2010 First Quarter Interim Report

Laricina continued to make progress on its two major projects - Saleski and Germain during the first quarter of 2010. In particular we began construction on our Saleski pilot which moves us closer to our key priority of demonstrating steam-assisted gravity drainage recovery in the carbonates.

Highlights for the quarter were:

Saleski:
- Permanent operations camp completed;
- Advanced construction of Saleski pilot with 95 percent equipment procurement and 10 percent of construction activities in the field completed;
- 32-km high-grade, all-weather access road was constructed between Germain and Saleski;
- Five water source wells were drilled, completed and tested;
- Two water source monitoring wells were drilled;
- Two disposal wells were completed and tested;
- Four observation wells were drilled;
- Fuel gas pipeline and meter station installed;
- Commenced drilling the remaining two of three well pairs, totaling six horizontal wells;
- Continued advancing the regulatory amendment review process to incorporate solvents to the base steam-assisted gravity drainage (SAGD) process to approval on April 30, 2010;
- Commenced hiring permanent field operations staff;

Germain:
- Continued advancing the regulatory amendment review process for the 5,000-barrel-per-day commercial demonstration project utilizing solvent-cyclic SAGD;
- One observation/water monitoring well was drilled and completed;
- Two water monitoring wells were drilled and completed;
- 8.6 square-km of 3-D seismic was acquired over the initial development area;
- Front-end engineering and design was completed and detailed engineering design preparatory work for the commercial demonstration project commenced;
- Received recognition of proved plus probable reserves of 36 million barrels assigned for the SAGD process of the Germain commercial demonstration project;

Corporate:
- Received an independent resource assessment of 4.6 billion barrels of best estimate contingent plus prospective resources and proved plus probable reserves, an 11 percent year-over-year increase;
- Expanded our senior management team with the addition of Derek Keller, Vice President Production and George Brindle, Vice President Facilities;
- Incurred capital expenditures of $39.6 million; and
- Exited the quarter with working capital of $109.4 million.

The first quarter of 2010 saw Laricina focus its efforts on moving our Saleski pilot toward first production and advancing the Germain commercial demonstration project engineering design. By mid-March, prior to winter break-up, substantial progress had been made in the field with drilling, site preparation, facilities construction, and necessary infrastructure established for the Saleski pilot. Laricina is moving closer to production.

Saleski

Our first quarter was challenged by an early break-up. Much was accomplished, however, and we remain on-target for a fall start-up of steam injection at the Saleski pilot. The peak construction workforce of 350 completed the 32-km all-weather access road, constructed the well pad, drilled the water source, monitoring and observation wells, prepared the plant site and placed the initial SAGD facility components onto the Saleski site. Key infrastructure including a permanent operations camp and the natural gas pipeline is in place.

Most of the drilling of the four remaining horizontal wells was done during the quarter. Three lateral sections of the horizontal legs remain to be drilled and lined, as the rig was released early due to the warm weather. All the horizontal wells will be completed with instrumentation, tubulars and pumps this summer. With the achievement of year-round, all-weather access to Saleski, winter completion of the wells was not critical and was rescheduled to this summer. The pilot remains on budget and completion of construction and project start-up including first steam injection remains on schedule for this fall. Additionally in the first quarter, operating foremen and lead operators joined Laricina's production team as we prepare for our fall start-up of Saleski.

During the quarter, Laricina responded to the initial set of regulatory questions in regard to the amended application to incorporate solvents into the production process. We received regulatory approval on April 30, 2010.

Germain

The on-going focus for the Company at the Germain project has been to advance the regulatory amendment application for the 5,000-barrel-per-day commercial demonstration project. We continue to expect approval of the amendment which includes solvent injection in the recovery scheme before the end of 2010.

Laricina's activities in the field this past winter included drilling two water monitoring wells, one observation well and acquiring 8.6 square-km of 3-D seismic over the initial commercial development project area. Work on transitioning the front-end engineering and design from basic SAGD to solvent-cyclic SAGD has now been completed and preparatory work for detailed design has commenced. This work will support a preliminary cost estimate, project schedule and supplier agreements as we progress toward long-lead equipment acquisition and initial construction, subject to availability of capital.

Solvent-cyclic SAGD is shaping up as an exciting development, and we continue to work towards a late-2012 start-up as our facilities and asset team fine tune the reservoir recovery process and facility engineering design.

