**TRAVERSE ENERGY LTD.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015**

This management's discussion and analysis ("MD&A") of Traverse Energy Ltd. ("Traverse" or "the Company") dated August 13, 2015 should be read in conjunction with the Company's unaudited interim financial statements as at and for the six months ended June 30, 2015 and the audited financial statements as at and for the year ended December 31, 2014. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2014 ("2014 MD&A"), as disclosure which is unchanged from December 31, 2014 may not be duplicated herein. Additional information relating to the Company, including Traverse's Annual Information Form, is available on SEDAR at www.sedar.com.

## Description of the Company

Traverse Energy Ltd. is an 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”.

## Non-IFRS measures

In this MD&A references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share, operating netback, operating netback per BOE and adjusted working capital are not defined by IFRS and therefore may not be comparable to performance measures presented by others. Funds from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations as detailed under the heading "Funds from operations and net income". Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Adjusted working capital is calculated as current assets (excluding financial derivative assets) less current liabilities (excluding financial derivative liabilities). Operating netback represents revenue and realized gain or loss on financial derivatives, less royalties, operating and transportation expenses and is calculated on a per unit basis. The calculation of Traverse's operating netback is detailed under the heading "Operating netback". Management believes that in addition to net income, the aforementioned non-IFRS measures are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned however, that these measures should not be construed as an alternative to both net income and net cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

## BOE presentation

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 the number of wells to be drilled in 2015; completion and tie in plans for the remainder of 2015 and intentions for funding capital expenditures during 2015 contain forward-looking information. This 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 Company’s Annual Information Form filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describes the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

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.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **HIGHLIGHTS *(Unaudited)*** | **2015** | 2014 | **2015** | 2014 |
| Financial *($ thousands, except per share amounts)* | | | | |
| Petroleum and natural gas revenue | **3,273** | 4,338 | **6,786** | 8,873 |
| Cash flow from operating activities | **2,189** | 1,461 | **4,189** | 3,549 |
| Per share - basic and diluted | **0.03** | 0.02 | **0.06** | 0.06 |
| Funds from operations [1] | **1,739** | 2,409 | **3,478** | 5,005 |
| Per share - basic and diluted | **0.02** | 0.03 | **0.05** | 0.08 |
| Net income | **5,525** | 407 | **4,970** | 1,153 |
| Per share - basic and diluted | **0.08** | 0.01 | **0.07** | 0.02 |
| Capital expenditures | **1,090** | 5,475 | **3,412** | 12,439 |
| Total assets | **46,752** | 47,309 | **46,752** | 47,309 |
| Adjusted working capital [2] | **4,460** | 5,800 | **4,460** | 5,800 |
| Common shares | | | | |
| Outstanding *(millions)* | **70.8** | 68.6 | **70.8** | 68.6 |
| Weighted average *(millions)* | **70.6** | 68.3 | **70.6** | 62.4 |
| Operations *(units as noted)* | | | | |
| Average production | | | | |
| Natural gas *(mcf/day)* | **2,658** | 2,139 | **2,794** | 1,975 |
| Oil and NGL *(bbls/day)* | **481** | 418 | **554** | 436 |
| Total (BOE/day) | **924** | 775 | **1,020** | 765 |
| Average sales price | | | | |
| Natural gas *($/mcf)* | **2.98** | 3.92 | **3.33** | 4.64 |
| Oil and NGL *($/bbl)* | **58.29** | 93.97 | **50.86** | 91.39 |
| Operating netback *($/BOE)* [3] | | | | |
| Petroleum and natural gas revenue | **38.92** | 61.55 | **36.77** | 64.05 |
| Realized gain (loss) on financial derivatives | **-** | (1.54) | **-** | (1.35) |
| Royalties | **(0.84)** | (11.21) | **(1.57)** | (10.27) |
| Operating and transportation costs | **(13.20)** | (12.37) | **(12.58)** | (11.80) |
| Operating netback | **24.88** | 36.43 | **22.62** | 40.63 |

*(1) Funds from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Funds from operations does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.*

*(2) Adjusted working capital is calculated as current assets (excluding financial derivative assets) less current liabilities (excluding financial derivative liabilities). Adjusted working capital does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.*

*(3) Operating netback represents revenue and realized gain or loss on financial derivatives, less royalties, operating and transportation expenses and is calculated on a per unit basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other companies.*

### Operations review

In February 2015 Traverse announced a $15 million exploration and development program of seven wells (5 vertical and 2 horizontal). In view of recent commodity price weakness, the Company continues to monitor the commodity price environment and may adjust the 2015 drilling program accordingly.

