Traverse Energy Ltd.

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Traverse presents financial and operating results for the nine months ended September 30, 2009. Unless otherwise stated, the volume conversion of natural gas to barrel of oil equivalent (BOE) is presented on the basis of 6 thousand cubic feet of natural gas being equal to 1 barrel of oil.

| | Three Months Ended Sept. 30 (unaudited) | | Nine Months Ended Sept. 30 (unaudited) | |
|---|---|---|---|---|
| *($000's, except per share amounts)* | **2009** | 2008 | **2009** | 2008 |
| Revenue | **$ 120** | $ 384 | **$ 403** | $ 1,176 |
| Net income (loss) | **(515)** | 122 | **(545)** | 412 |
| Per share – basic and diluted | **(0.02)** | 0.01 | **(0.03)** | 0.03 |
| Funds flow from operations* | **31** | 270 | **156** | 696 |
| Net capital expenditures | **259** | 139 | **500** | 293 |
| Shareholders' equity | **7,061** | 5,241 | **7,061** | 5,241 |
| Working capital | **4,089** | 2,514 | **4,089** | 2,514 |
| Production (BOE/d) | **47** | 63 | **48** | 66 |
| Average realized price | | | | |
| Natural gas ($/Mcf) | **3.09** | 9.93 | **4.05** | 9.52 |
| Oil and NGL ($/bbl) | **62.11** | 112.67 | **55.37** | 104.68 |
| Common shares | | | | |
| Weighted average (millions) | **20.9** | 12.9 | **16.2** | 12.9 |
| Outstanding (millions) | **20.9** | 12.9 | **20.9** | 12.9 |

**Management uses funds flow from operations (before changes in non-cash working capital) to analyze operating performance. Funds flow as presented does not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculation of similar measures for other entities.*

Listed: TSX Venture Exchange
Symbol: TVL

## OPERATIONS REVIEW

During the third quarter of 2009, Traverse became more active as we increased staff and capital spending. Activities included undeveloped land acquisition in several new areas, the completion of a seismic program in central Alberta, and preparations for drilling in the fourth quarter and first quarter of 2010.

Drilling is scheduled to commence in the fourth quarter, targeting light oil and natural gas. This drilling will include 3 to 5 gross (approximately 3.5 net) wells prior to the end of 2009.

During the last few months, Traverse continued to evaluate its undeveloped land holdings of 191,000 net acres at September 30, 2009. As a result of a non-core offering of undeveloped properties in Alberta, the Company has committed to sell five properties for $377,000. Discussions are continuing with several parties on additional non-core properties.

In October, Traverse completed the sale of 4 million common shares by way of private placement for gross proceeds of $1.8 million. These funds are in addition to the existing working capital of $4 million at September 30, 2009. The Company has no debt.

We look forward to the results of our initial drilling prior to year end and plan an active first quarter of 2010.

On behalf of the Board of Directors

*"Laurie Smith"*
Laurie Smith
President & CEO
November 19, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) dated November 19, 2009 should be read in conjunction with the unaudited interim financial statements for the nine months ended September 30, 2009 and 2008 and the audited financial statements for the years ended December 31, 2008 and 2007. The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), unless otherwise indicated.

The MD&A contains the term funds flow from operations which is not a Canadian GAAP standard and therefore may not be comparable to performance measures presented by others. Funds flow from operations represents cash flow from operating activities prior to changes in non-cash working capital. Management believes that in addition to net income, funds flow from operations is a useful supplemental measure as it provides an indication of Traverse's operating performance. Investors should be cautioned, however, that this measure should not be construed as an alternative to both net income and cash flow from operating activities, which are determined in accordance with GAAP, as indicators of Traverse's performance.

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 increasing operating costs and general and administrative costs, anticipated additional net losses in 2009 and intentions for funding capital expenditures are forward looking information. Such 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 risks and material assumptions on which this forward looking information is based include, but are not limited to, risks associated with the oil and gas industry in general (examples being: operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; competition from other producers and environmental, health and safety risks) commodity price and exchange rate fluctuations and the ability to access sufficient capital from internal and external sources. Accordingly, events or circumstances could cause actual results to differ materially from those predicted.

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.

