loss) on financial derivatives | **-** | (1.15) |
| Royalties | **(2.17)** | (9.30) |
| Operating costs | **(10.37)** | (10.32) |
| Transportation costs | **(1.69)** | (0.90) |
| Operating netback | **20.74** | 44.98 |

The operating netback decreased 54% for the three months ended March 31, 2015 compared to the Corresponding Period due to the decline in commodity prices.

| General and administrative ($) | Three months ended March 31, 2015 | 2014 |
|---|---|---|
| General and administrative costs - gross | **351,818** | 379,303 |
| Operator recoveries | **38,179** | 99,633 |
| General and administrative costs - net | **313,639** | 279,670 |
| Per BOE | **3.12** | 4.11 |

Gross general and administrative costs decreased 7% in the first quarter of 2015 compared to the Corresponding Period. Operator recoveries declined in the current quarter compared to the Corresponding Period due to the reduction in capital expenditures in 2015. Net general and administrative costs decreased on a BOE basis by 24% compared to the Corresponding Period due to the increase in production volumes.

### Share based compensation

| *($)* | Three months ended March 31, 2015 | 2014 |
|---|---|---|
| Share based compensation | **24,467** | - |
| Per BOE | **0.24** | - |

Share based compensation expense in the first quarter of 2015 relates to the vesting of options granted in April 2014. No options were granted in 2013 or the first quarter of 2014 and as a result no share based compensation was recorded in the Corresponding Period. On April 20, 2015 the Company granted 2,290,000 stock options to directors, officers, employees and consultants.

### Net finance expense

| *($)* | Three months ended March 31, 2015 | 2014 |
|---|---|---|
| Interest income | **-** | (10,408) |
| Interest expense and financing charges | **51,122** | 4,902 |
| Accretion on decommissioning obligations | **18,750** | 16,500 |
| Net finance expense | **69,872** | 10,994 |

Interest expense and financing charges increased in the three months ended March 31, 2015 as compared to the Corresponding Period due to increased financing charges related to a larger credit facility as well as utilization of the credit facility. Interest income was not earned during the three months ended March 31, 2015 as the Company no longer held cash balances.

The accretion on decommissioning obligations increased for the three months ended March 31, 2015 as compared to the Corresponding Period due to the additional decommissioning obligations incurred by the Company.

### 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 the first quarter of 2015, E&E expenses of $261,199 were recorded relating to the unsuccessful re-entry of a well at Hanna. In the Corresponding Period, E&E expenses related mainly to lease expiries.

### Depletion and depreciation

Traverse depletes its developed oil and natural gas properties, by area, based on proved and probable reserves. The calculation of depletion expense includes future development costs related to these reserves of $4,760,000 at March 31, 2015 (2014 - $2,059,000) and excluded $1,340,000 (2014 - $763,000) for estimated salvage values. Future development costs at March 31, 2015 relate mainly to two additional horizontal wells at Coyote.

| | Three months ended March 31, | |
|---|---|---|
| ***($)*** | **2015** | 2014 |
| Depletion and depreciation | **2,113,335** | 985,718 |
| Per BOE | **21.04** | 14.49 |

Depletion and depreciation expense on a total dollar basis increased 114% for the three months ended March 31, 2015 over the Corresponding Period due to increased production as well as increases in the depletable base. On a per BOE basis, depletion and depreciation increased 45% for the three months ended March 31, 2015 compared to the Corresponding Period due to the higher cost of reserve additions in 2014 as well as negative technical reserve revisions in the fourth quarter of 2014 resulting from production performance.

### Income taxes

The Company recorded a recovery of income taxes in the three months ended March 31, 2015 compared to income tax expense in the Corresponding Period due to the current period loss.

| | Three months ended March 31, | |
|---|---|---|
| ***($)*** | **2015** | 2014 |
| Current income tax (recovery) | **(20,000)** | 190,000 |
| Deferred income tax (recovery) | **(123,800)** | 650,000 |
| Income taxes (recovery) | **(143,800)** | 840,000 |

For the period ended March 31, 2015 the Company has recorded a recovery of current income tax as compared to a provision for current income tax in the Corresponding Period due to the decrease in taxable income in 2015 resulting from the decline in commodity prices.

### Cash and funds from operations and net income (loss)

| | Three months ended March 31, | |
|---|---|---|
| ***($)*** | **2015** | 2014 |
| Cash flow from operating activities | **1,999,987** | 2,087,818 |
| Decommissioning expenditures | **16,379** | - |
| Change in non-cash working capital | **(277,782)** | 508,278 |
| Funds from operations | **1,738,584** | 2,596,096 |
| Per share basic and diluted | **0.02** | 0.04 |
| Net income (loss) | **(555,367)** | 746,265 |
| Per share basic and diluted | **(0.01)** | 0.01 |

Funds from operations decreased 33% in the three months ended March 31, 2015 compared to the Corresponding Period due to the decline in commodity prices. The Company realized a net loss in the three months ended March 31, 2015 compared to net income in the Corresponding Period due to declining commodity prices and increased depletion.

