Traverse Energy Ltd.

FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS

ENDED JUNE 30, 2011

UNAUDITED

TRAVERSE ENERGY LTD.
STATEMENTS OF FINANCIAL POSITION
(Unaudited)

NOTICE TO READER

The accompanying unaudited interim financial statements of Traverse Energy Ltd. for the six months ended June 30, 2011 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

	Notes	June 30, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents		$ 6,730,651	$ 3,130,377	$ 4,868,983
Accounts receivable		800,166	783,004	149,554
Prepaid expenses and deposits		151,034	122,724	164,596
Income taxes receivable		-	-	136,611
		7,681,851	4,036,105	5,319,744
Exploration and evaluation assets	5	6,310,944	2,230,870	1,437,653
Property and equipment	6	5,300,756	5,768,270	2,858,720
		$ 19,293,551	$ 12,035,245	$ 9,616,117
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 3,368,125	$ 1,677,920	$ 774,050
Deferred flow-through share premium		145,402	181,580	76,000
Decommissioning liabilities	8	646,000	647,000	216,000
Deferred income taxes		955,090	298,330	567,000
		5,114,617	2,804,830	1,633,050
Shareholders' equity				
Share capital	9	16,381,813	11,279,307	6,769,498
Contributed surplus		754,106	748,956	476,300
Retained earnings (deficit)		(2,956,985)	(2,797,848)	737,269
		14,178,934	9,230,415	7,983,067
Commitments	8(c),11	$ 19,293,551	$ 12,035,245	$ 9,616,117

See accompanying notes to the interim financial statements

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

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenue				
Petroleum and natural gas	$ 903,128	$ 344,811	$ 1,886,831	$ 636,157
Royalties	(57,581)	(13,658)	(112,304)	(20,904)
	845,547	331,153	1,774,527	615,253
Expenses				
Operating	165,727	117,529	370,839	190,077
Transportation	32,044	11,678	58,235	19,035
General and administrative	199,092	163,322	497,973	337,407
Share based compensation	3,739	55,086	14,150	66,376
Gain on disposition of property and equipment	207	-	(21,196)	-
Depletion and depreciation	325,234	280,408	691,253	430,307
	726,043	628,023	1,611,254	1,043,202
Income (loss) from operating activities	119,504	(296,870)	163,273	(427,949)
Finance income	(9,327)	(1,955)	(14,864)	(4,359)
Finance costs	4,500	2,750	9,250	4,500
Net finance income	(4,827)	795	(5,614)	141
Income (loss) before income taxes	124,331	(297,665)	168,887	(428,090)
Income taxes				
Deferred income tax expense (reduction)	276,244	(65,965)	328,024	(79,945)
Net loss and comprehensive loss	$ (151,913)	$ (231,700)	$ (159,137)	$ (348,145)
Net loss per share - basic and diluted	$ 0.00	$ (0.01)	$ 0.00	$ (0.02)

See accompanying notes to the interim financial statements

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

	Share capital	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity
Balance January 1, 2010	$ 6,769,498	$ 476,300	$ 737,269	$ 7,983,067
Net loss for the period	-	-	(348,145)	(348,145)
Issued for cash on exercise of common share options	53,333	-	-	53,333
Exercise of common share options	19,000	(19,000)	-	-
Share based compensation	-	66,376	-	66,376
Issued for cash	1,281,000	-	-	1,281,000
Issued for cash - flow-through	1,494,500	-	-	1,494,500
Deferred flow-through share premium	(213,500)	-	-	(213,500)
Share issue costs, net of tax of $22,000	(64,500)	-	-	(64,500)
Balance June 30, 2010	$ 9,339,331	$ 523,676	$ 389,124	$ 10,252,131

	Share capital	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity
Balance December 31, 2010	$ 11,279,307	$ 748,956	$ (2,797,848)	$ 9,230,415
Net loss for the period	-	-	(159,137)	(159,137)
Issued for cash on exercise of common share options	40,000	-	-	40,000
Exercise of common share options	9,000	(9,000)	-	-
Share based compensation	-	14,150	-	14,150
Issued for cash	3,114,551	-	-	3,114,551
Issued for cash - flow-through	2,460,042	-	-	2,460,042
Deferred flow-through share premium	(349,690)	-	-	(349,690)
Share issue costs, net of tax of $57,132	(171,397)	-	-	(171,397)
Balance June 30, 2011	$ 16,381,813	$ 754,106	$ (2,956,985)	$ 14,178,934

