

TRAVERSE ENERGY LTD.
STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Notes	June 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		\$ 4,607,510	\$ -
Accounts receivable		1,411,940	2,404,437
Prepaid expenses and deposits		220,840	147,123
		6,240,290	2,551,560
Exploration and evaluation assets	3	6,601,291	5,082,893
Property and equipment	4	33,910,804	36,403,918
		\$ 46,752,385	\$ 44,038,371
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,780,652	\$ 5,752,857
Bank debt	5	-	1,439,819
		1,780,652	7,192,676
Deferred flow-through share premium		132,000	325,000
Decommissioning liabilities		3,697,546	3,600,000
Deferred income taxes		3,915,260	1,410,600
		9,525,458	12,528,276
Shareholders' Equity			
Share capital	6	38,815,118	38,577,928
Contributed surplus		2,215,125	1,705,122
Deficit		(3,803,316)	(8,772,955)
		37,226,927	31,510,095
		\$ 46,752,385	\$ 44,038,371

See accompanying notes to the interim financial statements

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Revenue					
Petroleum and natural gas	8	\$ 3,273,149	\$ 4,338,345	\$ 6,786,081	\$ 8,873,197
Royalties		(70,892)	(789,928)	(289,207)	(1,422,817)
		3,202,257	3,548,417	6,496,874	7,450,380
Realized gain (loss) on financial derivatives		-	(108,706)	-	(187,232)
Unrealized gain (loss) on financial derivatives		-	116,043	-	(28,380)
		3,202,257	3,555,754	6,496,874	7,234,768
Expenses					
Operating		948,145	789,891	1,989,437	1,491,987
Transportation		162,607	81,754	332,587	142,835
General and administrative		314,751	286,017	628,390	565,687
Share based compensation		572,726	657,642	597,193	657,642
Net finance expense	9	78,586	7,095	148,458	18,089
Exploration and evaluation expense	3	282,739	182,558	543,938	235,748
Depletion and depreciation	4	1,688,219	1,019,054	3,801,554	2,004,772
Gain on sale of property and equipment	4	(8,785,982)	-	(8,785,982)	-
		(4,738,209)	3,024,011	(744,425)	5,116,760
Income before income taxes		7,940,466	531,743	7,241,299	2,118,008
Income taxes					
Current income tax (recovery)		(20,000)	(115,096)	(40,000)	74,904
Deferred income tax		2,435,460	240,000	2,311,660	890,000
		2,415,460	124,904	2,271,660	964,904
Net income and comprehensive income		\$ 5,525,006	\$ 406,839	\$ 4,969,639	\$ 1,153,104
Net income per share - basic and diluted (6(c))		\$ 0.08	\$ 0.01	\$ 0.07	\$ 0.02

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	-	-	1,153,104	1,153,104
Share based compensation	-	657,642	-	657,642
Issued for cash	11,500,000	-	-	11,500,000
Share issue costs, net of tax of \$234,570	(703,692)	-	-	(703,692)
Issued on exercise of common share options	280,000	-	-	280,000
Transfer of share based compensation on exercise	210,000	(210,000)	-	-
Balance June 30, 2014	\$ 37,084,600	\$ 1,845,832	\$ (3,049,786)	\$ 35,880,646
Balance December 31, 2014	\$ 38,577,928	\$ 1,705,122	\$ (8,772,955)	\$ 31,510,095
Net income	-	-	4,969,639	4,969,639
Share based compensation	-	597,193	-	597,193
Issued on exercise of common share options	150,000	-	-	150,000
Transfer of share based compensation on exercise	87,190	(87,190)	-	-
Balance June 30, 2015	\$ 38,815,118	\$ 2,215,125	\$ (3,803,316)	\$ 37,226,927

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities:				
Net income	\$ 5,525,006	\$ 406,839	\$ 4,969,639	\$ 1,153,104
Adjustments for:				
Depletion and depreciation	1,688,219	1,019,054	3,801,554	2,004,772
Exploration and evaluation expense	282,739	182,558	543,938	235,748
Share based compensation	572,726	657,642	597,193	657,642
Accretion on decommissioning obligations	20,750	18,500	39,500	35,000
Deferred income tax expense	2,435,460	240,000	2,311,660	890,000
Unrealized loss on financial derivatives	-	(116,043)	-	28,380
Gain on sale of property and equipment	(8,785,982)	-	(8,785,982)	-
Decommissioning expenditures	(12,575)	(38,158)	(28,954)	(38,158)
Changes in non-cash working capital	462,671	(909,089)	740,454	(1,417,367)
	2,189,014	1,461,303	4,189,002	3,549,121
Financing activities:				
Proceeds on issue of common shares	150,000	280,000	150,000	11,780,000
Share issue costs	-	(16,740)	-	(938,262)
Changes in non-cash working capital	(5,417,275)	(87,968)	(1,445,887)	29,716
	(5,267,275)	175,292	(1,295,887)	10,871,454
Investing activities:				
Exploration and evaluation asset additions	(728,886)	(4,935,135)	(1,984,044)	(10,839,689)
Property and equipment asset additions	(361,361)	(539,644)	(1,427,840)	(1,599,061)
Property and equipment asset dispositions	8,914,090	-	8,914,090	-
Changes in non-cash working capital	(138,072)	(282,747)	(3,787,811)	1,615,902
	7,685,771	(5,757,526)	1,714,395	(10,822,848)
Change in cash and cash equivalents	4,607,510	(4,120,931)	4,607,510	3,597,727
Cash and cash equivalents, beginning of period	-	12,712,980	-	4,994,322
Cash and cash equivalents, end of period	\$ 4,607,510	\$ 8,592,049	\$ 4,607,510	\$ 8,592,049

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 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 August 13, 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 - lease expiries	(674,654)
Exploration and evaluation expense - unsuccessful exploration	(648,658)
Balance December 31, 2014	\$ 5,082,893
Additions	1,984,044
Transfers to property and equipment	(2,708)
Changes in decommissioning liabilities	81,000
Exploration and evaluation expense - lease expiries	(291,582)
Exploration and evaluation expense - unsuccessful exploration	(252,356)
Balance June 30, 2015	\$ 6,601,291

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 six months ended June 30, 2015 or 2014.

TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (Unaudited)

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	1,423,749	4,091	1,427,840
Transfers from exploration and evaluation	2,708	-	2,708
Dispositions	(247,005)	-	(247,005)
Changes in decommissioning liabilities	6,000	-	6,000
Balance June 30, 2015	\$ 65,321,368	\$ 294,678	\$ 65,616,046

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)
Dispositions	118,897	-	118,897
Depletion and depreciation	(3,781,084)	(20,470)	(3,801,554)
Balance June 30, 2015	\$ (31,586,884)	\$ (118,358)	\$ (31,705,242)

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 June 30, 2015	\$ 33,734,484	\$ 176,320	\$ 33,910,804

The calculation of depletion and depreciation for the six months ended June 30, 2015 included \$4,745,000 (2014 - \$2,064,000) for future development costs and excluded \$1,300,000 (2014 - \$887,000) for estimated salvage values.

In June 2015 the Company disposed certain assets for gross proceeds of approximately \$8.9 million. As the property sold was entirely composed of royalty interests, there were no associated asset retirement obligations. This resulted in a gain on sale for the period of \$8,785,982. There were no dispositions of property and equipment in the prior year.

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 June 30, 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.

TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (Unaudited)

5. Banking facility

The Company's bank facility consists 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, 2016.

The facility bears interest at the Lender's prime lending rate plus 1.25% and standby fees are charged on the undrawn facility at a rate of 0.30%. 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 June 30, 2015 the Company was in compliance with the financial covenant and no amount was owing under the facility. 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 share premium	-	(325,000)
Share issue costs, net of tax of \$240,625	-	(721,864)
Balance December 31, 2014	70,530,269	\$ 38,577,928
Issued for cash on exercise of stock options	250,000	150,000
Transferred from contributed surplus on exercise of stock options	-	87,190
Balance June 30, 2015	70,780,269	\$ 38,815,118

(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 June 30, 2015 was \$607,000.

**TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (Unaudited)**

(c) Per share amounts

Basic and diluted net income were calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income for the period	\$ 5,525,006	\$ 406,839	\$ 4,969,639	\$ 1,153,104
Weighted average number of common shares outstanding - basic	70,626,423	68,275,219	70,578,612	62,441,336
Effect of outstanding options	-	1,763,299	-	1,525,414
Weighted average number of common shares outstanding - diluted	70,626,423	70,038,518	70,578,612	63,966,750
Net income per share - basic and diluted	\$ 0.08	\$ 0.01	\$ 0.07	\$ 0.02

In computing diluted per share amounts for the six months ended June 30, 2015, 6,330,000 stock options were excluded from the calculation as their effect was anti-dilutive.

(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 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 December 31, 2013	4,430,000	\$ 0.59
Exercised for cash	(875,000)	0.40
Surrendered for shares	(700,000)	0.40
Granted	1,735,000	0.96
Balance December 31, 2014	4,590,000	\$ 0.79
Granted	2,290,000	0.62
Exercised for cash	(250,000)	0.60
Forfeited	(300,000)	0.80
Balance June 30, 2015	6,330,000	\$ 0.74

The weighted average share price at the date stock options were exercised in 2015 was \$0.61 (2014 - \$1.00).

TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (Unaudited)

The fair value of options granted was estimated using a Black Scholes model with the following weighted average assumptions:

Assumptions	Six months ended June 30,	
	2015	2014
Risk free interest rate (%)	0.9	1.6
Expected life (years)	4.9	4.8
Expected volatility (%)	49.9	57.4
Forfeiture rate (%)	1.2	2.2
Weighted average fair value of options	\$ 0.28	\$ 0.46

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 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	3,595,000	3.5	\$ 0.61	3,234,999	\$ 0.61
\$0.71 - \$0.80	1,000,000	1.2	0.80	1,000,000	0.80
\$0.91 - \$1.00	1,585,000	3.8	0.95	1,585,000	0.95
\$1.00 - \$1.10	150,000	3.9	1.07	150,000	1.07
\$0.60 - \$1.10	6,330,000	3.2	\$ 0.74	5,969,999	\$ 0.74

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 June 30, 2015 the Company held no derivative commodity contracts.

8. Revenue

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Petroleum and natural gas sales	\$ 3,119,825	\$ 3,649,581	\$ 6,463,378	\$ 7,468,397
Royalty income	153,324	688,764	322,703	1,404,800
Petroleum and natural gas	\$ 3,273,149	\$ 4,338,345	\$ 6,786,081	\$ 8,873,197

9. Net finance expense

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest income	\$ (1,188)	\$ (21,515)	\$ (1,188)	\$ (31,923)
Interest expense and financing charges	59,024	10,110	110,146	15,012
Accretion of decommissioning obligations	20,750	18,500	39,500	35,000
	\$ 78,586	\$ 7,095	\$ 148,458	\$ 18,089