

TRAVERSE ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

NOTICE TO READER:

The accompanying condensed unaudited interim financial statements of Traverse Energy Ltd. for the three months ended March 31, 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

	Notes	March 31, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents		\$ 58,660	\$ 2,965,048
Accounts receivable		1,190,578	689,080
Prepaid expenses and deposits		213,709	239,776
		1,462,947	3,893,904
Exploration and evaluation assets	3	6,412,712	5,298,367
Property and equipment	4	33,693,735	32,417,664
		\$ 41,569,394	\$ 41,609,935
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,228,912	\$ 2,177,384
		2,228,912	2,177,384
Deferred flow-through share premium		212,700	402,400
Decommissioning obligations		5,149,242	4,964,000
Deferred income taxes		2,025,600	1,743,900
		9,616,454	9,287,684
Shareholders' Equity			
Share capital	6 (a)	44,759,338	44,759,338
Contributed surplus		2,533,627	2,531,608
Deficit		(15,340,025)	(14,968,695)
		31,952,940	32,322,251
		\$ 41,569,394	\$ 41,609,935
Commitments	6 (b)		
Subsequent events	10		

See accompanying notes to the condensed interim financial statements

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

	Notes	Three months ended March 31,	
		2017	2016
Revenue			
Petroleum and natural gas		\$ 3,025,331	\$ 1,635,177
Royalties		(120,584)	(59,736)
		2,904,747	1,575,441
Expenses			
Operating		1,056,489	798,722
Transportation		114,615	124,879
General and administrative		282,843	253,409
Share based compensation		2,019	11,038
Finance income and costs	8	36,596	32,124
Exploration and evaluation expense	3	293,545	135,331
Depletion and depreciation	4	1,397,970	1,134,914
		3,184,077	2,490,417
Loss before income taxes		(279,330)	(914,976)
Deferred income tax (recovery)		92,000	(244,000)
Net loss and comprehensive loss		\$ (371,330)	\$ (670,976)
Net loss per share - basic and diluted	6(c)	\$ (0.004)	\$ (0.009)

See accompanying notes to the condensed interim financial statements

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

	Share capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance December 31, 2015	\$ 39,374,829	\$ 2,262,634	\$ (11,534,462)	\$ 30,103,001
Net loss	-	-	(670,976)	(670,976)
Share based compensation	-	11,038	-	11,038
Balance March 31, 2016	\$ 39,374,829	\$ 2,273,672	\$ (12,205,438)	\$ 29,443,063
Balance December 31, 2016	\$ 44,759,338	\$ 2,531,608	\$ (14,968,695)	\$ 32,322,251
Net loss	-	-	(371,330)	(371,330)
Share based compensation	-	2,019	-	2,019
Balance March 31, 2017	\$ 44,759,338	\$ 2,533,627	\$ (15,340,025)	\$ 31,952,940

See accompanying notes to the condensed interim financial statements

TRAVERSE ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

Three months ended March 31,
2017 2016

Cash provided by (used in):

Operating activities:

Net loss		\$ (371,330)	\$ (670,976)
Adjustments for:			
Depletion and depreciation		1,397,970	1,134,914
Exploration and evaluation expense		293,545	135,331
Share based compensation		2,019	11,038
Accretion on decommissioning obligations		27,000	22,500
Deferred income tax (recovery)		92,000	(244,000)
Decommissioning expenditures		(33,758)	(32,505)
Changes in non-cash working capital	9 (a)	(305,095)	255,458
Net cash from operating activities		1,102,351	611,760

Financing activities:

Changes in non-cash working capital	9 (a)	(17,158)	(2,021)
Net cash used in financing activities		(17,158)	(2,021)

Investing activities:

Exploration and evaluation asset additions		(3,492,140)	(422,143)
Property and equipment asset additions		(397,791)	(576,098)
Changes in non-cash working capital	9 (a)	(101,650)	(510,744)
Net cash used in investing activities		(3,991,581)	(1,508,985)

Change in cash and cash equivalents		(2,906,388)	(899,246)
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Cash and cash equivalents, beginning of period		2,965,048	1,050,938
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Cash and cash equivalents, end of period		\$ 58,660	\$ 151,692
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See accompanying notes to the condensed interim financial statements

TRAVERSE ENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (Unaudited)

1. Reporting entity

Traverse Energy Ltd. (the "Company" or "Traverse") 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". 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 S.W., Calgary, Alberta T2P 5H1.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2017.

