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

	Notes	March 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		$ -	$ 2,738,487
Accounts receivable		802,020	1,331,592
Prepaid expenses and deposits		251,606	271,439
		1,053,626	4,341,518
Exploration and evaluation assets	4	16,098,062	15,487,140
Property and equipment	5	30,514,175	31,681,322
		$ 47,665,863	$ 51,509,980
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,550,122	$ 9,235,422
Bank debt	6	4,760,108	-
		6,310,230	9,235,422
Decommissioning obligations		4,864,400	5,180,000
Deferred income taxes		2,885,900	3,048,300
		14,060,530	17,463,722
Shareholders' Equity			
Share capital	7 (a)	51,135,893	51,135,893
Contributed surplus		2,891,729	2,885,307
Deficit		(20,422,289)	(19,974,942)
		33,605,333	34,046,258
		$ 47,665,863	$ 51,509,980

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, 2018	2017
Revenue			
Petroleum and natural gas	10	$ 1,979,045	$ 3,025,331
Royalties		(74,686)	(120,584)
		1,904,359	2,904,747
Expenses			
Operating		905,934	1,056,489
Transportation		103,731	114,615
General and administrative		234,743	282,843
Share based compensation		6,422	2,019
Finance income and costs	9	76,242	36,596
Exploration and evaluation expense	4	169,934	293,545
Depletion and depreciation	5	1,017,100	1,397,970
		2,514,106	3,184,077
Loss before income taxes		(609,747)	(279,330)
Deferred income tax expense (recovery)		(162,400)	92,000
Net loss and comprehensive loss		$ (447,347)	$ (371,330)
Net loss per share - basic and diluted	7(b)	$ (0.00)	$ (0.00)

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, 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
Balance December 31, 2017	$ 51,135,893	$ 2,885,307	$ (19,974,942)	$ 34,046,258
Net loss	-	-	(447,347)	(447,347)
Share based compensation	-	6,422	-	6,422
Balance March 31, 2018	$ 51,135,893	$ 2,891,729	$ (20,422,289)	$ 33,605,333

See accompanying notes to the condensed interim financial statements

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

	Notes	Three months ended March 31, 2018	2017
Cash provided by (used in):			
Operating activities:			
Net loss		$ (447,347)	$ (371,330)
Adjustments for:			
Depletion and depreciation		1,017,100	1,397,970
Exploration and evaluation expense		169,934	293,545
Share based compensation		6,422	2,019
Accretion on decommissioning obligations		30,000	27,000
Deferred income tax expense (recovery)		(162,400)	92,000
Decommissioning expenditures		(151,214)	(33,758)
Changes in non-cash working capital	11 (a)	681,272	(305,095)
Net cash from operating activities		1,143,767	1,102,351
Financing activities:			
Proceeds from bank debt		4,760,108	-
Changes in non-cash working capital	11 (a)	(5,036)	(17,158)
Net cash from (used in) financing activities		4,755,072	(17,158)
Investing activities:			
Exploration and evaluation asset additions		(780,856)	(3,492,140)
Property and equipment asset additions		(44,339)	(397,791)
Changes in non-cash working capital	11 (a)	(7,812,131)	(101,650)
Net cash used in investing activities		(8,637,326)	(3,991,581)
Change in cash and cash equivalents		(2,738,487)	(2,906,388)
Cash and cash equivalents, beginning of period		2,738,487	2,965,048
Cash and cash equivalents, end of period		$ -	$ 58,660

See accompanying notes to the condensed interim financial statements

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 14, 2018.

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, 2017. Except as described in Note 3, 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, 2017.

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. Changes in accounting policies

(a) IFRS 15

The Company adopted IFRS 15 "*Revenue from Contracts with Customers*" on January 1, 2018. The Company used the modified retrospective adoption approach to adopt the new standard. The Company reviewed its revenue contracts with customers using the IFRS 15 five-step model and there were no changes to the comparative period or the opening deficit. Additional disclosures required by IFRS 15 are detailed in Note 10.

Revenue recognition policy

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer, which is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point agreed with the customer.

(b) IFRS 9

The Company adopted IFRS 9 "*Financial Instruments*" on January 1, 2018. The transition to IFRS 9 had no material effect on the Company's financial statements.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IFRS 39 categories of held to maturity, loans and receivables, and available for sale. Under IFRS 9, derivatives embedded in contracts where the host if a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Cash and cash equivalents, if any, and accounts receivable continue to measured at amortized cost and are now classified as "amortized cost". The Company's financial liabilities previously classified as "other financial liabilities" being accounts payable and bank debt, continue to be measured at amortized cost and are now classified as "amortized cost". The Company has not designated any financial instruments as FVOCI or FVTPL, nor does the Company use hedge accounting.

(b) IFRS 16

IFRS 16 "*Leases* " was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. The standard requires lessees to recognize a lease obligation and right-of-use asset for the majority of leases. The Company intends to adopt IFRS 16 on January 1, 2019 and the extent of the impact of the adoption of the standard has not yet been determined.

