

**TRAVERSE ENERGY LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

This Management's Discussion and Analysis ("MD&A") of Traverse Energy Ltd. ("Traverse" or "the Company") dated May 14, 2018 should be read in conjunction with the Company's unaudited condensed interim financial statements as at and for the three months ended March 31, 2018 and the audited financial statements as at and for the year ended December 31, 2017. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2017, as disclosure which is unchanged from December 31, 2017 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 financial measures

The terms "adjusted funds flow", "adjusted funds flow per share", "netback" and "net debt" used in this MD&A are not recognized measures under IFRS and therefore may not be comparable to the calculation of similar measures by other entities. Management uses certain industry benchmarks such as netbacks to analyze financial and operating performance. There are no comparable measures in accordance with IFRS for operating or corporate netback. Management believes that in addition to net income (loss), the non-IFRS measures set forth below 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 (loss) and cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

Adjusted funds flow represents cash from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations as detailed below:

| (\$) | Three months ended | | |
|--|--------------------|---------------|---------------|
| | Mar. 31, 2018 | Dec. 31, 2017 | Mar. 31, 2017 |
| Cash from (used in) operating activities | 1,143,767 | (153,142) | 1,102,351 |
| Decommissioning expenditures | 151,214 | 48,819 | 33,758 |
| Change in non-cash working capital | (681,272) | 985,037 | 305,095 |
| Adjusted funds flow | 613,709 | 880,714 | 1,441,204 |

Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income (loss) per share. Operating and corporate netbacks are also presented. Operating netback represents revenue less royalties, operating and transportation costs. Corporate netback represents the operating netback less general and administrative expenses and finance income and costs before accretion. Netback per BOE is the applicable netback divided by barrels of oil production for the applicable period. The calculation of Traverse's operating and corporate netbacks are detailed under the applicable headings within this MD&A.

Traverse defines net debt as outstanding bank debt plus or minus working capital.

BOE presentation

The term "BOE" or barrels of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

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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 intentions for funding capital expenditures in 2018 are 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.

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| HIGHLIGHTS (Unaudited) | Three months ended | | |
|---|----------------------|---------------|---------------|
| | Mar. 31, 2018 | Dec. 31, 2017 | Mar. 31, 2017 |
| Financial (\$ thousands, except per share amounts) | | | |
| Petroleum and natural gas revenue | 1,979 | 2,209 | 3,025 |
| Cash from (used in) operating activities | 1,144 | (153) | 1,102 |
| Adjusted funds flow ⁽¹⁾ | 614 | 881 | 1,441 |
| Per share - basic and diluted | 0.01 | 0.01 | 0.02 |
| Net loss | (447) | (2,967) | (371) |
| Per share - basic and diluted | (0.00) | (0.03) | (0.00) |
| Capital expenditures | 825 | 10,590 | 3,890 |
| Total assets | 47,666 | 51,510 | 41,569 |
| Working capital deficiency | (5,257) | (4,894) | (766) |
| Common shares | | | |
| Outstanding (millions) | 103.5 | 103.5 | 86.6 |
| Weighted average (millions) | 103.5 | 100.3 | 86.6 |
| Operations (units as noted) | | | |
| Average production | | | |
| Natural gas (mcf/day) | 2,252 | 2,418 | 2,426 |
| Oil and NGL (bbls/day) | 298 | 305 | 467 |
| Total (BOE/day) | 673 | 708 | 871 |
| Average sales price | | | |
| Natural gas (\$/mcf) | 2.21 | 2.29 | 3.00 |
| Oil and NGL (\$/bbl) | 57.18 | 60.65 | 56.37 |
| Netback (\$/BOE) | | | |
| Petroleum and natural gas revenue | 32.67 | 33.93 | 38.58 |
| Royalties | (1.23) | (0.67) | (1.54) |
| Operating and transportation expenses | (16.67) | (17.02) | (14.93) |
| Operating netback ⁽²⁾ | 14.77 | 16.24 | 22.11 |
| General and administrative | (3.88) | (2.67) | (3.61) |
| Finance income and costs ⁽³⁾ | (0.76) | (0.05) | (0.12) |
| Corporate netback ⁽⁴⁾ | 10.13 | 13.52 | 18.38 |

(1) Adjusted funds flow represents cash from (used in) operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations.

(2) Operating netback represents revenue less royalties, operating and transportation expenses. Operating netback per BOE is the operating netback divided by barrels of oil equivalent production volume for the applicable period.

(3) Excludes non-cash accretion

(4) Corporate netback represents the operating netback less general and administrative costs and finance income and costs before accretion. Corporate netback per BOE is the corporate netback divided by barrels of oil equivalent production volume for the applicable period.