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Operating activities:				
Net loss	$ (151,913)	$ (231,700)	$ (159,137)	$ (348,145)
Adjustments for:				
Depletion and depreciation	325,234	280,408	691,253	430,307
Share based compensation	3,739	55,086	14,150	66,376
Gain on disposition of property and equipment	207	-	(21,196)	-
Finance costs	4,500	2,750	9,250	4,500
Deferred income tax	276,244	(65,965)	328,024	(79,945)
Changes in non-cash working capital items	(281,724)	274,548	81,960	184,773
Cash from operating activities	176,287	315,127	944,304	257,866
Financing activities:				
Proceeds on issue of common shares, net of issue cost:	5,346,064	2,689,000	5,346,064	2,689,000
Proceeds on exercise of common share options	-	40,000	40,000	53,333
Changes in non-cash working capital	19,992	30,818	10,295	30,818
Cash from financing activities	5,366,056	2,759,818	5,396,359	2,773,151
Investing activities:				
Exploration and evaluation additions	(3,515,296)	(230,932)	(4,231,278)	(1,647,195)
Property and equipment additions	(74,143)	(188,095)	(415,896)	(1,369,936)
Property and equipment acquisitions	-	(319,188)	-	(319,188)
Exploration and evaluation dispositions	175,000	(500)	175,000	249,250
Property and equipment dispositions	(207)	-	179,307	-
Changes in non-cash working capital	2,713,050	(546,229)	1,552,478	(552,333)
Cash used in investing activities	(701,596)	(1,284,944)	(2,740,389)	(3,639,402)
Change in cash and cash equivalents	4,840,747	1,790,001	3,600,274	(608,385)
Cash and cash equivalents, beginning of period	1,889,904	2,470,597	3,130,377	4,868,983
Cash and cash equivalents, end of period	**$ 6,730,651**	**$ 4,260,598**	**$ 6,730,651**	**$ 4,260,598**

See accompanying notes to the interim financial statements

1. Reporting entity

Traverse Energy Ltd. (the "Company" or "Traverse") is a public company incorporated and domiciled in Canada. Traverse is engaged in the exploration for and the development and production of petroleum and natural gas reserves in Western Canada. Traverse trades on the TSX Venture Exchange under the symbol "TVL". The address of its registered office is 1900, 520 - 3 Avenue SW Calgary, Alberta T2P 0R3.

These interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 23, 2011.

2. Basis of presentation

In conjunction with the Company's annual audited financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011, these interim financial statements present Traverse's initial financial results of operations and financial positions under IFRS as at and for the six months ended June 30, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These 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 ("Canadian GAAP").

The preparation of these interim financial statements resulted in selected changes to the Company's accounting policies as compared to those disclosed in the Company's annual audited financial statements for the year ended December 31, 2010 issued under Canadian GAAP. A summary of the Company's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1, "First-time Adoption of IFRS". Note 14 to the interim financial statements contains a detailed description of the Company's adoption of IFRS, including a reconciliation of the financial statements previously prepared under Canadian GAAP to those under IFRS, for the comparative periods as at and for the three and six months ended June 30, 2010.

These interim financial statements have been prepared on a historical cost basis. The methods used to measure fair values are discussed in Note 4. These interim 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.

3. Significant accounting policies

(a) Jointly controlled operations and jointly controlled assets

Many of the Company's oil and natural gas activities involve jointly controlled assets. The interim financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method. Cash and cash equivalents comprise cash on hand, term deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments will not be used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges and therefore will not apply hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all derivative contracts will be classified as fair value through earnings and will be recorded on the statement of financial position at fair value. Transaction costs will be recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives will be measured at fair value, and changes therein will be recognized immediately in profit or loss.

The Company may enter into physical delivery sales contracts for the purposes of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these physical delivery contracts are not considered to be derivative financial instruments and will not be recorded at fair value on the statement of financial position. Settlements on these physical delivery contracts will be recognized in petroleum and natural gas revenue.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Exploration and evaluation assets

Costs incurred prior to obtaining the legal right to explore for hydrocarbon resources are recognized in the statement of earnings and comprehensive income as incurred, if the related licenses and rights are not subsequently acquired.

Exploration and evaluation ("E&E") costs, including the costs of acquiring undeveloped land and drilling costs are initially capitalized until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved reserves have been discovered. Upon determination of proved reserves, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category, development and production assets, within property and equipment.

E&E assets are measured at cost less accumulated impairment losses and are not subject to depletion expense until after the assets are reclassified to property and equipment. Gains or losses are not recognized on the disposition of E&E assets. E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are assessed on a license or field basis.