In the first quarter the Company drilled one vertical delineation well in the Coyote area. This well was completed in a new Mannville gas zone in the second quarter and placed on production in July. The well has extended the Coyote Ellerslie pool to the west with completion of the Ellerslie zone scheduled for later in the third quarter.

In the third quarter Traverse recently drilled one vertical and one horizontal well. The vertical exploration well was drilled in the Coyote area approximately 5 miles west of the existing Coyote production. The well will be completed and tested later in the third quarter. The horizontal well was drilled in an upper Mannville zone previously delineated by wells drilled in the Coyote Ellerslie pool. This was the first horizontal well to be drilled into this new pool. The well was drilled to a total depth of 2,510 metres, including a 1,140 horizontal section and was fracture treated in 22 stages. The well is currently being flowed for clean-up and production testing. This well was drilled from an existing padsite and will be tied into existing facilities.

In June, Traverse sold its royalty interest in the Brazeau area of Alberta for cash proceeds of approximately $8.9 million. The royalty interest in 10 sections (6,400 acres) contained 22 producing horizontal Cardium oil wells and one Notikewin gas well at March 31, 2015. Traverse's interest during the first quarter of 2015 was 52 barrels of oil equivalent per day (49% oil and natural gas liquids).

Undeveloped land holdings in Alberta at June 30, 2015 were 192,300 gross (191,700 net) acres. At June 30, 2015 the Company had working capital of approximately $4.5 million and an approved credit facility of $10 million.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **Production** | **2015** | 2014 | **2015** | 2014 |
| Average working interest production | | | | |
| Natural gas *(mcf/day)* | **2,493** | 1,759 | **2,605** | 1,576 |
| Crude oil *(bbls/day)* | **460** | 357 | **530** | 377 |
| Total *(BOE/day)* | **876** | 651 | **964** | 639 |
| Average royalty production | | | | |
| Natural gas *(mcf/day)* | **165** | 380 | **189** | 399 |
| Crude oil *(bbls/day)* | **21** | 61 | **24** | 59 |
| Total *(BOE/day)* | **48** | 124 | **56** | 126 |
| Total production | | | | |
| Natural gas *(mcf/day)* | **2,658** | 2,139 | **2,794** | 1,975 |
| Crude oil *(bbls/day)* | **481** | 418 | **554** | 436 |
| Total *(BOE/day)* | **924** | 775 | **1,020** | 765 |
| % Oil and NGL | **52%** | 54% | **54%** | 57% |

Production in the three and six months ended June 30, 2015 increased 19% and 33%, respectively, compared to the three and six months ended June 30, 2014 (the "Corresponding Periods") as a result of 2014 drilling in the Coyote and Michichi areas. Production during the second quarter of 2015 declined 17% from the first quarter of 2015 as flush production from the horizontal wells at Coyote declined and no new production was added.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **Production by area (BOE/day)** | **2015** | 2014 | **2015** | 2014 |
| Coyote | **470** | 235 | **569** | 221 |
| Turin | **374** | 389 | **376** | 391 |
| Minor | **80** | 151 | **75** | 153 |
| **Total BOE per day** | **924** | 775 | **1,020** | 765 |
| % of BOE/day | | | | |
| Royalty | **5%** | 16% | **5%** | 16% |
| Working interest | **95%** | 84% | **95%** | 84% |

Production from the Coyote area increased 100% and 157%, respectively, in the three and six months ended June 30, 2015 compared to the Corresponding Periods as a result of the 2014 drilling program. Production from minor areas, which includes royalty income, decreased 47% and 51%, respectively, over the Corresponding Periods. In June 2015 the Company sold its royalty interest in the Brazeau area of Alberta for proceeds of approximately $8.9 million resulting in a gain on sale of approximately $8.8 million. The Brazeau royalty interest contributed 36 and 44 BOE per day, respectively, in the three and six months ended June 30, 2015 (Corresponding Periods: 110 and 113 BOE per day).

