

TRAVERSE ENERGY LTD.
STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Notes	March 31, 2015	December 31, 2014
Assets			
Current assets			
Accounts receivable		\$ 1,971,505	\$ 2,404,437
Prepaid expenses and deposits		183,116	147,123
		2,154,621	2,551,560
Exploration and evaluation assets	3	6,161,144	5,082,893
Property and equipment	4	35,359,770	36,403,918
		\$ 43,675,535	\$ 44,038,371
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,977,895	\$ 5,752,857
Bank debt	5	5,417,275	1,439,819
		7,395,170	7,192,676
Deferred flow-through share premium	6 (b)	151,800	325,000
Decommissioning liabilities		3,689,370	3,600,000
Deferred income taxes		1,460,000	1,410,600
		12,696,340	12,528,276
Shareholders' Equity			
Share capital	6 (a)	38,577,928	38,577,928
Contributed surplus		1,729,589	1,705,122
Deficit		(9,328,322)	(8,772,955)
		30,979,195	31,510,095
		\$ 43,675,535	\$ 44,038,371
Subsequent event	6 (d)		

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Notes	Three months ended March 31,	
		2015	2014
Revenue			
Petroleum and natural gas	8	\$ 3,512,932	\$ 4,534,852
Royalties		(218,315)	(632,889)
		3,294,617	3,901,963
Realized loss on financial derivatives		-	(78,526)
Unrealized loss on financial derivatives		-	(144,423)
		3,294,617	3,679,014
Expenses			
Operating		1,041,292	702,096
Transportation		169,980	61,081
General and administrative		313,639	279,670
Share based compensation		24,467	-
Net finance expense	9	69,872	10,994
Exploration and evaluation expense	3	261,199	53,190
Depletion and depreciation	4	2,113,335	985,718
		3,993,784	2,092,749
Income (loss) before income taxes		(699,167)	1,586,265
Income taxes			
Current income tax (recovery)		(20,000)	190,000
Deferred income tax (recovery)		(123,800)	650,000
		(143,800)	840,000
Net income (loss) and comprehensive income (loss)		\$ (555,367)	\$ 746,265
Net income (loss) per share - basic and diluted	6(c)	\$ (0.01)	\$ 0.01

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Share capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance December 31, 2013	\$ 25,798,292	\$ 1,398,190	\$ (4,202,890)	\$ 22,993,592
Net income	-	-	746,265	746,265
Issued for cash	11,500,000	-	-	11,500,000
Share issue costs, net of tax of \$230,380	(691,142)	-	-	(691,142)
Balance March 31, 2014	\$ 36,607,150	\$ 1,398,190	\$ (3,456,625)	\$ 34,548,715
Balance December 31, 2014	\$ 38,577,928	\$ 1,705,122	\$ (8,772,955)	\$ 31,510,095
Net loss	-	-	(555,367)	(555,367)
Share based compensation	-	24,467	-	24,467
Balance March 31, 2015	\$ 38,577,928	\$ 1,729,589	\$ (9,328,322)	\$ 30,979,195

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
STATEMENTS OF CASH FLOWS
(Unaudited)

Three months ended March 31,
2015 **2014**

Cash provided by (used in):

Operating activities:

Net income (loss)	\$ (555,367)	\$ 746,265
Adjustments for:		
Depletion and depreciation	2,113,335	985,718
Exploration and evaluation expense	261,199	53,190
Share based compensation	24,467	-
Accretion on decommissioning obligations	18,750	16,500
Deferred income tax (recovery)	(123,800)	650,000
Unrealized loss on financial derivatives	-	144,423
Decommissioning expenditures	(16,379)	-
Changes in non-cash working capital	277,782	(508,278)
	1,999,987	2,087,818

Financing activities:

Proceeds from bank debt	3,977,456	-
Proceeds on issue of common shares	-	11,500,000
Share issue costs	-	(921,522)
Changes in non-cash working capital	(6,069)	117,684
	3,971,387	10,696,162

Investing activities:

Exploration and evaluation asset additions	(1,255,158)	(5,904,554)
Property and equipment asset additions	(1,066,479)	(1,059,417)
Changes in non-cash working capital	(3,649,737)	1,898,649
	(5,971,374)	(5,065,322)

Change in cash and cash equivalents	-	7,718,658
Cash and cash equivalents, beginning of period	-	4,994,322
Cash and cash equivalents, end of period	\$ -	\$ 12,712,980

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014 (Unaudited)

1. Reporting entity

Traverse Energy Ltd. (the "Company" or "Traverse") is a 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". The Company's head and principal office is located at 780, 839 - 5 Avenue S.W., Calgary, Alberta, T2P 3C8 and its registered office is located at 2500, 450 - 1 Street SW Calgary, Alberta T2P 5H1.