Resources

Laricina received an updated independent resource assessment in March 2010 incorporating the results of this past winter's laboratory and technical studies. This independent assessment determined that Laricina's properties contain an estimated net total of 11.0 billion barrels of best estimate exploitable-bitumen-in place. Of this amount, 4.6 net billion barrels are considered recoverable using current *in situ* recovery methods, a year-over-year increase of 11 percent. Included in the assessment was the recognition of proved plus probable reserves of 36 million barrels based on the amended regulatory application for the Germain commercial demonstration project – another important Company milestone as this is our first assignment of reserves by our independent engineers.

Reserve assignments are another positive indication of Laricina's evolution. As we move through the development stages, leaving behind the concept and prospecting phases, then passing through modeling and testing into construction, the uncertainties are being driven down as the pathway towards production becomes visible and shorter. Through this process, resources are gradually being transformed into reserves – and with this, we believe, will come value as well.

The economic results of this assessment determined a net present value at 10 percent before tax of $8.9 billion (proved plus probable and best estimate contingent and prospective resources) on approximately 90 percent of the resource base. This does not include future upside from successful application of Laricina's developing technologies such as solvent-cyclic SAGD which could increase this economic result to $11.8 billion.

Financial Resources

During the first quarter capital expenditures were $39.6 million focused primarily on the advancement of the Saleski pilot, and we are forecasting full-year capital expenditures to be $88.0 million. Laricina's working capital at the end of the quarter was $109.4 million which is adequate to fund the balance of the capital and operating spending program.

To support our ongoing development plans additional funds are required. On this front, Laricina has been active through the first quarter communicating our development plans to interested investors as we monitor the capital markets and consider the full range of financing strategies available to provide the funds necessary to advance our projects. The Germain commercial demonstration project is the next significant project requiring financing with an estimated cost of $250 million.

Two-thousand ten is being described by many financial commentators as a recovery year. So far this year, equity markets have grown and crude oil prices remain buoyant. While countries such as Ecuador and Venezuela continue to threaten their energy sector, Alberta and Canada are seeking to foster theirs and Alberta in particular has taken concrete steps in recent months to do so. Progress on the stewardship of the energy sector has renewed confidence in our business, as reflected by a number of material transactions and a significant initial public offering by an oil sands peer. We believe the confidence and interest in *in situ* oil sands strengthen Laricina's positioning as the Company considers its near-term capital requirements.

Innovation

Our focus on innovation persists. We continue to seek to augment our program spending through government support for industry-leading innovation. During the first quarter we advanced our applications to the Alberta Climate Change and Emissions Management Corporation for the solvent-cyclic SAGD stage of the Saleski pilot and for a solvent extraction method that incorporates mild electromagnetic heating. Additionally, a further application was submitted to the Innovative Energy Technologies Program for the Saleski pilot. We expect to have further clarity on our application status and success during the second quarter. These innovations are value-multipliers that have the potential to augment the economics of fundamental SAGD process.

Outlook

The Company's growth, particularly Laricina's shift into construction and onwards to production, is reflected in the expansion of the senior management team with the promotion of Derek Keller P.Eng., VP Production and George Brindle P.Eng., VP Facilities. Both Mr. Keller and Mr. Brindle have extensive experience in all facets of oil sands, having worked on numerous projects in drilling, production, operations, and facility and infrastructure design and construction. We believe these additional contributions to the management team will serve Laricina well.

Keeping on track and following a plan in a disciplined way supported Laricina in 2009, a tough year. We came out of 2009 with accelerating momentum and a revival of cautious optimism and, so far, 2010 is showing an even more positive environment. We are determined to seize the opportunity this renewed interest has created to advance our program to commercial production. We are excited with the progress we have made at both Saleski and Germain during the quarter and our success in continuing to expand our resource base, adding value as the confidence in our exploitation program expands as evidenced by classifying resource volumes into reserves.

I look forward to reporting continued progress towards Saleski's fall start-up as Laricina breaks through to first SAGD operations and first production early in 2011, then onward to Germain's launch.

(signed)

Glen C. Schmidt
President and Chief Executive Officer
May 6, 2010

Management's Discussion and Analysis

May 6, 2010

Management's Discussion and Analysis ("MD&A") of the financial results of Laricina Energy Ltd. ("Laricina" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended March 31, 2010 and March 31, 2009, and the audited consolidated financial statements and MD&A contained in the Company's Annual Report for the financial year ended December 31, 2009. The financial information presented in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles.