4. Exploration and evaluation assets

	Total
Balance December 31, 2016	$ 5,298,367
Additions	16,970,712
Transfers to property and equipment	(3,486,408)
Changes in decommissioning obligations	271,000
Exploration and evaluation expense - land expiries	(681,472)
Exploration and evaluation expense - unsuccessful exploration	(2,885,059)
Balance December 31, 2017	$ 15,487,140
Additions	780,856
Exploration and evaluation expense - land expiries	(169,934)
Balance March 31, 2018	$ 16,098,062

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 in 2017 included the drilling, completion and equipping of a horizontal Duvernay oil well at Chigwell which is undergoing evaluation to determine technical feasibility and commercial viability.

At March 31, 2018 and 2017 the Company determined there were no impairment triggers identified at the end of the reporting period.

5. Property and equipment

Cost:	Oil and natural gas properties	Corporate	Total
Balance December 31, 2016	$ 77,479,671	$ 297,436	$ 77,777,107
Additions	732,740	2,153	734,893
Transfers from exploration and evaluation	3,486,408	-	3,486,408
Changes in decommissioning obligations	12,052	-	12,052
Balance December 31, 2017	$ 81,710,871	$ 299,589	$ 82,010,460
Additions	44,339	-	44,339
Changes in decommissioning obligations	(194,386)	-	(194,386)
Balance March 31, 2018	$ 81,560,824	$ 299,589	$ 81,860,413

Accumulated depletion and depreciation:	**Oil and natural gas properties**	**Corporate**	**Total**
Balance December 31, 2016	$ (45,184,644)	$ (174,799)	$ (45,359,443)
Depletion and depreciation	(4,937,500)	(32,195)	(4,969,695)
Balance December 31, 2017	$ (50,122,144)	$ (206,994)	$ (50,329,138)
Depletion and depreciation	(1,009,800)	(7,300)	(1,017,100)
Balance March 31, 2018	$ (51,131,944)	$ (214,294)	$ (51,346,238)

Net book value:	**Oil and natural gas properties**	**Corporate**	**Total**
As at December 31, 2017	$ 31,588,727	$ 92,595	$ 31,681,322
As at March 31, 2018	$ 30,428,880	$ 85,295	$ 30,514,175

The calculation of depletion and depreciation at March 31, 2018 included estimated future development costs of $8.2 million (2017 - $5.7 million) associated with the development of the Company's proved plus probable reserves and excluded salvage value of $1.4 million (2017 - $1.4 million).

At March 31, 2018 and 2017 the Company determined there were no impairment or impairment reversal indicators for the Company's property and equipment.

6. 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 $9.0 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, 2019.

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, 2018 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.

7. Share capital

(a) Issued and outstanding

Common shares	**Number**	**Amount**
Balance December 31, 2016	86,644,402	$ 44,759,338
Issued for cash	1,937,550	716,894
Issued for cash - flow-through	14,914,800	6,691,206
Deferred flow-through share premium	-	(728,500)
Share issue costs, net of tax of $112,000	-	(303,045)
Balance December 31, 2017 and March 31, 2018	103,496,752	$ 51,135,893

(b) Per share amounts

Basic and diluted net loss were calculated as follows:

	Three months ended March 31, 2018	2017
Net loss for the period	$ (447,347)	$ (371,330)
Weighted average number of common shares outstanding - basic and diluted	103,496,752	86,644,402
Net loss per share - basic and diluted	$ (0.00)	$ (0.00)

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

(c) 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 options	Weighted average exercise price
Balance December 31, 2016	6,175,000	$ 0.64
Forfeited	(310,000)	0.79
Granted	2,050,000	0.36
Expired	(605,000)	0.60
Balance December 31, 2017 and March 31, 2018	7,310,000	$ 0.56

No stock options were granted or exercised during the periods ended March 31, 2018 or 2017.

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2018:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.30 - $0.40	3,620,000	3.7	$ 0.36	3,436,665	$ 0.36
$0.60 - $0.70	2,160,000	2.1	$ 0.62	2,160,000	$ 0.62
$0.90 - $1.00	1,530,000	1.1	$ 0.95	1,530,000	$ 0.95
$0.30 - $1.00	7,310,000	2.7	$ 0.56	7,126,665	$ 0.57

8. 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, 2018 the Company held no derivative commodity contracts.

9. Finance income and costs

	Three months ended March 31, 2018	2017
Interest income	$ (678)	$ (1,831)
Interest expense and financing charges	46,920	11,427
Accretion of decommissioning obligations	30,000	27,000
	$ 76,242	$ 36,596

10. Revenue

The Company sells its production pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed of variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table details the Company's petroleum and natural gas revenue by product:

	Three months ended March 31, 2018	2017
Crude oil	$ 1,453,398	$ 2,270,532
Natural gas	446,895	655,912
NGLs	78,752	98,887
Petroleum and natural gas revenue	$ 1,979,045	$ 3,025,331

11. Supplemental information

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

	Three months ended March 31, 2018	2017
Provided by (used in):		
Accounts receivable	$ 529,572	$ (501,498)
Prepaid expenses and deposits	19,833	26,067
Accounts payable and accrued liabilities	(7,685,300)	51,528
	$ (7,135,895)	$ (423,903)
Provided by (used in):		
Operating	$ 681,272	$ (305,095)
Financing	(5,036)	(17,158)
Investing	(7,812,131)	(101,650)
	$ (7,135,895)	$ (423,903)

(b) Interest paid and received:

	Three months ended March 31, 2018	2017
Interest received	$ (678)	$ (1,831)
Interest paid	39,737	-
	$ 39,059	$ (1,831)