

TRAVERSE ENERGY LTD.
STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Notes	September 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		\$ 3,222,325	\$ -
Accounts receivable		1,505,617	2,404,437
Prepaid expenses and deposits		133,800	147,123
		4,861,742	2,551,560
Exploration and evaluation assets	3	7,294,245	5,082,893
Property and equipment	4	30,634,280	36,403,918
		\$ 42,790,267	\$ 44,038,371
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,799,088	\$ 5,752,857
Bank debt	5	-	1,439,819
		2,799,088	7,192,676
Deferred flow-through share premium		-	325,000
Decommissioning liabilities		3,781,104	3,600,000
Deferred income taxes		2,962,060	1,410,600
		9,542,252	12,528,276
Shareholders' Equity			
Share capital	6	38,815,118	38,577,928
Contributed surplus		2,246,981	1,705,122
Deficit		(7,814,084)	(8,772,955)
		33,248,015	31,510,095
Subsequent event and commitment	6 (b)		
		\$ 42,790,267	\$ 44,038,371

See accompanying notes to the interim financial statements

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

	Notes	Three months ended Sept. 30,		Nine months ended Sept. 30,	
		2015	2014	2015	2014
Revenue					
Petroleum and natural gas	8	\$ 2,924,168	\$ 5,335,969	\$ 9,710,249	\$ 14,209,166
Royalties		(67,590)	(842,882)	(356,797)	(2,265,699)
		2,856,578	4,493,087	9,353,452	11,943,467
Realized (loss) on financial derivatives		-	(31,220)	-	(218,452)
Unrealized gain (loss) on financial derivatives		-	18,300	-	(10,080)
		2,856,578	4,480,167	9,353,452	11,714,935
Expenses					
Operating		1,011,638	951,729	3,001,075	2,443,716
Transportation		146,599	110,203	479,186	253,038
General and administrative		227,364	205,407	855,754	771,094
Share based compensation		31,856	82,377	629,049	740,019
Net finance expense	9	29,242	40,176	177,700	58,265
Exploration and evaluation expense	3	457,296	206,604	1,001,234	442,352
Depletion and depreciation	4	1,850,330	1,933,760	5,651,884	3,938,532
Impairment of property and equipment	4	4,500,000	-	4,500,000	-
Gain on sale of property and equipment	4	(1,779)	-	(8,787,761)	-
		8,252,546	3,530,256	7,508,121	8,647,016
Income (loss) before income taxes		(5,395,968)	949,911	1,845,331	3,067,919
Income taxes					
Current income tax (recovery)		(300,000)	45,000	(340,000)	119,904
Deferred income tax (recovery)		(1,085,200)	270,000	1,226,460	1,160,000
		(1,385,200)	315,000	886,460	1,279,904
Net income (loss) and comprehensive income (loss)		\$ (4,010,768)	\$ 634,911	\$ 958,871	\$ 1,788,015
Net income (loss) per share - basic and diluted (6(c))		\$ (0.06)	\$ 0.01	\$ 0.01	\$ 0.03

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	-	-	1,788,015	1,788,015
Share based compensation	-	740,019	-	740,019
Issued for cash	11,500,000	-	-	11,500,000
Share issue costs, net of tax of \$236,690	(710,047)	-	-	(710,047)
Issued on exercise of common share options	320,000	-	-	320,000
Transfer of share based compensation on exercise	210,000	(210,000)	-	-
Transfer of share based compensation on surrender	240,000	(240,000)	-	-
Balance September 30, 2014	\$ 37,358,245	\$ 1,688,209	\$ (2,414,875)	\$ 36,631,579
Balance December 31, 2014	\$ 38,577,928	\$ 1,705,122	\$ (8,772,955)	\$ 31,510,095
Net income	-	-	958,871	958,871
Share based compensation	-	629,049	-	629,049
Issued on exercise of common share options	150,000	-	-	150,000
Transfer of share based compensation on exercise	87,190	(87,190)	-	-
Balance September 30, 2015	\$ 38,815,118	\$ 2,246,981	\$ (7,814,084)	\$ 33,248,015