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **Pricing** | **2015** | 2014 | **2015** | 2014 |
| Average sales price | | | | |
| Oil *($/bbl)* | **61.44** | 97.22 | **53.07** | 93.50 |
| NGL *($/bbl)* | **21.87** | 56.44 | **23.99** | 62.54 |
| Natural gas *($/mcf)* | **2.98** | 3.92 | **3.33** | 4.64 |
| Realized gain (loss) on financial derivatives | **-** | (1.54) | **-** | (1.35) |
| BOE *($/BOE)* | **38.92** | 60.01 | **36.77** | 62.70 |

Traverse realized oil prices of $61.44 per bbl and $53.07 per bbl during the three and six months ended June 30, 2015, respectively (Corresponding Periods: $97.22 per bbl and $93.50 per bbl, respectively). During the three and six months ended June 30, 2015, Traverse's discount to CAL (Central Alberta) at Edmonton approximated $7 per bbl (Corresponding Periods; $8 per bbl and $9 per bbl, respectively). These pricing differentials are a function of North American refinery supply/demand fundamentals as well as crude quality.

In the three and six months ended June 30, 2015, Traverse realized natural gas prices of $2.98 per mcf and $3.33 per mcf, respectively (Corresponding Periods: $3.92 per mcf and $4.64 per mcf, respectively). The Company's natural gas generally receives a premium of 5 to 10% above the AECO daily benchmark due to the higher heat content of its natural gas. The realized natural gas price also incorporates the result of any fixed physical delivery contracts. During the three and six months ended June 30, 2015 the impact on natural gas sales of these contracts were $60,635 and $248,943, respectively (Corresponding Periods: $(195,252) and $(255,430), respectively).

The average BOE sales price received in the three and six months ended June 30, 2015 decreased 35% and 41%, respectively, from the Corresponding Periods due to declining commodity prices and a small increase in the proportion of natural gas in the Company's sales. The proportion of oil and NGL in the Company's sales mix for the three and six months ended June 30, 2015 has declined to 52% and 54%, respectively (Corresponding Periods: 54% and 57%, respectively).

Volatility in the commodity markets will continue to impact realized prices in 2015. At June 30, 2015 Traverse had natural gas physical delivery contracts for the remainder of 2015 outstanding for an average of 1,125 GJ per day at $2.74 per GJ. Traverse also has an oil physical delivery contract for 150 barrels per day (August to December 2015) at $74.50 Cdn $/bbl WTI with a fixed differential to CAL at Edmonton of $8.16 per barrel.

There were no derivative commodity contracts outstanding during the first six months of 2015 or as at June 30, 2015. The realized loss on financial derivatives in the comparable periods of 2014 was $(1.54) per BOE and $(1.35) per BOE, respectively.

| **Petroleum and natural gas revenue ($)** | Three months ended June 30, **2015** | 2014 | Six months ended June 30, **2015** | 2014 |
|---|---|---|---|---|
| Revenue by source | | | | |
| Working interest production | **3,119,825** | 3,649,581 | **6,463,378** | 7,468,397 |
| Royalty interest production | **153,324** | 688,764 | **322,703** | 1,404,800 |
| Total | **3,273,149** | 4,338,345 | **6,786,081** | 8,873,197 |
| Revenue by commodity | | | | |
| Oil and NGL | **2,553,224** | 3,575,362 | **5,099,856** | 7,215,773 |
| Natural gas | **719,925** | 762,983 | **1,686,225** | 1,657,424 |
| Total | **3,273,149** | 4,338,345 | **6,786,081** | 8,873,197 |

Revenue during the three and six months ended June 30, 2015 decreased 25% and 24%, respectively, compared to the Corresponding Periods despite increased production due to declines in commodity prices. Revenue in the second quarter of 2015 decreased 7% from the first quarter of 2015 due to decreased production from the Coyote horizontals which were placed on production during the fourth quarter of 2014.

**Royalties**

| ***($)*** | Three months ended June 30, **2015** | 2014 | Six months ended June 30, **2015** | 2014 |
|---|---|---|---|---|
| Royalties | **70,892** | 789,928 | **289,207** | 1,422,817 |
| $ per BOE | **0.84** | 11.21 | **1.57** | 10.27 |
| Percentage of revenue | **2.2%** | 18.2% | **4.3%** | 16.0% |

The Company's corporate royalty rate (as a percentage of revenue) decreased in the three and six months ended June 30, 2015 compared to the Corresponding Periods. Royalties decreased as a result of crown incentives on new production, reduced crown royalty rates due to commodity price declines and increased crown gas deductions resulting from 2014 capital expenditures.