(d) Property and equipment

(i) Recognition and measurement

Oil and gas development and production assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The costs of development and production assets includes: transfers from exploration and evaluation assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the costs of recognizing provision for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads.

Development and production assets are grouped into cash generating units ("CGU's") for impairment testing. The Company has grouped its development and production assets into the following CGU's: oil properties, gas properties and minor (other) properties. When significant parts of an item of development and production assets have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of development and production assets are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized in the statement of income and comprehensive income

Corporate assets are recorded at historical cost and are depreciated over their useful life.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserve and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

(iii) Depletion and depreciation

The net carrying amount of development and production assets is depleted using the unit-of-production method by reference to the ratio of production during the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves and are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proven component of proved and probable reserves are 90 percent and 10 percent, respectively. For interim financial statements, internal estimates of changes in reserves and future development costs are used for determining depletion for the period.

Corporate assets are depreciated on a declining balance basis at a rate of 30 percent.

(e) Impairment

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are transferred to development and production assets, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from production of proved and probable reserves. Fair value less costs to sell is the amount for which the asset could be sold in an arm's length transaction and may be determined using discounted future net cash flows of proved and probable reserves.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment amounts are recognized in depletion and depreciation expense in the statement of income and comprehensive income. Impairment losses recognized in respect of CGUs reduce the carrying amounts of the assets in the CGU on a pro rata basis. Impairment losses recognized in prior years are assessed at each reporting date if facts and circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(f) Share based compensation

The Company has a share based compensation plan comprised of a stock option plan (Note 9(e)). The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributable to stock options is measured at the fair value at the date of the grant and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the options, the consideration paid by the stock option holder and the value in contributed surplus pertaining to the exercised options are recorded as share capital.

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(i) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of abandonment and site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion (within finance costs) whereas increases/decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(h) Revenue

Revenue from the sale of oil and natural gas, including royalty income, is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party.

(i) Finance income and costs

Finance costs is comprised of the accretion of the discount on decommissioning obligations. Finance income is comprised of interest income which is recognized as it is earned.

(j) Income tax

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of income and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extend that it is no longer probable that the related tax benefit will be realized.

(k) Flow-through shares

The Company may finance a portion of its exploration activities through the issuance of flow-through common shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. On issuance the premium received on the flow-through shares, being the difference in price over a common share with no tax attributes, is recognized as a liability on the statement of financial position. As qualifying expenditures are incurred, the liability is reversed and a corresponding deferred tax liability is recognized based on the Company's effective tax rate and the amount of expenditure. Any difference between the flow-through premium and the amount recognized by the Company as a deferred tax liability is recognized as deferred tax expense in the statement of income and comprehensive income.

(l) Earnings per share

Basic earning per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, which assumes that any proceeds from the exercise of stock options plus the unamortized stock based compensation amount would be used to purchase Company shares at the average market price for the period. No adjustment to diluted earnings per share is made if the result of these calculations is anti-dilutive.

(m) Use of estimates and judgements

The preparation of financial statements 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 theses estimates. Significant estimates and judgements made by management in the preparation of these interim financial statements are as follows:

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the financial statements in future periods could be material.

Traverse's assets are aggregated into cash generating units based on their ability to generate largely independent cash flows. These cash generating units are used for impairment testing. The determination of the Company's cash generating units is subject to management's judgement.

Amounts recorded for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

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 volatility, dividend yield and expected term.

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.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

(a) Property and equipment

The fair value of property and equipment and exploration and evaluation assets is based on market values. The market value of property and equipment and exploration and evaluation assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) and intangible exploration assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports.

The market value of other items of property and equipment and exploration and evaluation assets is based on the quoted market prices for similar items.

(b) Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2011 and 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

(c) Stock options

The fair value of stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price of the option, expected volatility (based on the weighted average historical volatility), weighted average expected life of the options (based on historical experience and general option holder behaviour), expected dividends, estimated forfeitures at the initial grant date, and the risk-free interest rate (based on government bonds).

5. Exploration and evaluation assets

		Total
Balance, January 1, 2010	$	1,437,653
Additions		4,388,352
Dispositions		(796,165)
Transfers to property and equipment		(224,181)
Changes in decommissioning liabilities		192,000
Impairment		(2,766,789)
Balance, December 31, 2010		2,230,870
Additions		4,231,278
Dispositions		(175,000)
Changes in decommissioning liabilities		48,750
Impairment		(24,954)
Balance, June 30, 2011	$	6,310,944

Exploration and evaluation assets ("E&E") 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.