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ (4,010,768)	\$ 634,911	\$ 958,871	\$ 1,788,015
Adjustments for:				
Depletion and depreciation	1,850,330	1,933,760	5,651,884	3,938,532
Exploration and evaluation expense	457,296	206,604	1,001,234	442,352
Impairment of property and equipment	4,500,000	-	4,500,000	-
Share based compensation	31,856	82,377	629,049	740,019
Accretion on decommissioning obligations	18,750	22,000	58,250	57,000
Deferred income tax (recovery)	(1,085,200)	270,000	1,226,460	1,160,000
Unrealized loss (gain) on financial derivatives	-	(18,300)	-	10,080
Gain on sale of property and equipment	(1,779)	-	(8,787,761)	-
Decommissioning expenditures	(40,192)	-	(69,146)	(38,158)
Changes in non-cash working capital	47,108	28,432	787,562	(1,388,935)
	1,767,401	3,159,784	5,956,403	6,708,905
Financing activities:				
Proceeds on issue of common shares	-	40,000	150,000	11,820,000
Share issue costs	-	(8,475)	-	(946,737)
Changes in non-cash working capital	-	(34,942)	(1,445,888)	(5,226)
	-	(3,417)	(1,295,888)	10,868,037
Investing activities:				
Exploration and evaluation asset additions	(3,216,938)	(5,784,167)	(5,200,982)	(16,623,856)
Property and equipment asset additions	(902,118)	(4,873,346)	(2,329,958)	(6,472,407)
Property and equipment asset dispositions	1,779	-	8,915,869	-
Changes in non-cash working capital	964,691	431,345	(2,823,119)	2,047,247
	(3,152,586)	(10,226,168)	(1,438,190)	(21,049,016)
Change in cash and cash equivalents	(1,385,185)	(7,069,801)	3,222,325	(3,472,074)
Cash and cash equivalents, beginning of period	4,607,510	8,592,049	-	4,994,322
Cash and cash equivalents, end of period	\$ 3,222,325	\$ 1,522,248	\$ 3,222,325	\$ 1,522,248

See accompanying notes to the interim financial statements

TRAVERSE ENERGY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 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 November 16, 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	5,200,982
Transfers to property and equipment	(2,090,396)
Changes in decommissioning liabilities	102,000
Exploration and evaluation expense - lease expiries	(730,199)
Exploration and evaluation expense - unsuccessful exploration	(271,035)
Balance September 30, 2015	\$ 7,294,245

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.

TRAVERSE ENERGY LTD.
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4. Property and equipment

Cost:	Oil and natural gas properties	Corporate	Total
Balance December 31, 2013	\$ 33,597,117	\$ 119,964	\$ 33,717,081
Additions	7,055,771	170,623	7,226,394
Transfers from exploration and evaluation	22,253,073	-	22,253,073
Changes in decommissioning liabilities	1,229,955	-	1,229,955
Balance December 31, 2014	\$ 64,135,916	\$ 290,587	\$ 64,426,503
Additions	2,325,867	4,091	2,329,958
Transfers from exploration and evaluation	2,090,396	-	2,090,396
Dispositions	(247,005)	-	(247,005)
Changes in decommissioning liabilities	90,000	-	90,000
Balance September 30, 2015	\$ 68,395,174	\$ 294,678	\$ 68,689,852

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	(5,621,179)	(30,705)	(5,651,884)
Impairment	(4,500,000)	-	(4,500,000)
Balance September 30, 2015	\$ (37,926,979)	\$ (128,593)	\$ (38,055,572)

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 September 30, 2015	\$ 30,468,195	\$ 166,085	\$ 30,634,280

The calculation of depletion and depreciation for the nine months ended September 30, 2015 included \$4,644,000 (2014 - \$964,000) for future development costs and excluded \$1,300,000 (2014 - \$1,110,000) 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 of \$8,787,761. There were no dispositions of property and equipment in the prior year.

At September 30, 2015 due to declining oil and natural gas prices, the Company determined that impairment triggers were present and tested all of its CGUs for impairment. The recoverable amounts of the Company's CGUs were estimated as the fair value less costs to sell based on the net present value of the before income tax cash flows from proved plus probable reserves, originally estimated by the Company's external reserve evaluators and updated internally for production since December 31, 2014 and to reflect the September 30, 2015 price deck, discounted at a rate of 10%.