The information in this MD&A provides management's analysis of the financial and operating results of Laricina and may contain forward-looking statements based on estimates and assumptions that are subject to risks and uncertainties. Actual results or events may vary materially from those anticipated.

Advisory on Forward-Looking Statements

This interim report contains certain forward-looking statements relating to, without limitation, the Company's business and the intentions, plans, expectations, anticipated financial performance or condition. Forward-looking statements may include, but are not limited to, statements concerning estimates of original bitumen-in-place, contingent and prospective resources, reserves, total potential production volumes, statements relating to the continued advancement of the Company's projects and other statements which are not historical facts. Forward-looking statements typically contain words such as "plan", "expect", "estimate", "intend", "believe", "anticipate", "project", "forecast" or other similar words suggesting future outcomes and statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. You are cautioned not to place undue reliance on any forward-looking statements as there can be no assurance that the plans, intentions or expectation upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company's management believes that the expectations represented by such forward-looking statements are reasonable as of May 6, 2010, there can be no assurance that such expectations will prove to be correct and, accordingly that actual results will be consistent with the forward-looking statements. The risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements contained in this interim report include, but are not limited to geological conditions relating to the Company's properties; the impact of regulatory changes especially as such relate to royalties, taxation and environmental changes; the impact of technology on operations and processes and the performance of new technology expected to be applied or utilized by the Company; labour shortages; supply and demand metrics for oil and natural gas; the impact of pipeline capacity, upgrading capacity and refinery demand; general economic business and market conditions and such other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities, contained in other disclosure documents or otherwise provided by the Company. The actual results, performance or achievements of the Company could differ materially from those expressed in or implied by forward-looking statements contained in this interim report and accordingly, no assurance can be given than any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefit Laricina will derive from them.

Unless required by law the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this interim report are expressly qualified by this advisory and disclaimer.

Financial Overview

($ thousands)	Three Months Ended March 31 **2010**	2009
Working capital	**109,378**	90,879
Capital expenditures (cash)	**39,562**	19,758
Net loss	**(1,585)**	(897)

Laricina has grown from prospect acquisition and exploration to development-ready in two core properties. Since its inception in November of 2005, the Company has acquired 74,819 net hectares of land holdings; identified best-estimate contingent and prospective resources and proved plus probable reserves of 4.6 billion barrels of net recoverable bitumen; accumulated approximately 570 km geophysical data including 13.8 square-km of 3-D seismic data; acquired or drilled over 310 delineation wells; advanced thermal solvent-assisted technology; increased its knowledge of carbonate reservoirs and progressed two development-ready projects.

As the Company progressed, five areas were identified as core development properties: Germain, Saleski, Burnt Lakes, Poplar Creek and Conn Creek. Two of these areas have evolved to development-ready with an 1,800-barrel-per-day pilot currently under construction at Saleski and a 5,000-barrel-per-day commercial demonstration facility at Germain planned for construction in 2011.

Operational Results

Capital Asset Additions

($ thousands)	Three Months Ended March 31 **2010**	2009
Oil sands properties		
Land	**62**	64
Exploration	**2,029**	8,199
Development	**34,930**	8,952
Other	**2,084**	1,190
Capitalized general and administrative	**2,194**	2,567
Corporate	**384**	24
Capital asset additions	**41,683**	20,996
Capital expenditures (cash)	**39,562**	19,758

Capital asset additions during the first quarter of 2010 included the Company's fourth winter drilling program of 14 development wells and four horizontal wells; construction of facility modules and plant site for the Saleski 1,800-barrel-per-day pilot; construction of the 32-km all-weather road between the Germain and Saleski projects; and construction of the permanent camp facilities at Saleski.

Exploration activities during the first three months of 2010 included an 8.6 square-km 3-D seismic program covering the future Germain commercial demonstration facility site. In comparision to the first quarter of 2009, exploration activities included a seven-well drilling program which further delineated the Grosmont Formation at Saleski and Burnt Lakes.