During 2010, the Company determined certain exploration and evaluation costs to be unsuccessful and not recoverable. Accordingly, an impairment of $2,766,789 was recognized as additional depletion and depreciation expense. Any reversal in a previous impairment charge would be recognized as a reduction to depletion and depreciation expense.

6. Property and equipment

Cost:		Oil and natural gas properties		Corporate		Total
Balance, January 1, 2010	$	2,847,027	$	11,693	$	2,858,720
Additions		4,402,250		24,398		4,426,648
Acquisitions		316,515		-		316,515
Dispositions		(390,835)		-		(390,835)
Transfers from exploration and evaluation		224,181		-		224,181
Changes in decommissioning liabilities		277,000		-		277,000
Balance, December 31, 2010		7,676,138		36,091		7,712,229
Additions		394,592		21,304		415,896
Dispositions		(187,235)		-		(187,235)
Changes in decommissioning liabilities		(59,000)		-		(59,000)
Balance, June 30, 2011	$	7,824,495	$	57,395	$	7,881,890

Accumulated depletion and depreciation:	**Oil and natural gas properties**	**Corporate**	**Total**
Balance, January 1, 2010	$ -	$ -	$ -
Depletion and depreciation	(1,227,264)	(7,900)	(1,235,164)
Dispositions	53,104	-	53,104
Impairment	(761,899)	-	(761,899)
Balance, December 31, 2010	(1,936,059)	(7,900)	(1,943,959)
Depletion and depreciation	(661,271)	(5,028)	(666,299)
Dispositions	29,124		29,124
Balance, June 30, 2011	$ (2,568,206)	$ (12,928)	$ (2,581,134)

Net book value:	**Oil and natural gas properties**	**Corporate**	**Total**
As at January 1, 2010	$ 2,847,027	$ 11,693	$ 2,858,720
As at December 31, 2010	$ 5,740,079	$ 28,191	$ 5,768,270
As at June 30, 2011	$ 5,256,289	$ 44,467	$ 5,300,756

(a) Depletion, depreciation and impairment

The depletion, depreciation and impairment of property and equipment, and any eventual reversal thereof, are recognized in depletion and depreciation in the statement of income and comprehensive income.

(b) Contingencies

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

(c) Dispositions

During the six months ended June 30, 2011 the Company disposed of certain assets for gross proceeds of $179,307 and the assumption of related decommissioning liabilities of $55,000. This resulted in a gain of $21,196 for the six months ended June 30, 2011.

(d) Other

The calculation of depletion and depreciation for the six months ended June 30, 2011 included $363,204 (2010 - $125,750) for future development costs associated with proved undeveloped reserves.

7. Banking facility

In 2011 the Company established a revolving production loan facility (the “Facility”) with a Canadian banking institution (the “Lender”). The Facility is provided on a demand basis in the amount of $1.5 million subject to an annual review of the Company’s reserves – the next review is scheduled for 2012. The Facility bears interest at the Lender’s prime lending rate plus 1.5%. As security for the Facility, the Company has provided a general security agreement conveying a first floating charge over all real and personal property and after acquired assets. At June 30, 2011 the amount owing under the facility was $nil.

8. Decommissioning obligations

The Company's decommissioning obligations result from ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. The total estimated undiscounted cash flows required to settle the Company's obligations at June 30, 2011 is $794,000 (December 31, 2010 - $778,050) and is expected to be incurred between 2011 and 2021. A risk-free discount rate of 4% and an inflation rate of 2% were used to calculate the fair value of the obligation.

A reconciliation of the decommissioning obligations is provided below:

		Total
Balance, January 1, 2010	$	216,000
Obligations incurred and acquired		502,000
Obligations settled		(49,000)
Obligations disposed		(14,000)
Revision of estimates		(19,000)
Accretion expense		11,000
Balance, December 31, 2010		647,000
Obligations incurred and acquired		72,000
Obligations settled		(78,250)
Obligations disposed		(4,000)
Accretion expense		9,250
Balance, June 30, 2011	$	646,000

9. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares. No preferred shares have been issued. The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share.