TRAVERSE ENERGY LTD.
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The following price deck, as provided by the independent external reserves evaluator, was used in determining whether an impairment to the carrying value of the CGUs existed at September 30, 2015:

Year	WTI Oil (\$US/barrel)	Canadian Light Sweet Crude (\$Cdn/barrel)	AECO-C Spot (\$Cdn/MMbtu)	Exchange Rate (\$Cdn/\$US)
2015	46.00	55.68	2.92	0.76
2016	55.00	64.87	3.10	0.78
2017	70.00	75.76	3.32	0.85
2018	75.00	83.82	3.91	0.85
2019	80.00	89.41	4.49	0.85
2020	81.20	91.71	4.79	0.85
2021	82.42	93.08	4.87	0.85
2022	83.65	94.48	4.96	0.85
2023	84.91	95.90	5.04	0.85
2024	86.18	97.34	5.13	0.85
2025+	87.48	98.80	5.22	0.85
Thereafter	1.5%/year	1.5%/year	1.5%/year	

The external reserve evaluators also assess many other financial assumptions regarding royalty rates, operating costs and future development costs along with several other non-financial assumptions that affect reserve volumes. Management considered these assumptions for the impairment test on September 30, 2015, however, it should be noted that all estimates are subject to uncertainty.

At September 30, 2015 the Company recorded a total impairment charge of \$4.5 million related to the Oil CGU. At September 30, 2014 the Company determined there were no impairment triggers identified at the end of the reporting period.

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 September 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.

TRAVERSE ENERGY LTD.
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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 September 30, 2015	70,780,269	\$ 38,815,118

(b) Private placements

In October 2015 the Company completed a private placement of 1,168,000 flow-through common shares at a price of \$0.60 per common share for gross proceeds of \$700,800. Directors and officers of the Company subscribed for 454,667 common shares for consideration of \$272,800. The qualifying expenditures must be incurred by December 31, 2015.

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 Company has incurred the qualifying expenditures.

(c) Per share amounts

Basic and diluted net income were calculated as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2015	2014	2015	2014
Net income (loss) for the period	\$ (4,010,768)	\$ 634,911	\$ 958,871	\$ 1,788,015
Weighted average number of common shares outstanding - basic	70,780,269	68,750,886	70,705,683	64,567,631
Effect of outstanding options	-	2,038,271	-	1,696,367
Weighted average number of common shares outstanding - diluted	70,780,269	70,789,157	70,705,683	66,263,998
Net income (loss) per share - basic and diluted	\$ (0.06)	\$ 0.01	\$ 0.01	\$ 0.03

In computing diluted per share amounts for the nine months ended September 30, 2015, 5,545,000 stock options were excluded from the calculation as their effect was anti-dilutive.

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

(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	(385,000)	0.81
Expired	(700,000)	0.60
Balance September 30, 2015	5,545,000	\$ 0.75

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

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

Assumptions	Nine months ended Sept. 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 September 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	2,865,000	4.1	\$ 0.62	2,524,999	\$ 0.62
\$0.71 - \$0.80	1,000,000	1.0	0.80	1,000,000	0.80
\$0.91 - \$1.00	1,530,000	3.6	0.95	1,530,000	0.95
\$1.00 - \$1.10	150,000	3.7	1.07	150,000	1.07
\$0.60 - \$1.10	5,545,000	3.3	\$ 0.75	5,204,999	\$ 0.76

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

7. Financial risk management

The Company occasionally 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 September 30, 2015 the Company held no derivative commodity contracts.

8. Revenue

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2015	2014	2015	2014
Petroleum and natural gas sales	\$ 2,915,308	\$ 4,838,809	\$ 9,378,686	\$ 12,307,206
Royalty income	8,860	497,160	331,563	1,901,960
Petroleum and natural gas	\$ 2,924,168	\$ 5,335,969	\$ 9,710,249	\$ 14,209,166

9. Net finance expense

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2015	2014	2015	2014
Interest income	\$ (4,576)	\$ (10,428)	\$ (5,764)	\$ (37,197)
Interest expense and financing charges	15,068	28,604	125,214	38,462
Accretion on decommissioning obligations	18,750	22,000	58,250	57,000
	\$ 29,242	\$ 40,176	\$ 177,700	\$ 58,265