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Operations review

Traverse's production averaged 673 BOE per day (44% oil and ngl) during the first quarter of 2018. No new production was added during the first quarter of 2018 resulting in a 5% decline in production from the fourth quarter of 2017. Capital expenditures in the first quarter related mainly to land acquisition and production testing and facility construction at Chigwell.

The Duvernay well at Chigwell was shut-in during April to perform a pressure survey and minimize lease damage and costs related to spring break-up. Independent analysis of the pressure build up data observed no upper or lower boundaries suggesting that the fracture treatment was contained within the Upper Duvernay formation. The well has been returned to production and continues to recover completion fluids with oil cuts in the same range as previously observed. Total load fluid recovered to May 11, 2018 was 67,000 barrels, which is 26% of the completion fluids.

Undeveloped land holdings in Alberta at March 31, 2018 were 191,200 gross (190,600 net) acres. At March 31, 2018 the Company had a working capital deficiency of approximately \$5.3 million and credit facilities of \$9 million. The Company's 2018 capital budget of \$15 million is dependent on current economic conditions and the continuing evaluation of the Chigwell Duvernay well.

| Production | Three months ended March 31, | |
|-------------------------------------|------------------------------|-------|
| | 2018 | 2017 |
| Natural gas (<i>mcf/day</i>) | 2,252 | 2,426 |
| Oil and NGL (<i>bbls/day</i>) | 298 | 467 |
| Total (<i>BOE/day</i>) | 673 | 871 |
| % Oil and NGL | 44% | 54% |
| Production by area (BOE/day) | | |
| Coyote | 332 | 401 |
| Michichi | 39 | 42 |
| Turin | 198 | 318 |
| Watts | 79 | 89 |
| Minor | 25 | 21 |
| Total BOE per day | 673 | 871 |

In the first quarter of 2018 Traverse's production decreased 23% as compared to the quarter ended March 31, 2017 (the "Corresponding Period") as no new production was added in 2018. The Duvernay well drilled at Chigwell is production testing and as a result the costs of the test, net of any production achieved, are capitalized.

| Pricing | Three months ended March 31, | |
|-------------------------------|------------------------------|-------|
| | 2018 | 2017 |
| Average realized prices | | |
| Oil (<i>\$/bbl</i>) | 57.28 | 57.61 |
| NGL (<i>\$/bbl</i>) | 55.35 | 37.78 |
| Natural gas (<i>\$/mcf</i>) | 2.21 | 3.00 |
| BOE (<i>\$/BOE</i>) | 32.67 | 38.58 |

Traverse realized oil prices of \$57.28 per bbl during the three months ended March 31, 2018 compared to \$57.61 per bbl during the Corresponding Period. The realized oil price incorporates the result of any fixed physical delivery contracts. During the first quarter of 2018 the impact of these contracts was \$0.33 per bbl (Corresponding Period: \$1.22 per bbl). During the three months ended March 31, 2018, Traverse's discount to CAL (Central Alberta) approximated \$8 per bbl (Corresponding Period: \$6 per bbl). These pricing differentials are a function of North American refinery supply/demand fundamentals as well as crude quality.

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In the three months ended March 31, 2018, Traverse realized natural gas prices of \$2.21 per mcf (Corresponding Period: \$3.00 per mcf). 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 months ended March 31, 2018, no fixed physical delivery contracts were outstanding. In the Corresponding Period the impact of fixed physical delivery contracts on the realized natural gas price was \$0.14 per mcf.

The average BOE sales price received in the three months March 31, 2018 decreased 15% compared to the Corresponding Period due to decreased natural gas prices and the impact of the increased proportion of natural gas in the production base. The proportion of oil and NGL in the Company's sales mix decreased to 44% from 54% in the comparative period.

Volatility in the commodity markets will continue to impact realized prices in 2018. At March 31, 2018 Traverse has an oil physical delivery contract outstanding for 85 barrels per day (April to June 2018) at \$62.90 Cdn \$/bbl CAL at Edmonton. There were no derivative commodity contracts outstanding during 2017, 2018 or as at March 31, 2018.

| | Three months ended March 31, | | | |
|-----------------------------------|------------------------------|---------------|------------------|---------------|
| | 2018 | | 2017 | |
| Operating netback | \$ | \$/BOE | \$ | \$/BOE |
| Petroleum and natural gas revenue | 1,979,045 | 32.67 | 3,025,331 | 38.58 |
| Royalties | (74,686) | (1.23) | (120,584) | (1.54) |
| Operating | (905,934) | (14.96) | (1,056,489) | (13.09) |
| Transportation | (103,731) | (1.71) | (114,615) | (1.84) |
| Operating netback | 894,694 | 14.77 | 1,733,643 | 22.11 |

Petroleum and natural gas revenue decreased 35% during the three months ended March 31, 2018 compared to the Corresponding Period due to decreases in both oil production and natural gas prices.