**Revenue and Production**

| | Three months ended Sept. 30 | | | Nine months ended Sept. 30 | | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | % change | 2009 | 2008 | % change |
| **Sales volumes** | | | | | | |
| Natural gas (mcf/d) | 228 | 339 | (33) | 238 | 354 | (33) |
| Liquids (bbl/d) | 9 | 5 | 84 | 8 | 7 | 21 |
| BOE/d | 47 | 63 | (25) | 48 | 66 | (27) |
| **Sales prices** | | | | | | |
| Natural gas ($/mcf) | $3.09 | $9.93 | (69) | $4.05 | $9.52 | (57) |
| Liquids ($/bbl) | $62.11 | $112.67 | (45) | $55.37 | $104.68 | (47) |

The Company's revenue and production is composed mainly of natural gas royalty income and is all within the province of Alberta. Production has declined substantially over the comparative periods due to natural decline while commodity prices have also declined sharply. The combined decrease in production volumes and commodity pricing has reduced oil and gas income to $117,384 for the current quarter compared to $359,548 during the three months ended September 30, 2008. No new production has been added to date in 2009 and new drilling by the Company later in the year will not materially affect production volumes this year. As a result, production volumes will continue to decline throughout the remainder of 2009.

During the second quarter of 2009 the Company recorded an adjustment relating to the receipt of an overpayment of royalty income which resulted in a decrease of 26 mcf per day in that quarter and negatively impacted the natural gas price. Average daily production volumes for the nine months, after the royalty income adjustment, decreased 27 percent from the comparable period of 2008 to average 48 BOE per day.

Interest income has continued to decline over comparative periods due to the drop in interest rates.

**Royalties and Operating Expenses**

All of the Company's working interest properties produce at very low rates and as a result pay minimum royalties. Production from existing properties has remained virtually unaffected by changes to Alberta's royalty system.

| | Three months ended Sept. 30 | | | Nine months ended Sept. 30 | | |
|---|---|---|---|---|---|---|
| *($000's)* | 2009 | 2008 | % change | 2009 | 2008 | % change |
| Operating expenses | 37 | 49 | (32) | 94 | 120 | (22) |
| Per BOE ($) | $8.52 | $8.39 | 2 | $7.13 | $6.65 | 7 |

Operating expenses, including transportation, have increased to $8.52 per BOE for the third quarter of 2009 compared to $8.39 in the comparable quarter of 2008. Operating costs will continue to increase on existing properties as fixed costs are rationalized over smaller production volumes.

**General and Administrative**

General and administrative expenses have increased as the Company continues its' progression into an active exploration and development company. Additional office space, new accounting, land and seismic systems and related personnel were added in the third quarter of 2009.

**Funds Flow from Operations**

Funds flow from operations has decreased to approximately $31,000 in the third quarter of 2009 compared to $270,000 in the 2008 period due mainly to commodity price declines as well as declining production and increased general and administrative expenses.

**Depletion, Depreciation and Accretion**

Depletion, depreciation and accretion expense decreased to $302,285 for the first nine months of 2009 compared to $323,607 in the comparable period of 2008. However, depletion, depreciation and accretion increased on a per unit basis to $23.00 per BOE in 2009 from $17.96 in 2008 due to increases in the depletable base. During the first nine months of 2009 the Company spent approximately $185,000 on maintenance of undeveloped land, $285,000 on land acquisitions and received $140,000 from sales of undeveloped land.

At September 30, 2009 the calculation of depletion expense excluded unproved property and undeveloped land cost of $2,274,608 (2008 - $2,640,297). The excluded amounts, which represent costs incurred for unproved properties, will be brought into the depletion pool at varying rates over the next five years. Accretion expense remains essentially unchanged from prior periods as no new working interest wells with abandonment liabilities have been added in 2008 or to date in 2009.

**Taxes and Net Loss**

A net loss before income taxes of $575,808 in the third quarter of 2009 resulted mainly from declining production and commodity prices and increasing general and administrative expenses compared to the third quarter of 2008. The Company anticipates additional losses in 2009 as production continues to decline and general and administrative expenses rise. The Company was cash taxable in 2008 and as a result of the current loss a recovery of current income taxes has been recorded.

The weighted average number of shares outstanding increased sixty two percent to 20,950,000 for the third quarter of 2009 (12,950,000 for the third quarter of 2008) due to the private placement of 8,000,000 shares in June 2009. In October 2009 the Company completed a private placement of 2,000,000 units at a price of $0.90 per unit for gross proceeds of $1,800,000. Each unit consisted of one common share and one flow-through common shares. As at November 19, 2009 total common shares outstanding are 24,950,000 and total common share options outstanding are 1,800,000.

The Company recorded a net loss of $514,808 for the third quarter of 2009 compared to net income of $122,051 in the 2008 period. Net loss per share for the period was $0.02 per share compared to net income per share of $0.01 in the 2008 period.