2. Basis of presentation and statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These financial statements do not include all the necessary annual disclosures as prescribed by International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual financial statements as of December 31, 2014. These financial statements have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended December 31, 2014.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Canadian dollars, which is the Company's functional currency, and include the accounts of Traverse only as there are no subsidiary companies.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2015.

3. Exploration and evaluation assets

	Total
Balance December 31, 2013	\$ 5,056,426
Additions	23,594,852
Transfers to property and equipment	(22,253,073)
Changes in decommissioning liabilities	8,000
Exploration and evaluation expense - land expiries	(674,654)
Exploration and evaluation expense - unsuccessful exploration	(648,658)
Balance December 31, 2014	\$ 5,082,893
Additions	1,255,158
Transfers to property and equipment	(2,708)
Changes in decommissioning liabilities	87,000
Exploration and evaluation expense - unsuccessful exploration	(261,199)
Balance March 31, 2015	\$ 6,161,144

Exploration and evaluation assets ("E&E assets") consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Costs consist mainly of undeveloped land, geological and geophysical, and drilling costs until the drilling of the well is complete and the results have been evaluated. Additions represent the Company's share of costs incurred on E&E assets during the period.

The impairment of E&E assets and any subsequent reversal of such impairment losses are recognized in exploration and evaluation expense in the statements of income and comprehensive income. There were no impairment losses recorded for the three months ended March 31, 2015 or 2014.

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4. Property and equipment

Cost:	Oil and natural gas properties	Corporate	Total
Balance December 31, 2013	\$ 33,597,117	\$ 119,964	\$ 33,717,081
Additions	7,055,771	170,623	7,226,394
Transfers from exploration and evaluation	22,253,073	-	22,253,073
Changes in decommissioning liabilities	1,229,955	-	1,229,955
Balance December 31, 2014	\$ 64,135,916	\$ 290,587	\$ 64,426,503
Additions	1,062,388	4,091	1,066,479
Transfers from exploration and evaluation	2,708	-	2,708
Balance March 31, 2015	\$ 65,201,012	\$ 294,678	\$ 65,495,690

Accumulated depletion and depreciation:	Oil and natural gas properties	Corporate	Total
Balance December 31, 2013	\$ (13,354,943)	\$ (58,918)	\$ (13,413,861)
Depletion and depreciation	(6,669,754)	(38,970)	(6,708,724)
Impairment	(7,900,000)	-	(7,900,000)
Balance December 31, 2014	\$ (27,924,697)	\$ (97,888)	\$ (28,022,585)
Depletion and depreciation	(2,103,100)	(10,235)	(2,113,335)
Balance March 31, 2015	\$ (30,027,797)	\$ (108,123)	\$ (30,135,920)

Net book value:	Oil and natural gas properties	Corporate	Total
As at December 31, 2014	\$ 36,211,219	\$ 192,699	\$ 36,403,918
As at March 31, 2015	\$ 35,173,215	\$ 186,555	\$ 35,359,770

The calculation of depletion and depreciation for the three months ended March 31, 2015 included \$4,760,000 (2014 - \$2,059,000) for future development costs and excluded \$1,340,000 (2014 - \$763,000) for estimated salvage values.

The impairment of property and equipment and any subsequent reversal of such impairment losses are recognized in depletion and depreciation in the statements of income and comprehensive income. At March 31, 2015 and 2014 the Company performed an impairment assessment of its petroleum and natural gas assets on a CGU basis and determined there were no impairment triggers identified at the end of the reporting periods.