The Company's corporate royalty rate (as a percentage of revenue) decreased to 3.8% during the three months ended March 31, 2018 compared to 4% in the Corresponding Period due to the decrease in natural gas prices and the corresponding sensitivity of crown royalty rates on existing production.

Operating costs increased on a BOE basis for the three months ended March 31, 2018 compared to the Corresponding Period due mainly to a decreased production base over which fixed costs are amortized. Transportation expenses decreased during the three months ended March 31, 2018 compared to the Corresponding Period due to the increase in the proportion of natural gas in the production base.

The operating netback per BOE decreased 33% for the three months ended March 31, 2018 compared to the Corresponding Period due to decreased oil production and lower natural gas prices.

| General and administrative (\$) | Three months ended March 31, | |
|--|------------------------------|-------------|
| | 2018 | 2017 |
| General and administrative costs - gross | 246,079 | 336,875 |
| Recoveries | (11,336) | (54,032) |
| General and administrative - net | 234,743 | 282,843 |
| Per BOE | 3.88 | 3.61 |

Gross general and administrative costs decreased in the three months ended March 31, 2018 compared to the Corresponding Period due to costs associated with staff reductions in the first quarter of 2017. Operator recoveries decreased in the three months ended March 31, 2018 compared to the Corresponding Period due to decreased capital expenditures. General and administrative expenses, net of recoveries, increased to \$3.88 per BOE for the three months ended March 31, 2018 compared to \$3.61 per BOE in the Corresponding Period due to the lower production base.

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| 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 on decommissioning obligations | 30,000 | 27,000 |
| Finance income and costs | 76,242 | 36,596 |

Interest expense and financing charges increased in the three months ended March 31, 2018 as compared to the Corresponding Period due to utilization of the banking facilities in 2018.

| Corporate netback (\$) | Three months ended March 31, | |
|-------------------------------------|------------------------------|-----------|
| | 2018 | 2017 |
| Operating netback | 894,694 | 1,733,643 |
| General and administrative expenses | (234,743) | (282,843) |
| Finance expense excluding accretion | (46,242) | (9,596) |
| Corporate netback | 613,709 | 1,441,204 |
| Corporate netback per BOE | \$ 10.13 | \$ 18.38 |

The corporate netback decreased 57% in the three months ended March 31, 2018 compared to the Corresponding Period due mainly to decreased oil production and lower natural gas prices.

| Share based compensation (\$) | Three months ended March 31, | |
|--|------------------------------|-------|
| | 2018 | 2017 |
| Share based compensation | 6,422 | 2,019 |
| Per BOE | 0.11 | 0.03 |

Share based compensation expense increased for the three months ended March 31, 2018 compared to the Corresponding Period as a larger number of stock options were granted in 2017 compared to 2016.

| Exploration and evaluation expense (\$) | Three months ended March 31, | |
|--|------------------------------|---------|
| | 2018 | 2017 |
| Land expiries | 169,934 | 60,335 |
| Unsuccessful exploration | - | 233,210 |
| Exploration and evaluation expense | 169,934 | 293,545 |

Exploration and evaluation ("E&E") expenses result from impairment of E&E assets, unsuccessful E&E costs and the expiry of undeveloped lands. Pending expiries of land are impaired in areas where Traverse does not plan to pursue the projects before expiry. In the Corresponding Period, E&E expenses related to the pending expiry of undeveloped lands, the geological and geophysical expenses associated with those lands and the drilling and completion costs associated with an uneconomic exploration well at Coyote west.

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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 \$8.2 million at March 31, 2018 (Corresponding Period: \$5.7 million) and excluded \$1.4 million (Corresponding Period: \$1.4 million) for estimated salvage values. Future development costs at March 31, 2018 relate to four additional horizontal wells at Coyote and one vertical well at Watts.

| (\$) | Three months ended March 31, | |
|----------------------------|------------------------------|-----------|
| | 2018 | 2017 |
| Depletion and depreciation | 1,017,100 | 1,397,970 |
| Per BOE | 16.79 | 17.83 |

Depletion and depreciation expense decreased for the three months ended March 31, 2018 compared to the Corresponding Period due to decreased production. On a per BOE basis, depletion and depreciation decreased 6% for the three months ended March 31, 2018 compared to the Corresponding Period due to the lower cost of reserve additions in 2017.