## Liquidity and Capital Resources

At the end of September 2009 the Company had working capital of $4,088,743 and no debt outstanding. The Company intends to fund capital expenditures during the remainder of 2009 with a combination of cash flow, working capital and the proceeds of the private placement completed in October 2009. New equity issues and debt may be utilized to expand future capital expenditures where appropriate.

## Summary of quarterly results

*($ thousands, except per share amounts)*

| Quarter Ended | Dec. 31, 2008 | Mar. 31, 2009 | Jun. 30, 2009 | **Sept. 30, 2009** |
|---|---|---|---|---|
| Revenue | $258 | $183 | $100 | **$120** |
| Net Income (Loss) | (5) | (6) | (24) | **(515)** |
| Per share - basic | 0.00 | 0.00 | 0.00 | **0.02** |
| Per share - diluted | 0.04 | 0.00 | 0.00 | **0.02** |
| Working capital | 2,501 | 2,505 | 4,329 | **4,089** |
| Shareholders' Equity | 5,349 | 5,300 | 7,164 | **7,061** |
| Production (BOE/d) | 59 | 54 | 43 | **47** |

| Quarter Ended | Dec. 31, 2007 | Mar. 31, 2008 | Jun. 30, 2008 | Sept. 30, 2008 |
|---|---|---|---|---|
| Revenue | $297 | $318 | $474 | $384 |
| Net Income (Loss) | (4) | 152 | 139 | 122 |
| Per share - basic | 0.00 | 0.01 | 0.01 | 0.01 |
| Per share - diluted | 0.00 | 0.01 | 0.01 | 0.01 |
| Working capital | 2,110 | 2,178 | 2,383 | 2,645 |
| Shareholders' Equity | 4,828 | 4,980 | 5,118 | 5,240 |
| Production (BOE/d) | 72 | 63 | 74 | 63 |

Production has declined over the last two years as no additional production volumes have been added. Revenue, although declining with production, increased initially in 2008 with commodity prices but has declined over the past year.

# TRAVERSE ENERGY LTD.

**NOTICE TO READER**

The accompanying unaudited interim financial statements of Traverse Energy Ltd. for the quarter ended September 30, 2009 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.

## Balance Sheet

| | Sept. 30, 2009 (unaudited) | Dec. 31, 2008 (audited) |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and short-term investments | **$ 3,820,416** | $ 2,561,342 |
| Accounts receivable | **173,090** | 139,916 |
| Prepaids and deposits | **123,107** | 15,931 |
| Income taxes receivable | **126,000** | - |
| | **4,242,613** | 2,717,189 |
| Property and Equipment (Note 3) | **3,675,681** | 3,475,794 |
| | **$ 7,918,294** | $ 6,192,983 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | **$ 153,870** | $ 80,007 |
| Income taxes payable | **-** | 136,611 |
| | **153,870** | 216,618 |
| Asset Retirement Obligation | **65,800** | 63,432 |
| Future Income Taxes | **638,000** | 677,000 |
| | **857,670** | 957,050 |
| **Shareholders' Equity** | | |
| Share Capital (Note 4(b)) | **5,188,036** | 3,238,420 |
| Contributed Surplus | **438,000** | 18,000 |
| Retained Earnings | **1,434,588** | 1,979,513 |
| | **7,060,624** | 5,235,933 |
| | **$ 7,918,294** | $ 6,192,983 |