**Operating and transportation expenses**

| ***($)*** | Three months ended June 30, **2015** | 2014 | Six months ended June 30, **2015** | 2014 |
|---|---|---|---|---|
| Operating | **948,145** | 789,891 | **1,989,437** | 1,491,987 |
| Transportation | **162,607** | 81,754 | **332,587** | 142,835 |
| | **1,110,752** | 871,645 | **2,322,024** | 1,634,822 |
| ***$/BOE*** | | | | |
| Operating | **11.27** | 11.21 | **10.78** | 10.77 |
| Transportation | **1.93** | 1.16 | **1.80** | 1.03 |
| | **13.20** | 12.37 | **12.58** | 11.80 |

Transportation expenses increased during the three and six months ended June 30, 2015 as compared to the Corresponding Period due to the Coyote battery expansion which was completed in the third quarter of 2014. Prior to the battery expansion, oil from the Coyote area was shipped as emulsion and the related costs were classified as operating. After the battery expansion clean oil hauling costs have been classified as transportation costs. Operating costs increased on a BOE basis for the three and six months ended June 30, 2015 compared to the Corresponding Period, despite the clean oil hauling, mainly due to additional costs associated with higher gas production.

**Operating netback**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***$ per BOE*** | **2015** | 2014 | **2015** | 2014 |
| Petroleum and natural gas revenue | **38.92** | 61.55 | **36.77** | 64.05 |
| Realized gain (loss) on financial derivatives | **-** | (1.54) | **-** | (1.35) |
| Royalties | **(0.84)** | (11.21) | **(1.57)** | (10.27) |
| Operating and transportation costs | **(13.20)** | (12.37) | **(12.58)** | (11.80) |
| Operating netback | **24.88** | 36.43 | **22.62** | 40.63 |

The operating netback decreased in the three and six months ended June 30, 2015 compared to the Corresponding Periods due to the decline in commodity prices.

**General and administrative**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| General and administrative costs - gross | **336,534** | 379,185 | **688,352** | 758,488 |
| Operator recoveries | **21,783** | 93,168 | **59,962** | 192,801 |
| General and administrative costs - net | **314,751** | 286,017 | **628,390** | 565,687 |
| Per BOE | **3.74** | 4.06 | **3.40** | 4.08 |

Gross general and administrative costs decreased 11% and 9%, respectively, in the three and six months ended June 30, 2015 compared to the Corresponding Periods. Operator recoveries declined in both the three and six months ended June 30, 2015 due to the reduction in capital expenditures in 2015. Net general and administrative costs decreased on a BOE basis by 8% and 17%, respectively, during the 2015 periods when compared to the Corresponding Periods due to the increase in production volumes.

**Share based compensation**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| Share based compensation | **572,726** | 657,642 | **597,193** | 657,642 |
| Per BOE | **6.81** | 9.33 | **3.24** | 4.75 |

Share based compensation expense decreased for both the three and six months ended June 30, 2015 compared to the Corresponding Periods due to the decrease in the weighted average fair value of stock options granted. The weighted average fair value of options granted in 2015 decreased to $0.28 compared to $0.46 in 2014 due to the decreased exercise price of the stock options granted ($0.62 compared to $0.96).

**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 on decommissioning obligations | **20,750** | 18,500 | **39,500** | 35,000 |
| Net finance expense | **78,586** | 7,095 | **148,458** | 18,089 |

Interest income decreased for the three and six months ended June 30, 2015 compared to the Corresponding Periods due to lower interest earning cash balances. Interest expense and financing charges increased in the three and six months ended June 30, 2015 as compared to the Corresponding Periods due to increased financing charges related to a larger credit facility as well as utilization of the credit facility.

The accretion on decommissioning obligations increased for the three and six months ended June 30, 2015 as compared to the Corresponding Periods due to the additional decommissioning obligations incurred by the Company.