Income Taxes

The Company recorded a deferred income tax recovery for the three months ended March 31, 2018 consistent with the net loss incurred. A deferred income tax provision was recognized in the Corresponding Period, despite the net loss, due to the impact of flow-through share expenditures.

| Net loss (\$) | Three months ended March 31, | |
|--------------------|------------------------------|-----------|
| | 2018 | 2017 |
| Net loss | (447,347) | (371,330) |
| Net loss per share | \$ (0.00) | \$ (0.00) |

The net loss increased in the three months ended March 31, 2018 compared to the Corresponding Periods due to decreased oil production and lower natural gas prices.

Decommissioning obligations

Decommissioning obligations result from the net ownership interest in oil and natural gas assets including well sites, gathering systems and processing facilities. Traverse has recorded decommissioning obligations of \$4.9 million as at March 31, 2018 (\$5.2 million December 31, 2017). The estimated decommissioning obligation includes management's estimates of the costs to abandon or reclaim the property and the time frame in which costs will be incurred. An inflation rate and risk-free rate (based on the Bank of Canada's long-term risk-free bond rate) are used to calculate the present value of the decommissioning obligations.

Traverse has an active abandonment and reclamation program that is regularly reviewed by management and is funded from adjusted funds flow. Traverse's current Liability Management Rating (LMR) of 4.50 as of May 5, 2018 is well within the Alberta Energy Regulator guidelines.

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Capital expenditures

The Company incurred \$0.8 million in expenditures during the first quarter of 2018. The majority of these expenditures related to land acquisition, Chigwell facilities and the production test at Chigwell.

| (\$) | Three months ended March 31, | |
|------------------------------|------------------------------|-----------|
| | 2018 | 2017 |
| Land acquisition and rentals | 424,867 | 6,543 |
| Geological and geophysical | 99,869 | 127,081 |
| Drilling and completions | 142,374 | 3,114,651 |
| Equipping and facilities | 158,085 | 641,656 |
| Net capital expenditures | 825,195 | 3,889,931 |

Liquidity and capital resources

At March 31, 2018, Traverse had a working capital deficiency of \$5.3 million with a net debt to first quarter annualized adjusted funds flow ratio of 2.1:1. This ratio represents the time period required to pay off the debt if no further capital expenditures were incurred and if the adjusted funds flow remained constant. The ratio is calculated as net debt, defined as working capital deficiency, divided by adjusted funds flow for the quarter, annualized (multiplied by four).

| | Three months ended March 31, | |
|--|------------------------------|-----------|
| | 2018 | 2017 |
| Net debt to adjusted funds flow | | |
| Net debt (working capital deficiency) | 5,256,604 | 765,965 |
| Adjusted funds flow (quarter annualized) | 2,454,836 | 5,764,816 |
| Total net debt to adjusted funds flow | 2.1 | 0.1 |

To facilitate the management of this ratio, Traverse prepares annual capital expenditure and adjusted funds flow budgets, which are updated as necessary, and are reviewed and periodically approved by the Board of Directors. The Company's Board of Directors has approved an exploration and development program for 2018 of \$15 million, the majority of which will take place in the second half of the year. The 2018 program is dependent on current economic conditions and the ongoing evaluation of the Chigwell Duvernay well for commercial production. Traverse will continue to monitor the environment and adjust activities accordingly. The Company intends to fund capital expenditures and commitments during 2018 with a combination of adjusted funds flow, working capital and new equity issues or debt.

The Company's bank facility consists of a revolving operating loan facility (the "facility"), provided on a demand basis, with a Canadian bank. At March 31, 2018, the facility was \$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 bank 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.

Shareholders' Equity

As at May 14, 2018, Traverse had 103,496,752 common shares outstanding. In addition, Traverse has 7,310,000 common share options outstanding as at May 14, 2018, with an average exercise price of \$0.56 per common share and 2,120,025 warrants outstanding. The warrants are exercisable at a price of \$0.50 per common share until May 17, 2018.

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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 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
|------------------------------------|------------------|---------------------|----------------------|-----------------|
| Petroleum and natural gas revenue | 1,979 | 2,210 | 2,173 | 2,615 |
| Adjusted funds flow | 614 | 881 | 769 | 1,147 |
| Per share - basic and diluted | 0.01 | 0.01 | 0.01 | 0.01 |
| Production (BOE/day) | 673 | 708 | 729 | 767 |
| Average sales price (\$/BOE) | 32.67 | 33.93 | 32.42 | 37.44 |
| Exploration and evaluation expense | 170 | 2,121 | 186 | 966 |
| Net loss | (447) | (2,967) | (538) | (1,130) |
| Per share - basic and diluted | (0.00) | (0.03) | (0.01) | (0.01) |
| Capital expenditures | 825 | 10,589 | 2,024 | 1,202 |