*See accompanying notes to financial statements.*

**TRAVERSE ENERGY LTD.**
**Statement of Income and Retained Earnings**

| | Three Months Ended Sept. 30 | | Nine Months Ended Sept. 30 | |
|---|---|---|---|---|
| *(Unaudited)* | **2009** | 2008 | **2009** | 2008 |
| **Income** | | | | |
| Royalty income | **$ 87,391** | $ 295,872 | **$ 303,777** | $ 881,719 |
| Production | **29,993** | 63,676 | **87,090** | 241,192 |
| Interest and other | **2,558** | 23,954 | **12,431** | 52,607 |
| | **119,942** | 383,502 | **403,298** | 1,175,518 |
| **Expenses** | | | | |
| Depletion, depreciation and accretion | **99,501** | 85,986 | **302,285** | 323,607 |
| General and administrative | **139,088** | 28,252 | **276,597** | 218,744 |
| Stock based compensation | **420,000** | - | **420,000** | - |
| Operating | **34,646** | 44,299 | **87,063** | 107,458 |
| Transportation | **2,323** | 4,327 | **6,637** | 12,332 |
| Crown royalties | **192** | 3,881 | **2,641** | 9,504 |
| | **695,750** | 166,745 | **1,095,223** | 671,645 |
| **Income (Loss) Before Income Taxes** | **(575,808)** | 216,757 | **(691,925)** | 503,873 |
| **Income Taxes** | | | | |
| Current | **(87,000)** | 32,706 | **(126,000)** | 131,488 |
| Future | **26,000** | 62,000 | **(21,000)** | (40,000) |
| | **(61,000)** | 94,706 | **(147,000)** | 91,488 |
| **Net Income (Loss)** | **(514,808)** | 122,051 | **(544,925)** | 412,385 |
| Retained earnings, beginning of period | **1,949,396** | 1,862,046 | **1,979,513** | 1,571,712 |
| **Retained earnings, end of period** | **$ 1,434,588** | $ 1,984,097 | **$ 1,434,588** | $ 1,984,097 |
| | | | | |
| **Basic and Fully Diluted Income (Loss) per Share** | **$ (0.02)** | $ 0.01 | **$ (0.03)** | $ 0.03 |

## Statements of Cash Flows

| | Three Months Ended Sept. 30 | | Nine Months Ended Sept. 30 | |
|---|---|---|---|---|
| *(Unaudited)* | **2009** | 2008 | **2009** | 2008 |
| **Cash provided by (used in):** | | | | |
| **Operating activities** | | | | |
| Net Income (Loss) | **$ (514,808)** | $ 122,051 | **$ (544,925)** | $ 412,385 |
| Items not involving cash: | | | | |
| Depletion, depreciation and accretion | **99,501** | 85,986 | **302,285** | 323,607 |
| Stock based compensation | **420,000** | - | **420,000** | - |
| Future income taxes | **26,000** | 62,000 | **(21,000)** | (40,000) |
| | **30,693** | 270,037 | **156,360** | 695,992 |
| Change in non-cash working capital | **(355,990)** | 88,784 | **(423,859)** | 74,030 |
| | **(325,297)** | 358,821 | **(267,499)** | 770,022 |
| **Financial Activities** | | | | |
| Issue of share capital, net of issue costs | **(11,492)** | - | **1,931,616** | - |
| Change in non-cash working capital | **(20,485)** | **-** | **-** | - |
| | **(31,977)** | **-** | **1,931,616** | - |
| **Investing Activities** | | | | |
| Petroleum and natural gas properties | **(259,172)** | (139,005) | **(499,804)** | (292,523) |
| Change in non-cash working capital | **94,761** | - | **94,761** | - |
| | **(164,411)** | (139,005) | **(405,043)** | (292,523) |
| Increase in cash and cash equivalents | **(521,685)** | 219,816 | **1,259,074** | 477,499 |
| Cash and cash equivalents, beginning of period | **4,342,101** | 2,302,244 | **2,561,342** | 2,044,561 |
| **Cash and cash equivalents, end of period** | **$ 3,820,416** | $ 2,522,060 | **$ 3,820,416** | $ 2,522,060 |

*Supplemental cash flow information (note 6)*
*See accompanying notes to financial statements.*

## 1. Basis of Presentation

The Company's name changed to Traverse Energy Ltd. from Firstland Energy Limited effective June 11, 2009.

The interim financial statements of the Company have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates and assumptions. The interim financial statements have, in management's opinion, been prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

These interim financial statements and the notes thereto should be read in conjunction with the most recent audited financial statements as at and for the year ended December 31, 2008. The significant accounting policies follow those of the most recently reported audited financial statements except as described below.

## 2. Changes in Accounting Policies

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover to International Financial Reporting Standards ("IFRS") for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking and the impacts on the Company's financial statements are unknown at this time. The Company is currently in the process of developing an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS.

## 3. Property and Equipment

| | **September 30, 2009** | December 31, 2008 |
|---|---|---|
| Petroleum and natural gas properties | **$ 6,127,227** | $ 5,638,237 |
| Furniture and fixtures | **17,254** | 6,440 |
| | **$ 6,144,481** | $ 5,644,677 |
| Less: accumulated depletion and depreciation | **2,468,800** | 2,168,883 |
| | **$ 3,675,681** | $ 3,475,794 |

At September 30, 2009 the calculation of depletion expense excluded unproved property and undeveloped land cost of $2,274,608 (Q3 2008 - $2,640,297). During the three months ended September 30, 2009 the Company capitalized $67,856 (Q3 2008 - $0) of general and administrative expenses relating to exploration and development activities.