### Capital expenditures

The Company incurred $2.3 million in expenditures in the first quarter of 2015. Traverse drilled and completed one well at Coyote, re-entered and abandoned one well at Hanna and performed several workovers of existing wellbores at Turin.

| | Three months ended March 31, | |
|---|---|---|
| ***($)*** | **2015** | 2014 |
| Land acquisition and rentals | 173,186 | 241,397 |
| Geological and geophysical | 107,526 | 681,825 |
| Drilling and completions | 1,450,176 | 4,858,155 |
| Equipping and facilities | 586,658 | 1,180,462 |
| Exploration and development capital | 2,317,546 | 6,961,839 |
| Corporate assets | 4,091 | 2,132 |
| Net capital expenditures | 2,321,637 | 6,963,971 |

### Liquidity and capital resources

At March 31, 2015 Traverse had working capital of approximately $177,000 and $5.4 million of bank debt outstanding. The Company's Board of Directors has approved a $15 million exploration and development program for 2015. The Company intends to fund capital expenditures and commitments during 2015 with a combination of cash flow and working capital. New equity issues and debt may be used to expand future capital expenditures in 2015 where appropriate.

As at May 11, 2015 Traverse had 70,530,269 common shares outstanding and 6,880,000 common share options outstanding.

In March 2014 the Company completed a bought deal financing of 14,375,000 common shares for gross proceeds of $11.5 million. In December 2014 the Company completed a private placement of 1,300,000 flow-through common shares for gross proceeds of $1.5 million. The obligation remaining for this flow-through issue at March 31, 2015 was $698,000.

### Commitment

The Company has entered into a lease commitment for office space. The term of the lease is 10 years commencing November 1, 2011. The annual payments under this commitment are as disclosed in the notes to the audited financial statements.

**Summary of quarterly results**

*($ thousands, except per share amounts)*
*(Unaudited)*

| Quarter ended | March 31 2015 | December 31 2014 | September 30 2014 | June 30 2014 |
|---|---|---|---|---|
| Petroleum and natural gas revenue | 3,513 | 5,508 | 5,336 | 4,338 |
| Cash provided by operating activities | 2,000 | 3,473 | 3,160 | 1,461 |
| Funds from operations | 1,739 | 3,420 | 3,131 | 2,409 |
| Per share - basic and diluted | 0.02 | 0.05 | 0.05 | 0.03 |
| Net income (loss) | (555) | (6,358) | 635 | 407 |
| Per share - basic and diluted | (0.01) | (0.10) | 0.01 | 0.01 |
| Working capital (deficiency) | 177 | (3,201) | (1,695) | 5,800 |
| Bank debt | (5,417) | (1,440) | - | - |
| Production *(BOE/day)* | 1,116 | 1,249 | 1,115 | 775 |
| Capital expenditures, net of dispositions | 2,322 | 7,725 | 10,658 | 5,475 |

| Quarter ended | March 31 2014 | December 31 2013 | September 30 2013 | June 30 2013 |
|---|---|---|---|---|
| Petroleum and natural gas revenue | 4,535 | 4,055 | 4,819 | 3,038 |
| Cash provided by operating activities | 2,088 | 2,723 | 3,789 | 1,922 |
| Funds from operations | 2,596 | 1,958 | 3,796 | 2,124 |
| Per share - basic and diluted | 0.04 | 0.04 | 0.08 | 0.04 |
| Net income | 746 | 27 | 1,636 | 1,060 |
| Per share - basic and diluted | 0.01 | 0.00 | 0.03 | 0.02 |
| Working capital | 8,641 | 2,430 | 3,045 | 4,191 |
| Production *(BOE/day)* | 756 | 787 | 765 | 599 |
| Capital expenditures, net of dispositions | 6,964 | 5,482 | 4,957 | 1,674 |

In the second quarter of 2013 production volumes increased as a result of new oil production at Coyote. Commodity prices improved resulting in increased funds from operations and net income. Capital expenditures in the second quarter of 2013 related to land and seismic acquisition and the completion and tie-in of the oil well at Coyote. In June 2013 the Company completed a private placement of 2,420,000 flow-through common shares for gross proceeds of $1.5 million.