(b) Issued and outstanding

Common shares	Number		Amount
Balance January 1, 2010	24,950,000	$	6,769,498
Issued for cash on exercise of stock options	133,333		53,333
Transferred from contributed surplus on exercise of stock options	-		19,000
Issued for cash	2,135,000		1,281,000
Issued for cash - flow-through	4,635,000		3,869,500
Deferred flow-through share premium	-		(588,500)
Share issue costs, net of tax of $42,700	-		(124,524)
Balance December 31, 2010	31,853,333	$	11,279,307
Issued for cash on exercise of stock options	100,000		40,000
Transferred from contributed surplus on exercise of stock options	-		9,000
Issued for cash	3,893,189		3,114,551
Issued for cash - flow-through	2,637,939		2,460,042
Deferred flow-through share premium	-		(349,690)
Share issue costs, net of tax of $53,172	-		(171,397)
Balance June 30, 2011	38,484,461	$	16,381,813

(c) Private placements

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. 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 obligation remaining for this flow-through issue at June 30, 2011 was $920,000.

(d) Per share amounts

The net loss per share has been calculated based upon the weighted average number of common shares outstanding as per the following table. Options outstanding are anti-dilutive as the Company is in a net loss position.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Basic	35,039,470	25,100,256	33,480,065	25,033,278

(e) Stock option plan

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

The following table sets forth a reconciliation of the stock option plan activity:

	Number of options	Weighted average exercise price
Balance January 1, 2010	1,875,000	$ 0.40
Exercised	(133,333)	$ 0.40
Forfeited	(66,667)	$ 0.40
Granted	950,000	$ 0.60
Balance December 31, 2010	2,625,000	$ 0.47
Exercised	(100,000)	$ 0.40
Balance June 30, 2011	2,525,000	$ 0.48

No options were granted during the six months ended June 30, 2011. The following table summarizes stock options granted and outstanding at June 30, 2011:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.00 - $0.40	1,500,000	3.2	$ 0.40	1,500,000	$ 0.40
$0.41 - $0.60	1,025,000	4.1	$ 0.59	966,667	$ 0.59
$0.40 - $0.60	2,525,000	3.6	$ 0.48	2,466,667	$ 0.47

10. Related party transactions

(a) Common management and directors

During the first half of 2011, office expenses of approximately $103,598 (2010 - $106,770) 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 June 30, 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 six months ended June 30, 2011, the aggregate value of transactions entered into between Traverse and these entities was approximately $222,639 (2010 - $935,000). Traverse had outstanding payables to the related parties of $83,439 (2010 - $44,870) and accounts receivable and prepaid cash calls due to Traverse of approximately $10,618 at June 30, 2011 (2010 - $37,984).

(b) Legal services

During the first half of 2011, the Company incurred approximately $35,879 (2010 - $30,000) 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 June 30, 2011 accounts payable and accrued liabilities include $26,013 (2010 - $20,581) to the legal firm.

11. 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

12. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as credit risk, market risk and liquidity risk. This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from joint venture partners and petroleum and natural gas marketers. Virtually all of Traverse's accounts receivable are from counterparties in the oil and gas industry and are subject to normal industry credit risks. The maximum exposure to credit risk is equal to the carrying value of the financial assets. During the six months ended June 30, 2011 there was no impairment provision required on any of the financial assets of the Company due to the historical success of collecting receivables. At June 30, 2011 approximately $6,500 or 1.0% (2010 - $6,000 or 2%) of the Company's accounts receivable were outstanding for over 90 days. The Company does not have any significant credit risk exposure to any single counterparty.

(b) Market risk

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

(c) Liquidity risk

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

(d) Capital management

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

The Company is not subject to any externally imposed capital requirements. During 2011, the Company's strategy in managing its capital is unchanged.

13. Supplementary cash flow information

For the six months ended	June 30, 2011	June 30, 2010
Provided by (used in):		
Accounts receivable	$ (17,162)	$ 20,554
Prepaid expenses and deposits	(28,310)	9,468
Accounts payable and accrued liabilities	1,690,205	(366,764)
	$ 1,644,733	$ (336,742)
Provided by (used in):		
Operating	$ 81,960	$ 184,773
Financing	10,295	30,818
Investing	1,552,478	(552,333)
	$ 1,644,733	$ (336,742)

14. Transition to International Financial Reporting Standards

Traverse's accounting policies under IFRS differ from those followed under previous Canadian GAAP as described in Note 3. These accounting policies have been applied for the six months ended June 30, 2011, as well as to the opening statement of financial position on the transition date, January 1, 2010, the comparative information for the six months ended June 30, 2010 and the comparative information for the year ended December 31, 2010.