### Exploration and evaluation expense

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| Land expiries | **291,582** | 182,558 | **291,582** | 235,748 |
| Unsuccessful exploration | **(8,843)** | - | **252,356** | - |
| Exploration and evaluation expense | **282,739** | 182,558 | **543,938** | 235,748 |

Exploration and evaluation ("E&E") expenses result from impairment of E&E assets, unsuccessful E&E costs and the expiry of undeveloped lands. In 2015 E&E expenses were recorded relating to the unsuccessful re-entry of a well at Hanna, there were no unsuccessful exploration costs recorded in the Corresponding Periods.

### Depletion and depreciation

Traverse depletes its developed oil and natural gas properties, by area, based on proved and probable reserves. The calculation of depletion expense includes future development costs related to these reserves of $4,745,000 at June 30, 2015 (2014 - $2,064,000) and excluded $1,300,000 (2014 - $887,000) for estimated salvage values. Future development costs at June 30, 2015 relate mainly to two additional horizontal wells at Coyote.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| Depletion and depreciation | **1,688,219** | 1,019,054 | **3,801,554** | 2,004,772 |
| Per BOE | **20.07** | 14.46 | **20.60** | 14.47 |

Depletion and depreciation expense on a total dollar basis increased 66% and 90%, respectively, for the three and six months ended June 30, 2015 over the Corresponding Periods due to increased production as well as increases in the depletable base. On a per BOE basis, depletion and depreciation increased 39% and 42%, respectively, for the three and six months ended June 30, 2015 compared to the Corresponding Periods due to the higher cost of reserve additions in 2014 as well as negative technical reserve revisions in the fourth quarter of 2014 resulting from production performance at Coyote.

### Income taxes

The Company recorded an income tax provision in the three and six months ended June 30, 2015 due to the gain on sale of the Brazeau royalty property and the recognition of the pending increase in the Alberta corporate income tax rate.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| 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 |
| Income taxes | **2,415,460** | 124,904 | **2,271,660** | 964,904 |

For the six months ended June 30, 2015 the Company recorded a recovery of current income tax compared to a provision for current income tax in the comparable period due to the decrease in taxable income in 2015 resulting from the decline in commodity prices.

At June 30, 2015 the Company's tax pools available for deduction against future taxable income are estimated at $22 million. The approximate average rate of deduction from these tax pools is an annual rate of 25%. The current recovery of income taxes will depend on commodity prices, the level and type of capital expenditures during the remainder of 2015 as well as the results of such expenditures.

### Cash and funds from operations and net income

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| Cash provided by operating activities | **2,189,014** | 1,461,303 | **4,189,002** | 3,549,121 |
| Decommissioning expenditures | **12,575** | 38,158 | **28,954** | 38,158 |
| Change in non-cash working capital | **(462,671)** | 909,089 | **(740,454)** | 1,417,367 |
| Funds from operations | **1,738,918** | 2,408,550 | **3,477,502** | 5,004,646 |
| Per share basic and diluted | **0.02** | 0.03 | **0.05** | 0.08 |
| Net income | **5,525,006** | 406,839 | **4,969,639** | 1,153,104 |
| Per share basic and diluted | **0.08** | 0.01 | **0.07** | 0.02 |

Funds from operations decreased 28% and 31%, respectively in the three and six months ended June 30, 2015 compared to the Corresponding Periods due to the decline in commodity prices, partially offset by increased production.

The Company realized increased net income in the three and six months ended June 30, 2015 compared to the Corresponding Periods due to the gain on the sale of the Brazeau royalty property in June 2015.

### Capital expenditures

The Company incurred $1.1 million in expenditures in the second quarter of 2015 relating mainly to the tie in of one well at Coyote and pre drill expenditures.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ***($)*** | **2015** | 2014 | **2015** | 2014 |
| Land acquisition and rentals | **110,617** | 289,926 | **283,803** | 531,323 |
| Geological and geophysical | **110,800** | 206,523 | **218,326** | 888,348 |
| Drilling and completions | **241,000** | 2,630,378 | **1,691,176** | 7,488,533 |
| Equipping and facilities | **627,830** | 2,305,383 | **1,214,488** | 3,485,845 |
| Exploration and development capital | **1,090,247** | 5,432,210 | **3,407,793** | 12,394,049 |
| Property and equipment dispositions | **(8,914,090)** | - | **(8,914,090)** | - |
| Corporate assets | **-** | 42,569 | **4,091** | 44,701 |
| Net capital expenditures | **(7,823,843)** | 5,474,779 | **(5,502,206)** | 12,438,750 |

### Liquidity and capital resources

At June 30, 2015 Traverse had working capital of approximately $4.5 million, no debt outstanding and an unutilized credit facility of $10 million. The Company's Board of Directors has approved a $15 million exploration and development program for 2015. The Company intends to fund capital expenditures and commitments during 2015 with a combination of cash flow and working capital. New equity issues and debt may be used to expand future capital expenditures where appropriate.