2. Basis of presentation and statement of compliance

These condensed 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 condensed interim 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, 2016. These condensed interim 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, 2016.

These condensed interim financial statements have been prepared on a historical cost basis. These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

3. Exploration and evaluation assets

	Total
Balance December 31, 2015	\$ 4,781,709
Additions	4,359,823
Transfers to property and equipment	(2,680,882)
Changes in decommissioning obligations	219,293
Exploration and evaluation expense - land expiries	(603,721)
Exploration and evaluation expense - unsuccessful exploration	(777,855)
Balance December 31, 2016	\$ 5,298,367
Additions	3,492,140
Transfers to property and equipment	(2,214,250)
Changes in decommissioning obligations	130,000
Exploration and evaluation expense - land expiries	(60,335)
Exploration and evaluation expense - unsuccessful exploration	(233,210)
Balance March 31, 2017	\$ 6,412,712

Exploration and evaluation assets ("E&E assets") consist of the Company's exploration projects which are pending the determination of proved and/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.

At March 31, 2017 and 2016 the Company performed an impairment assessment of the E&E assets and determined there were no impairment triggers identified at the end of the reporting period.

TRAVERSE ENERGY LTD.
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4. Property and equipment

Cost:	Oil and natural gas properties	Corporate	Total
Balance December 31, 2015	\$ 72,127,797	\$ 294,678	\$ 72,422,475
Additions	2,250,674	2,758	2,253,432
Transfers from exploration and evaluation	2,680,882	-	2,680,882
Changes in decommissioning obligations	420,318	-	420,318
Balance December 31, 2016	\$ 77,479,671	\$ 297,436	\$ 77,777,107
Additions	397,791	-	397,791
Transfers from exploration and evaluation	2,214,250	-	2,214,250
Changes in decommissioning obligations	62,000	-	62,000
Balance March 31, 2017	\$ 80,153,712	\$ 297,436	\$ 80,451,148

Accumulated depletion and depreciation:	Oil and natural gas properties	Corporate	Total
Balance December 31, 2015	\$ (41,187,899)	\$ (138,828)	\$ (41,326,727)
Depletion and depreciation	(3,996,745)	(35,971)	(4,032,716)
Balance December 31, 2016	\$ (45,184,644)	\$ (174,799)	\$ (45,359,443)
Depletion and depreciation	(1,390,000)	(7,970)	(1,397,970)
Balance March 31, 2017	\$ (46,574,644)	\$ (182,769)	\$ (46,757,413)

Net book value:	Oil and natural gas properties	Corporate	Total
As at December 31, 2016	\$ 32,295,027	\$ 122,637	\$ 32,417,664
As at March 31, 2017	\$ 33,579,068	\$ 114,667	\$ 33,693,735

The calculation of depletion and depreciation at March 31, 2017 included estimated future development costs of \$5.7 million (2016 - \$7.7 million) associated with the development of the Company's proved and proved plus probable reserves and excluded salvage value of \$1.4 million (2016 - \$1.4 million).

At March 31, 2017 and 2016 the Company determined there were no impairment or impairment reversal indicators for the Company's property and equipment.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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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 \$7.0 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, 2018. As at March 31, 2017 the credit facility was undrawn (2016 - nil).

The facility bears interest at the Lender's prime lending rate plus 1.30% and standby fees are charged on the undrawn facility at a rate of 0.35%. 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 March 31, 2017 the Company was in compliance with the financial covenant. 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, 2015	71,948,269	\$ 39,374,829
Issued for cash	2,400,000	960,000
Issued for cash - flow-through	12,296,133	5,373,435
Deferred flow-through share premium	-	(655,900)
Share issue costs, net of tax of \$108,300	-	(293,026)
Balance December 31, 2016 and March 31, 2017	86,644,402	\$ 44,759,338

(b) Private placements

In June 2016 the Company completed a private placement of 6,696,133 flow-through common shares for gross proceeds of \$2.8 million. Flow-through common shares eligible for Canadian exploration expense ("CEE") were issued at \$0.45 per share (2,379,633 shares) and flow-through common shares eligible for Canadian development expenses ("CDE") were issued at a price of \$0.40 per common share (4,316,500 shares). Directors and officers of the Company subscribed for 992,406 common shares for consideration of \$407,249. The Company has incurred the qualifying expenditures.