On transition to IFRS on January 1, 2010 Traverse used certain exemptions allowed under IFRS 1 "First-time adoption of International Financial Reporting Standards". The exemptions used were:

Full Cost Accounting - IFRS 1 allows an entity that used full cost accounting under its previous GAAP to elect, at the time of adoption to IFRS, to measure oil and gas assets in the development and production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date. Traverse has used reserve values as at January 1, 2010 to allocate the cost of development and production assets to CGUs.

Business Combinations - IFRS 1 allows an entity to use the IFRS rules for business combinations on a prospective basis rather than re-stating all business combinations.

Share based compensation - IFRS 1 allows an entity an exemption on IFRS 2, "Share-based payment" to equity instruments which vested before Traverse's transition date to IFRS.

Decommissioning Obligations - Traverse elected to use the decommissioning obligation exemption that allows for the remeasurement of decommissioning obligations on IFRS transition. Since Traverse also elected to use the IFRS exemption discussed above, any adjustment to the decommissioning obligation is required to be offset to retained earnings/deficit.

14. Transition to International Financial Reporting Standards (continued)

(i) Reconciliation of the Statement of Financial Position from Canadian GAAP to IFRS
As at June 30, 2010

	Notes 14(iv)	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash and cash equivalents		$ 4,260,598	$ -	$ 4,260,598
Accounts receivable		265,611	-	265,611
Prepaid expenses and deposits		155,128	-	155,128
Income taxes receivable		-	-	-
		4,681,337	-	4,681,337
Exploration and evaluation assets	a,i	-	2,822,450	2,822,450
Property and equipment	a,b,c,f,i	7,562,933	(3,272,248)	4,290,685
		$ 12,244,270	$ (449,798)	$ 11,794,472
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 407,286	$ -	$ 407,286
Deferred flow-through share premium		-	213,500	213,500
Decommissioning liabilities	c	307,350	73,150	380,500
Deferred income taxes	b,c,g,h,i	675,000	(133,945)	541,055
		1,389,636	152,705	1,542,341
Shareholders' equity				
Share capital	g	9,493,831	(154,500)	9,339,331
Contributed surplus	d	557,795	(34,119)	523,676
Retained earnings (deficit)	b,c,d,f,g,h,i	803,008	(413,884)	389,124
		10,854,634	(602,503)	10,252,131
		$ 12,244,270	$ (449,798)	$ 11,794,472

14. Transition to International Financial Reporting Standards (continued)

(ii) Reconciliation of Income and Comprehensive Income from Canadian GAAP to IFRS

Three months ended June 30, 2010

	Notes 14(iv)	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas		$ 344,811	$ -	$ 344,811
Royalties		(13,658)	-	(13,658)
		331,153	-	331,153
Expenses				
Operating		117,529	-	117,529
Transportation		11,678	-	11,678
General and administrative		163,322	-	163,322
Share based compensation	d	61,090	(6,004)	55,086
Depletion and depreciation	f,i	371,200	(90,792)	280,408
		724,819	(96,796)	628,023
Loss from operating activities		(393,666)	96,796	(296,870)
Finance income		(1,955)	-	(1,955)
Finance costs	c	-	2,750	2,750
Net finance income		(1,955)	2,750	795
Loss before income taxes		(391,711)	94,046	(297,665)
Income taxes				
Deferred income tax reduction	g,h,i	(83,000)	17,035	(65,965)
Net loss and comprehensive loss	i	$ (308,711)	$ 77,011	$ (231,700)

14. Transition to International Financial Reporting Standards (continued)

(iii) Reconciliation of Income and Comprehensive Income from Canadian GAAP to IFRS

Six months ended June 30, 2010

	Notes 14(iv)	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas		$ 636,157	$ -	$ 636,157
Royalties		(20,904)	-	(20,904)
		615,253	-	615,253
Expenses				
Operating		190,077	-	190,077
Transportation		19,035	-	19,035
General and administrative		337,407	-	337,407
Share based compensation	d	85,645	(19,269)	66,376
Depletion and depreciation	f,i	584,485	(154,178)	430,307
		1,216,649	(173,447)	1,043,202
Loss from operating activities		(601,396)	173,447	(427,949)
Finance income		(4,359)	-	(4,359)
Finance costs	c	-	4,500	4,500
Net finance income		(4,359)	4,500	141
Loss before income taxes		(597,037)	168,947	(428,090)
Income taxes				
Deferred income tax reduction	g,h,i	(143,000)	63,055	(79,945)
Net loss and comprehensive loss	i	$ (454,037)	$ 105,892	$ (348,145)

14. Transition to International Financial Reporting Standards (continued)

(iv) Notes to the reconciliations of statement of financial position and income and comprehensive income from Canadian GAAP to IFRS

a IFRS 1 deemed cost election for full cost oil and gas entities

The Company elected to use an IFRS 1 election whereby the previous GAAP full cost pool was used to measure exploration and evaluation assets and development and production assets on transition to IFRS as follows:

- exploration and evaluation assets were reclassified from property and equipment to intangible exploration assets. This consisted of the carrying amount of undeveloped lands that related directly to exploration projects; and

- the remaining full cost pool was allocated to the producing/development assets and components pro rata using proved and probable reserve values.