As at August 13, 2015 Traverse had 70,780,269 common shares outstanding and 6,330,000 common share options outstanding.

In March 2014 the Company completed a bought deal financing of 14,375,000 common shares for gross proceeds of $11.5 million. In December 2014 the Company completed a private placement of 1,300,000 flow-through common shares for gross proceeds of $1.5 million. The obligation remaining for this flow-through issue at June 30, 2015 was $607,000.

### Commitments

The Company has entered into a lease commitment for office space. The term of the lease is 10 years commencing November 1, 2011. The annual payments under this commitment are as disclosed in the notes to the audited financial statements.

**Summary of quarterly results**
*($ thousands, except per share amounts)*
*(Unaudited)*

| Quarter ended | **June 30 2015** | March 31 2015 | December 31 2014 | September 30 2014 |
|---|---|---|---|---|
| Petroleum and natural gas revenue | **3,273** | 3,513 | 5,508 | 5,336 |
| Cash provided by operating activities | **2,189** | 2,000 | 3,473 | 3,160 |
| Funds from operations | **1,739** | 1,739 | 3,420 | 3,131 |
| Per share - basic and diluted | **0.02** | 0.02 | 0.05 | 0.05 |
| Net income | **5,525** | (555) | (6,358) | 635 |
| Per share - basic and diluted | **0.08** | (0.01) | (0.10) | 0.01 |
| Adjusted working capital (deficiency) | **4,460** | (5,240) | (4,641) | (1,695) |
| Production *(BOE/day)* | **924** | 1,116 | 1,249 | 1,115 |
| Capital expenditures, net of dispositions | **(7,824)** | 2,322 | 7,725 | 10,658 |

| Quarter ended | June 30 2014 | March 31 2014 | December 31 2013 | September 30 2013 |
|---|---|---|---|---|
| Petroleum and natural gas revenue | 4,338 | 4,535 | 4,055 | 4,819 |
| Cash provided by operating activities | 1,461 | 2,088 | 2,723 | 3,789 |
| Funds from operations | 2,409 | 2,596 | 1,958 | 3,796 |
| Per share - basic and diluted | 0.03 | 0.05 | 0.04 | 0.08 |
| Net income (loss) | 407 | 746 | 27 | 1,636 |
| Per share - basic and diluted | 0.01 | 0.01 | 0.00 | 0.03 |
| Adjusted working capital | 5,800 | 8,641 | 2,430 | 3,045 |
| Production *(BOE/day)* | 775 | 756 | 787 | 765 |
| Capital expenditures, net of dispositions | 5,475 | 6,964 | 5,482 | 4,957 |

In the third quarter of 2013 production volumes increased as a result of additional new oil production at Coyote. Production in the Turin area was disrupted by a 5 week shutdown of a third party owned pipeline which transports the Company's natural gas to market. During the shutdown, Traverse tested and confirmed the integrity of the pipeline and subsequently purchased an interest in the pipeline and became the pipeline operator. By early October normal production operations had resumed. No new royalty production was added and royalty income continued to decline. Commodity prices continued to improve resulting in an increase in funds from operations and net income. Three wells were drilled, completed and equipped during the quarter and a fourth well was drilled and completed.

In the fourth quarter of 2013 production volumes increased as a result of higher natural gas prices resulting in increased natural gas royalty volumes. No new working interest production was added. Commodity prices declined from the third quarter resulting in decreased revenue, funds from operations and net income. Two wells were drilled, completed and equipped during the quarter and a third well commenced drilling at year end. Capital expenditures were also incurred on facility expansion at Coyote and seismic acquisition. A well drilled at Turin in the first quarter was completed and expensed as a dry hole. In December 2013 the Company completed the acquisition of a private company owned by certain directors and officers of Traverse to consolidate its interest in Southern Alberta and for the tax pools of the acquired company. Traverse also completed a private placement of 4 million flow-through common shares for gross proceeds of $3.4 million.