In December 2016 the Company completed a private placement of 8 million common shares. The Company issued 2.4 million common shares at \$0.40 per share and 5.6 million flow-through common shares eligible for CEE at \$0.46 per share for total gross proceeds of \$3.5 million. Directors and officers of the Company subscribed for 861,300 common and flow-through common shares for consideration of \$357,198. The qualifying expenditures for the CEE must be incurred by December 31, 2017. The obligation remaining for the CEE flow-through at March 31, 2017 was \$1.6 million.

TRAVERSE ENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(c) Per share amounts

Basic and diluted net loss were calculated as follows:

	Three months ended March 31,	
	2017	2016
Net loss for the period	\$ (371,330)	\$ (670,976)
Weighted average number of common shares outstanding - basic and diluted	86,644,402	71,948,269
Net loss per share - basic and diluted	\$ (0.004)	\$ (0.009)

The Company experienced a net loss in both periods and therefore the effect of outstanding options were excluded as they were anti-dilutive.

(d) Normal course issuer bid

On March 20, 2017, the Company announced that it had received approval from the TSX Venture Exchange (the "TSX-V") to proceed with another normal course issuer bid (the "NCIB") whereby the Company may purchase for cancellation, through the facilities of the TSX-V and at the market price of the common shares at the time of purchase, up to 2,000,000 common shares, representing approximately 2.31% of the Corporation's issued and outstanding common shares as of March 20, 2017. The NCIB commenced March 24, 2017 and is expected to be terminated March 23, 2018. The previous NCIB commenced March 22, 2016 and terminated March 21, 2017. No common shares were purchased under the NCIB in the period ended December 31, 2016 or March 31, 2017.

(e) Stock option plan

The Company has established a stock option plan for the benefit of its directors, officers, employees and consultants. The Board of Directors establishes at the time of grant, subject to regulatory approval, the option exercise price, the expiry date and vesting provisions. The options granted to directors and officers vest immediately and the options granted to employees and 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	Weighted
	options	average
		exercise price
Balance December 31, 2015	5,545,000	\$ 0.75
Granted	1,630,000	0.36
Expired	(1,000,000)	0.80
Balance December 31, 2016	6,175,000	\$ 0.64
Forfeited	(310,000)	0.79
Balance March 31, 2017	5,865,000	\$ 0.63

No stock options were granted or exercised during the periods ended March 31, 2016 or 2017.

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The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2017:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.31 - \$0.40	1,570,000	4.1	\$ 0.36	1,463,334	\$ 0.36
\$0.51 - \$0.60	605,000	0.7	\$ 0.60	605,000	\$ 0.60
\$0.61 - \$0.70	2,160,000	3.1	\$ 0.62	2,160,000	\$ 0.62
\$0.91 - \$1.00	1,530,000	2.1	\$ 0.95	1,530,000	\$ 0.95
\$0.31 - \$1.00	5,865,000	2.8	\$ 0.63	5,758,334	\$ 0.64

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 March 31, 2017 the Company held no derivative commodity contracts.

8. Finance income and costs

	Three months ended March 31,	
	2017	2016
Interest income	\$ (1,831)	\$ (642)
Interest expense and financing charges	11,427	10,266
Accretion of decommissioning obligations	27,000	22,500
	\$ 36,596	\$ 32,124

9. Supplemental information

(a) Changes in non-cash working capital is comprised of:

	Three months ended March 31,	
	2017	2016
Provided by (used in):		
Accounts receivable	\$ (501,498)	\$ 441,547
Prepaid expenses and deposits	26,067	(76,761)
Accounts payable and accrued liabilities	51,528	(622,093)
	\$ (423,903)	\$ (257,307)
Provided by (used in):		
Operating	\$ (305,095)	\$ 255,458
Financing	(17,158)	(2,021)
Investing	(101,650)	(510,744)
	\$ (423,903)	\$ (257,307)

(b) Interest paid and received:

	Three months ended March 31,	
	2017	2016
Interest received	\$ (1,831)	\$ (642)
Interest paid	-	4,917
	\$ (1,831)	\$ 4,275

**TRAVERSE ENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (Unaudited)**

10. Subsequent events

(a) Private placement:

On April 26, 2017 the Company announced a non-brokered private placement of up to 5 million common shares and 2,375,000 warrants for gross proceeds of up to \$2.0 million. The closing of the offering is expected to occur on or about May 17, 2017.