This resulted in a transfer of $1,437,653 on transition to exploration and evaluation assets, representing the unproved properties under Canadian GAAP, and a corresponding decrease to property and equipment on transition.

b Impairment on exploration and evaluation assets and property and equipment

The Company performed an impairment test on its exploration and evaluation assets and property and equipment in accordance with the accounting policy stated in Note 3. The recoverable amount was determined using the greater of fair value less costs to sell and value in use based on discounted future cash flows from proved and probable reserves, taking into account escalated prices and future development costs, as obtained from the Company's independent reserve report.

There was no impairment of exploration and evaluation assets at the date of transition to IFRS (January 1, 2010) or at June 30, 2010. At December 31, 2010 the Company determined certain exploration and evaluation costs to be unsuccessful and not recoverable. As a result an impairment of exploration and evaluation assets of $2,766,789 was recognized as additional depletion and depreciation expense.

On the date of transition to IFRS the Company recognized an impairment of $624,626 on certain CGUs as a result of decreased gas prices. This resulted in a corresponding after-tax decrease to retained earnings of $463,026 and a decrease in deferred income tax of $161,400. At June 30, 2010 no additional impairment was recorded. As a result of continued decreasing natural gas prices and the impact on forecasted natural gas prices used in evaluating reserves, the Company recognized further impairment of $761,899 on certain CGUs at December 31, 2010. Previously under CGAAP, Traverse recorded as additional depletion a write down of property and equipment of $1,169,000 for the year ended December 31, 2010. If the recoverable amount increases in the future due to natural gas price changes, impairments can be reversed.

c Decommissioning obligations

Under Canadian GAAP, decommissioning obligations were discounted at a credit adjusted risk free rate of 8.5 percent. Under IFRS, the estimated cash flows to abandon and remediate the wells and facilities has been risk adjusted therefore the provision is discounted at a risk free rate of 4%. Upon transition to IFRS this resulted in an increase to decommissioning obligations of $48,000 with a corresponding after-tax decrease to retained earnings of $35,600 and a decrease in deferred income taxes of $12,400.

14. Transition to International Financial Reporting Standards (continued)

(iv) Notes to the reconciliations of statement of financial position and income and comprehensive income from Canadian GAAP to IFRS

As a result of the change in the discount rate and its impact on the obligations incurred or acquired during 2010, decommissioning obligations increased by $27,000 at June 30, 2010 and by $60,750 at December 31, 2010. Accretion expense decreased by $1,100 for the three months ended June 30, 2010 and by $1,850 for the six months ended June 30, 2010 as compared to CGAAP. In addition, under Canadian GAAP the accretion of the discount was included in depletion and depreciation whereas under IFRS the accretion is included in finance expense.

d Share based compensation

Under Canadian GAAP stock options granted to employees and consultants were differentiated with a revaluation of stock options granted to consultants required at each reporting date. In addition, forfeitures of stock options were recognized as they occurred. Under IFRS the differentiation of employees and consultants is no longer required and an estimate of forfeitures is incorporated at the date of grant. At transition, the application of these two differences resulted in a decrease of $14,850 to contributed surplus with an offsetting increase to retained earnings.

Share based compensation was reduced by $6,004 for the three months ended June 30, 2010 and by $19,269 for the six months ended June 30, 2010 with corresponding decreases in contributed surplus.

e Gains and losses on dispositions

Under Canadian GAAP, proceeds from dispositions were deducted from the full cost pool without recognition of a gain or loss unless the deduction resulted in change in the depletion rate of 20 percent or greater, in which case a gain or loss was recorded. Under IFRS, gains and losses are recorded on dispositions and are calculated as the difference between the proceeds and the net book value of the asset disposed. For the year ended December 31, 2010 the Company recognized a $27,269 net gain on dispositions under IFRS as compared to nil under Canadian GAAP.

f Depletion policy

Under Canadian GAAP, the Company depleted the full cost pool balance based on the unit of production method over total proved reserves. Under IFRS, the Company's policy is to deplete its development and production costs on an area basis using the unit of production method over proved and probable reserves. There was no impact at transition from this change as a result of the exemption provided under IFRS 1.