In the first quarter of 2014 production volumes decreased as a result of a partial suspension of production in the Coyote area relating to the conservation of solution gas. Subsequent to quarter end, modifications were completed to allow conservation of solution gas and the battery returned to production May 1, 2014. Despite a decrease in production volumes, commodity price increases resulted in increased funds from operations and net income. Capital expenditures in the first quarter relating to the drilling of 5 wells and the re-entry of an existing wellbore. In March 2014 the Company completed a bought deal financing of 14,375,000 common shares for gross proceeds of $11.5 million.

In the second quarter of 2014 production volumes increased slightly as the partial suspension of production in the Coyote area ended May 1 and new production from 2014 drilling commenced late in June. Declines in the natural gas price resulted in decreased revenue during the second quarter. The expiration of the New Well Royalty Rate on certain wells resulted in increased royalties in the second quarter. These additional royalties combined with increased operating costs relating to start up of new wells and compression resulted in decreased funds from operations. Stock based compensation relating to option grants during the second quarter further reduced net income. Capital expenditures in the second quarter related to the drilling of 4 oil wells at Coyote, equipping and tie in activities and the installation of compression at the Turin facility.

In the third quarter of 2014 production volumes increased as new production from 2014 drilling commenced. Increased production and commodity prices resulted in increased revenue during the third quarter. New production resulted in a decline in royalties and new facilities helped to reduce operating costs on a unit basis. These decreased costs combined with increased revenue resulted in increased funds from operations and net income. Capital expenditures in the quarter related to the drilling and completion of 3 wells at Coyote, the drilling of a horizontal well at Coyote and the construction of the Coyote battery.

In the fourth quarter of 2014 production volumes increased as new production from two horizontal wells at Coyote commenced. Increased production resulted in increased revenue despite declining commodity prices. New production resulted in a decline in royalties and these decreased costs combined with increased revenue resulted in increased funds from operations. During the fourth quarter the Company recorded an impairment of property and equipment resulting in a net loss for the quarter. Capital expenditures in the quarter related mainly to the drilling of a second horizontal well at Coyote and the completion and tie in of both horizontals.

In the first quarter of 2015 production volumes declined as flush production from the Coyote horizontals declined. Commodity price declines resulted in decreased revenue and funds from operations. Increased depletion resulting from increased volumes and higher finding costs resulted in a net loss for the quarter. Capital expenditures in the quarter related mainly to the drilling and completion of one well at Coyote and the re-entry and abandonment of a well at Hanna.

In the second quarter of 2015 production volumes mainly due to the decrease in flush production from the Coyote horizontals. Commodity price declines resulted in decreased revenue. Funds from operations was unchanged as revenue declines were offset by decreases in operating and royalty expenses. The sale of the Brazeau royalty property resulted in a gain on sale which resulted in net income for the quarter. Capital expenditures for the quarter related mainly to the tie in of one well in the Coyote area and pre drill expenditures.

**Critical accounting estimates**

The preparation of financial statements in accordance with IFRS 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 these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

*Reserves*

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries.

The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying value of the Company's petroleum and natural gas properties and equipment, the calculation of depletion, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from the Company's petroleum and natural gas interests are independently evaluated by reserve engineers at least annually. Traverse's petroleum and natural gas reserves are determined pursuant to National Instrument 51-101, Standards of Disclosures for Oil and Gas Activities.

*Decommissioning obligations*

The Company estimates future decommissioning obligations of production facilities, wells and pipelines based on current legal and constructive requirements, technology, price levels and expected plans for remediation. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability specific discount rates to determine the present value of these cash flows.

*Stock based compensation*

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 share price, volatility, forfeiture rate, dividend yield and expected term.

*Financial derivatives*

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward prices and volatility in those prices.

*Deferred income taxes*

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.

*Business combinations*

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired.

**Business environment and risk**

Additional risk factors can be found under "Risk Factors" in the Company's 2014 Annual Information Form ("AIF"), which can be found on www.sedar.com. Many risk factors are listed below and in the AIF, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from anticipated results.

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Traverse’s operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, interest rate and foreign exchange risks, competition and government regulations – all of these govern the business and influence the controls and management at the Company.

Traverse manages these risks by attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company, operating properties in order to maximize opportunities, maintaining a strong financial position and maintaining strict environmental, safety and health practices.