## 4. Share capital:

(a) Authorized:

The authorized share capital consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares. No preferred shares have been issued.

(b) Common shares issued:

| | Number of Shares | Amount |
|---|---|---|
| Balance, December 31, 2007 and 2008 | 12,950,000 | $ 3,238,420 |
| Issued for cash | 8,000,000 | 2,000,000 |
| Share issue costs, net of tax effect | - | (50,384) |
| **Balance, September 30, 2009** | **20,950,000** | **$ 5,188,036** |

(c) Private placements:

In June 2009 the Company completed a private placement of 8,000,000 common shares (gross proceeds of $2,000,000) to two directors and officers of the Company and members of their immediate families. This private placement was approved by the shareholders of the Company on June 11, 2009.

In October 2009 the Company completed a private placement of 2,000,000 units at a price of $0.90 per unit for gross proceeds of $1,800,000. Each unit consisted of one common share and one flow-through common share. Directors and officers of the Company subscribed for 280,000 units for consideration of $252,000.

(d) Stock option plan:

The Company has a stock option plan as described in note 6 of the December 31, 2008 financial statements. In September 2009, the Company granted 1,600,000 stock options to directors, officers and consultants of the Company to purchase shares at an exercise price of $0.40 per share. The options granted to directors and officers vested immediately and the options granted to consultants vest over a one year time period. The options granted in September 2009 expire on September 13, 2014.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: zero dividend yield, expected volatility of one hundred percent, risk-free interest rates of two percent and an expected life of five years. The fair market value of options granted during 2009 was $0.30 per option.

The following table summarizes information about the stock options outstanding at September 30, 2009:

| Options Outstanding | | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number Outstanding | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| $0.40 | 1,800,000 | 4.5 | $0.40 | 1,600,000 | $0.40 |

(e) Weighted average shares

The weighted average number of common shares issued and outstanding for the periods reported is as follows:

| | Three months ended Sept. 30 | | Nine months ended Sept. 30 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Basic shares | **20,950,000** | 12,950,000 | **16,214,706** | 12,950,000 |
| Diluted shares | **22,530,743** | 12,950,000 | **16,741,620** | 12,950,000 |

## 5. Related Party Transactions

(a) During 2009, management fees of $54,000 (Q3 2008 - $36,000) were paid to a company controlled by a director of the Company. The fees relate to the administration and overall operations of the Company. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

(b) During 2009, office rent of $60,856 was paid to a company controlled by two directors of the Company. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

(c) Included in expenses and share issue costs for the nine months ended September 30, 2009 are amounts totaling $27,385 (Q3 2008 - $0) which were charged to the Company by a legal firm in which a director of the Company is a partner. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

## 6. Supplemental Cash Flow Information

| | Three months ended Sept. 30 | | Nine months ended Sept. 30 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Interest received | **$ 2,558** | $ 23,954 | **$ 12,431** | $ 52,607 |
| Income tax paid | **$ -** | $ - | **$ 136,611** | $ - |

## 7. Financial and Capital Risk Management

The Company carries a number of financial instruments, such as accounts receivable, deposits and accounts payable and is exposed to risks such as credit risk, market risk and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from industry partners relating to royalty income. These receivables are normally collected within one to two months from the month in which the royalty arose. The Company assesses quarterly if there has been any impairment in the financial assets of the Company. During the nine months ended September 30, 2009 there was no impairment provision required of any of the financial assets of the Company due to the historical success of collecting receivables. 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 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. A one dollar change in the price per barrel of crude oil would have impacted revenue by $600 and $0.25 change to the price of a thousand cubic feet of natural gas would have impacted revenue by $5,000. The Company currently has no financial derivative sale contracts in place. The Company currently has no interest bearing debt and is therefore not subject to interest rate risk.

(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 Risk Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth in net income and funds flow. The Company defines capital as total equity plus cash, net of debt.

The Company is not subject to any externally imposed cash flow requirements.

# CORPORATE INFORMATION

## DIRECTORS

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

* Member, Audit Committee

## OFFICERS

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

## LISTED

TSX Venture Exchange
Common Share Symbol: TVL

## WEB SITE

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## REGISTERED OFFICE

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## LEGAL COUNSEL

Borden Ladner Gervais LLP
Calgary, Alberta

## BANKER

Alberta Treasury Branch
Calgary, Alberta

## TRANSFER AGENT & REGISTRAR

Valiant Trust Company Limited
Calgary, Alberta

## AUDITOR

Czechowsky and Graham
Calgary, Alberta