For the three months ended June 30, 2010 depleting the oil and natural gas interests over proved and probable reserves resulted in a decrease to depletion and depreciation expense of $86,942. For the six months ended December 31, 2010 the reduction in depletion and depreciation was $147,828 compared to Canadian GAAP for the same period.

g Flow-through shares

Under Canadian GAAP, the proceeds from the issuance of flow-through shares are recognized as shareholders' equity and the future effect on income taxes related to flow-through shares is recorded as a charge to share capital in the period in which the renouncement of the expenditures is filed with tax authorities. Under IFRS, the premium received on the issuance of flow-through shares, being the difference in price over a common share with no tax attributes, is recognized as a liability on the statement of financial position. As qualifying expenditures are incurred, the liability is reversed and a corresponding deferred tax liability is recognized based on the Company's effective tax rate and the amount of expenditure. Any difference between the flow-through premium and the amount recognized by the Company as a deferred tax liability is charged as deferred income tax expense in the statement of income and comprehensive income.

14. Transition to International Financial Reporting Standards (continued)

(iv) Notes to the reconciliations of statement of financial position and income and comprehensive income from Canadian GAAP to IFRS

At transition the above accounting policy difference resulted in a decrease to share capital of $200,000; an increase to deferred income tax of $160,000; a decrease in retained earnings of $36,000; and a flow-through share premium liability of $76,000. For the three months ended June 30, 2010 the policy difference resulted in a reduction to share capital of $213,500; and an increase in the flow-through share premium liability of $213,500.

For the six months ended June 30, 2010 this policy difference results in an increase to deferred income tax expense of $22,420; an increase in share capital of $45,500; a reduction in the deferred income tax liability of $160,580; and an increase in the flow-through share premium liability of $137,500.

h Deferred income taxes

The adjustment to the deferred income taxes on the date of transition relates to the impairment recorded on oil and natural gas interests, the increase in decommissioning liabilities and the impact of the treatment of flow-through shares as discussed above. The deferred income tax expense and related liability amounts for the June 30 and December 31, 2010 periods have changed as a result of the reconciling items discussed above.

i Summary reconciliations

A summary of select reconciliations is provided below:

			As at June 30, 2010
Exploration and evaluation assets			
a	reclassification of exploration and evaluation assets	$	2,822,450
Change in exploration and evaluation assets		$	2,822,450
Property and equipment			
a	reclassification of exploration and evaluation assets	$	(2,822,450)
b	impairment of property and equipment on transition		(624,626)
c	increase in decommissioning obligations		27,000
f	depletion policy		147,828
Change in property and equipment		$	(3,272,248)
Deferred income tax liability			
b	related to impairment on transition	$	(161,600)
c	related to decommissioning obligations on transition		(12,400)
g	flow-through shares - expenditures incurred		(23,000)
g	deferred income tax in excess of flow-through premium		22,420
h	deferred income taxes		40,635
Change in deferred income tax liability		$	(133,945)
Retained earnings (deficit)			
b	impairment on transition to IFRS, net of tax	$	(463,026)
c	decommissioning obligations on transition, net of tax		(35,600)
c	accretion on decommissioning obligations		1,850
d	share based compensation on transition		14,850
d	share based compensation		19,269
f	depletion policy		147,828
g	deferred income tax in excess of flow-through premium		(58,420)
h	deferred income taxes		(40,635)
Change in retained earnings (deficit)		$	(413,884)

14. Transition to International Financial Reporting Standards (continued)

(iv) Notes to the reconciliations of statement of financial position and income and comprehensive income from Canadian GAAP to IFRS

i Summary reconciliations

A summary of select reconciliations is provided below:

		Three months ended June 30, 2011	Six months ended June 30, 2011
Net loss and comprehensive loss			
f	depletion policy	(86,942)	(147,828)
c	depletion - reclassification of accretion	(3,850)	(6,350)
	Change in depletion and depreciation	(90,792)	(154,178)
d	share based compensation	(6,004)	(19,269)
c	finance costs - reclassification of accretion	2,750	4,500
	Change in loss before income taxes	94,046	168,947
g	deferred income tax in excess of flow-through premium	-	22,420
h	deferred income taxes	17,035	40,635
Change in deferred income taxes		17,035	63,055
Change in net loss and comprehensive loss		$ 77,011	$ 105,892