5. Banking facility

The Company's bank facility as at March 31, 2015 consisted of a revolving operating loan facility (the "facility") with a Canadian bank. The facility is provided on a demand basis in the amount of \$10.0 million subject to an annual review of the borrowing base. The borrowing base is determined by the lender based on the lender's interpretation of the Company's reserves, future commodity prices and other factors. There can be no assurance that the amount of the available facility will not be adjusted at the next scheduled borrowing base review on or before May 31, 2015.

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The facility bears interest at the Lender's prime lending rate plus 1.30% and standby fees are charged on the undrawn facility at a rate of 0.35%. Under the terms of the facility, a financial covenant must be maintained. The Company must not permit the working capital ratio, as defined by the bank, to fall below 1.00:1. The bank defines the working capital ratio as the ratio of (i) current assets plus any undrawn availability under the facility, to (ii) current liabilities less (to the extent included therein) any amount drawn under the facilities. At March 31, 2015 the Company was in compliance with the financial covenant. As security for the facility, the Company has provided a general security agreement providing a security interest over all present and after acquired personal property and a floating charge on all lands.

6. Share capital

(a) Issued and outstanding

Common shares	Number	Amount
Balance December 31, 2013	53,507,911	\$ 25,798,292
Issued for cash	14,375,000	11,500,000
Issued for cash on exercise of stock options	875,000	355,250
Issued on surrender of stock options	472,358	-
Transferred from contributed surplus on exercise of stock options	-	236,250
Transferred from contributed surplus on surrender of stock options	-	240,000
Issued for cash - flow-through	1,300,000	1,495,000
Deferred flow-through premium	-	(325,000)
Share issue costs, net of tax of \$240,625	-	(721,864)
Balance December 31, 2014 and March 31, 2015	70,530,269	\$ 38,577,928

(b) Private placements

On March 12, 2014 the Company completed a bought deal financing by issuing 14,375,000 common shares at \$0.80 per common share for gross proceeds of \$11.5 million, before share issue costs.

In November 2014 the Company completed a private placement of 1,300,000 flow-through common shares at a price of \$1.15 per common share for gross proceeds of \$1,495,000. The qualifying expenditures were renounced to shareholders as at December 31, 2014 and the Company has to incur the qualifying expenditures before December 31, 2015. The obligation remaining for this flow-through issue at March 31, 2015 was \$698,000.

(c) Per share amounts

Basic and diluted net income were calculated as follows:

	Three months ended March	
	2015	2014
Net income for the period	\$ (555,367)	\$ 746,265
Weighted average number of common shares outstanding - basic	70,530,269	56,542,633
Effect of outstanding options	-	1,287,530
Weighted average number of common shares outstanding - diluted	70,530,269	57,830,163
Net income (loss) per share - basic and diluted	\$ (0.01)	\$ 0.01

The Company experienced a net loss in the 2015 period and therefore the effect of outstanding options were excluded as they were anti-dilutive.

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(d) Stock option plan

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

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2014 and March 31, 2015:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.60 - \$0.70	1,555,000	1.3	\$ 0.60	1,555,000	\$ 0.60
\$0.71 - \$0.80	1,300,000	1.6	\$ 0.80	1,300,000	\$ 0.80
\$0.91 - \$1.00	1,585,000	4.1	\$ 0.95	1,381,669	\$ 0.95
\$1.01 - \$1.10	150,000	4.2	\$ 1.07	100,000	\$ 1.07
\$0.60 - \$1.10	4,590,000	2.4	\$ 0.79	4,336,669	\$ 0.78

No stock options were granted or exercised during the periods ended March 31, 2014 or 2015. On April 20, 2015 the Company granted 2,290,000 stock options to directors, officers and consultants.

7. Financial risk management

The Company utilizes both financial derivatives and physical delivery sales contracts to manage commodity price risks. Physical delivery contracts are accounted for as executory contracts. As of March 31, 2015 the Company held no derivative commodity contracts.

8. Revenue

The components of the Company's revenue are as follows:

	Three months ended March 31,	
	2015	2014
Petroleum and natural gas sales	\$ 3,343,553	\$ 3,818,816
Royalty income	169,379	716,036
Petroleum and natural gas	\$ 3,512,932	\$ 4,534,852

9. Net finance expense

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