| Quarter ended | March 31 2017 | December 31 2016 | September 30 2016 | June 30 2016 |
|------------------------------------|------------------|---------------------|----------------------|-----------------|
| Petroleum and natural gas revenue | 3,025 | 1,828 | 1,788 | 1,969 |
| Adjusted funds flow | 1,441 | 404 | 440 | 491 |
| Per share - basic and diluted | 0.02 | 0.01 | 0.01 | 0.01 |
| Production (BOE/day) | 871 | 605 | 632 | 748 |
| Average sales price (\$/BOE) | 38.58 | 32.86 | 30.74 | 28.93 |
| Exploration and evaluation expense | 294 | 369 | 726 | 151 |
| Net loss | (371) | (856) | (1,115) | (793) |
| Per share - basic and diluted | (0.00) | (0.01) | (0.01) | (0.01) |
| Capital expenditures | 3,890 | 2,874 | 1,790 | 951 |

The Company's petroleum and natural gas revenue, adjusted funds flow and net loss are influenced by both commodity prices and production levels. Production declined throughout 2016 as capital expenditures were reduced in response to low commodity prices. Production increased in 2017 due to increased drilling activity in the first quarter. There was no drilling activity in 2018 and production declined accordingly. Net loss is also influenced by exploration and evaluation expenses which fluctuate with land expiries and unsuccessful exploration. Capital expenditures are typically low during the second quarter when break-up conditions reduce access for field activities. Capital expenditures increased in 2017 due to the drilling and completion of a Duvernay oil well at Chigwell in the fourth quarter.

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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

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Reserve estimates

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.

Share 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.

Derivative financial instruments

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

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.

Changes in accounting policies

Adoption of IFRS 9 "Financial Instruments"

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 is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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Cash and cash equivalents, if any, and accounts receivable continue to be 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.

Adoption of IFRS 15 "Revenues from contracts with customers"

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 the notes to the interim financial statements.

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.

Future accounting pronouncements

IFRS 16 "Leases"

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that apply IFRS 15 at or before the initial adoption date of January 1, 2018. 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.

Business environment and risk

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.

The oil and gas industry is highly competitive. Traverse competes with numerous other participants for all of its business activities, including exploration and development prospects, access to commodity markets and available capital. Traverse's competitors include companies with greater financial resources, staff and facilities than those of Traverse. Exploration, development and production of petroleum and natural gas involves many risks that even a combination of experience, knowledge and careful evaluation may not be sufficient to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Traverse.

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived, including many factors that are beyond the control of the Company. The marketability of oil and natural gas discovered or acquired will be affected by numerous factors beyond the control of Traverse. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. The effect of these factors cannot be accurately predicted.

**TRAVERSE ENERGY LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Traverse's oil and natural gas operations may also be subject to compliance with international, federal, provincial and local laws, regulations and policies relating to taxation and controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Although the Company believes that it is in material compliance with current applicable environmental regulations, changing regulations may have a material adverse effect on the Company. Aboriginal peoples have claimed Aboriginal and treaty rights to portions of Western Canada. The Company is not aware that any claims have been made in respect of the Company's assets; however, if a claim arose and was successful this could have a material adverse effect on the Company and its operations.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The marketability and price of oil and natural gas that may be acquired or discovered by the Company is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising outside of Canada have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Company's net production revenue.

Both oil and natural gas prices are unstable and are subject to fluctuation. Material declines in commodity prices could result in a reduction in the Company's future production revenue and overall value. The Company may enter into agreements to receive fixed or collared prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. The Company is or may be exposed to third party credit risk through its contractual arrangements with future joint venture partners, marketers of its petroleum and natural gas production, counterparties to financial instruments and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company, its cash flow from operations and its liquidity structure.

Oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. Traverse maintains a comprehensive insurance program that insures liability and property consistent with industry practice. The program is designed to mitigate risks and protect against significant loss. However, the Company is not fully insured against all these risks, nor are all such risks insurable.

Traverse's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Traverse may require additional financing in order to carry out its oil and natural gas exploitation, acquisition, exploration, development and production activities. Failure to obtain such financing on a timely basis could cause Traverse to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. The Company may issue additional common shares in the future, which may dilute a shareholder's holdings in the Company. The Company is not obligated to pay dividends on its common shares. The payment of dividends is at the sole discretion of the Company's board of directors and as at the date hereof, the Company has not paid dividends.

Many risk factors are listed above but these risk factors should not be construed as exhaustive. 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. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from anticipated results.