In the third quarter of 2013 production volumes increased as a result of additional new oil production at Coyote. Production in the Turin area was disrupted by a 5 week shutdown of a third party owned pipeline which transports the Company's natural gas to market. During the shutdown, Traverse tested and confirmed the integrity of the pipeline and subsequently purchased an interest in the pipeline and became the pipeline operator. By early October normal production operations had resumed. No new royalty production was added and royalty income continued to decline. Commodity prices continued to improve resulting in an increase in funds from operations and net income. Three wells were drilled, completed and equipped during the quarter and a fourth well was drilled and completed.

In the fourth quarter of 2013 production volumes increased as a result of higher natural gas prices resulting in increased natural gas royalty volumes. No new working interest production was added. Commodity prices declined from the third quarter resulting in decreased revenue, funds from operations and net income. Two wells were drilled, completed and equipped during the quarter and a third well commenced drilling at year end. Capital expenditures were also incurred on facility expansion at Coyote and seismic acquisition. A well drilled at Turin in the first quarter was completed and expensed as a dry hole. In December 2013 the Company completed the acquisition of a private company owned by certain directors and officers of Traverse to consolidate its interest in Southern Alberta and for the tax pools of the acquired company. Traverse also completed a private placement of 4 million flow-through common shares for gross proceeds of $3.4 million.

In the first quarter of 2014 production volumes decreased as a result of a partial suspension of production in the Coyote area relating to the conservation of solution gas. Subsequent to quarter end, modifications were completed to allow conservation of solution gas and the battery returned to production May 1, 2014. Despite a decrease in production volumes, commodity price increases resulted in increased funds from operations and net income. Capital expenditures in the first quarter relating to the drilling of 5 wells and the re-entry of an existing wellbore. In March 2014 the Company completed a bought deal financing of 14,375,000 common shares for gross proceeds of $11.5 million.

In the second quarter of 2014 production volumes increased slightly as the partial suspension of production in the Coyote area ended May 1 and new production from 2014 drilling commenced late in June. Declines in the natural gas price resulted in decreased revenue during the second quarter. The expiration of the New Well Royalty Rate on certain wells resulted in increased royalties in the second quarter. These additional royalties combined with increased operating costs relating to start up of new wells and compression resulted in decreased funds from operations. Stock based compensation relating to option grants during the second quarter further reduced net income. Capital expenditures in the second quarter related to the drilling of 4 oil wells at Coyote, equipping and tie in activities and the installation of compression at the Turin facility.

In the third quarter of 2014 production volumes increased as new production from 2014 drilling commenced. Increased production and commodity prices resulted in increased revenue during the third quarter. New production resulted in a decline in royalties and new facilities helped to reduce operating costs on a unit basis. These decreased costs combined with increased revenue resulted in increased funds from operations and net income. Capital expenditures in the quarter related to the drilling and completion of 3 wells at Coyote, the drilling of a horizontal well at Coyote and the construction of the Coyote battery.

In the fourth quarter of 2014 production volumes increased as new production from two horizontal wells at Coyote commenced. Increased production resulted in increased revenue despite declining commodity prices. New production resulted in a decline in royalties and these decreased costs combined with increased revenue resulted in increased funds from operations. During the fourth quarter the Company recorded an impairment of property and equipment resulting in a net loss for the quarter. Capital expenditures in the quarter related mainly to the drilling of a second horizontal well at Coyote and the completion and tie in of both horizontals.

In the first quarter of 2015 production volumes declined as flush production from the Coyote horizontals declined. Commodity price declines resulted in decreased revenue and funds from operations. Increased depletion resulting from increased volumes and higher finding costs resulted in a net loss for the quarter. Capital expenditures in the quarter related mainly to the drilling and completion of one well at Coyote and the re-entry and abandonment of a well at Hanna.

### Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

*Reserves*

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries.

The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying value of the Company's petroleum and natural gas properties and equipment, the calculation of depletion, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from the Company's petroleum and natural gas interests are independently evaluated by reserve engineers at least annually. Traverse's petroleum and natural gas reserves are determined pursuant to National Instrument 51-101, Standards of Disclosures for Oil and Gas Activities.

*Decommissioning obligations*

The Company estimates future decommissioning obligations of production facilities, wells and pipelines based on current legal and constructive requirements, technology, price levels and expected plans for remediation. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability specific discount rates to determine the present value of these cash flows.

*Stock based compensation*

Compensation costs recognized for share based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black Scholes model which is based on significant assumptions such as share price, volatility, forfeiture rate, dividend yield and expected term.

*Financial derivatives*

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward prices and volatility in those prices.

*Deferred income taxes*

Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable earnings.

*Business combinations*

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired.

**Business environment and risk**

Additional risk factors can be found under "Risk Factors" in the Company's 2014 Annual Information Form ("AIF"), which can be found on www.sedar.com. Many risk factors are listed below and in the AIF, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from anticipated results.

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.