Development Activities

	Three Months Ended March 31	
($ thousands)	**2010**	2009
Saleski	**32,349**	3,697
Germain	**2,581**	5,255
	34,930	8,952

The development drilling program for the 2009-2010 winter program encompassed five water source wells, four water monitoring wells and five observation wells which were drilled to support the Saleski pilot and the Germain commercial demonstration projects. Development drilling activities during the first quarter of 2009 included an injectivity test well in the Winterburn Formation, a water monitoring well and a carbon sequestration test well for the Germain and Saleski areas.

In preparation for the start-up of the Saleski pilot facility in the fourth quarter of 2010, the Company commenced the drilling of two well pairs in the Grosmont Formation which were in addition to the initial well pair drilled during the first quarter of 2008. Three of these six horizontal wells, which will complete the three well pairs for the pilot, were fully drilled before the winter drilling season ended in March 2010. The three remaining laterals are expected to be drilled during the third quarter of 2010.

By the end of the first quarter of 2010, 10 percent of the field activities for the Saleski facility were completed. The remaining modules are expected to be completed, transferred to the Saleski site and constructed by the third quarter of 2010. Other development activities during the first quarter of 2010 include the continuation of the high-grade, all-weather access road from the Germain development site to the Saleski pilot site. This all-weather road ensures year-round access. Final grade and gravelling of the road is expected to be completed by the third quarter of 2010.

Advancement of the regulatory application for the second stage of the Saleski pilot project which includes SC-SAGD processes continued through the first quarter of 2010 with approval received on April 30, 2010.

Capital expenditures before capitalized general and administration costs are expected to be $49.8 million for the remainder of 2010. Of these expenditures, $24.2 million will be expended for the Saleski pilot, $6.5 million for the Germain commercial demonstration project, $12.5 million to implement infrastructure required to advance these two projects, and the remainder for studies and corporate development.

Corporate Results

($ thousands)	Three Months Ended March 31 **2010**	2009
Revenue	**107**	245
General and administrative expenses, net	**1,883**	1,249
Income tax recovery	**(310)**	(174)
Net loss	**(1,585)**	(897)

Revenue decreased in the first quarter of 2010 when compared to the same period of 2009 primarily as a result of the further decrease in the average interest rates on invested funds.

($ thousands)	Three Months Ended March 31 **2010**	2009
General and administrative expenses, gross	**2,625**	2,650
Stock-based compensation costs	**1,450**	1,166
Capitalized costs	**(2,192)**	(2,567)
General and administrative expenses, net	**1,883**	1,249

General and administrative expenses, before stock-based compensation costs, remained consistent in the three months ended March 31, 2010 when compared to the same period in 2009. The number of employees increased to 51 at March 31, 2010 from 47 at March 31, 2009.

Selected Quarterly Information

($ thousands, except per share amounts)	**Q1 2010**	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Working capital	**109,378**	149,320	160,804	86,094	90,879	111,530	89,768	103,275
Capital asset additions	**41,683**	12,108	5,468	5,829	20,996	13,604	14,538	32,343
Revenue	**107**	122	111	80	245	787	762	923
Net income (loss)	**(1,585)**	(1,574)	(1,140)	(864)	(897)	7,343	(798)	(582)
Net income (loss) per common share, basic	**$ (0.04)**	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.03)	$ 0.21	$ (0.02)	$ (0.02)

Working capital increased during the third quarter of 2009 due to the receipt of $80.2 million of net proceeds from the July 23, 2009 private placement. Increased working capital in the fourth quarter of 2008 was due to the receipt of $34.1 million of net proceeds from the sale of the Joslyn oil sands assets which occurred in October 2008.

Capital asset additions generally increase in the first quarter of each year due to the seasonality of the drilling and geophysical programs.

Interest revenue was lower from the first quarter of 2009 primarily due to interest rates which began to decline late in the fall of 2008.

Net income in the fourth quarter of 2008 included the income tax recovery of $7.7 million on the disposition of the Joslyn oil sands assets.

Liquidity and Financial Resources

Working Capital

Working capital decreased from December 31, 2009 by $39.9 million to $109.4 million at March 31, 2010 primarily as a result of capital expenditures incurred primarily for the 2009-2010 winter drilling program and construction of the all-weather road and the Saleski pilot facility modules.

($ thousands)	
Working capital, December 31, 2009	149,320
Capital expenditures (cash)	(39,562)
Other	(380)
Working capital, March 31, 2010	**109,378**

Laricina has sufficient working capital to finance the anticipated capital and operating spending program remaining in 2010 of approximately $60.6 million.

As a development stage company, future capital expenditures required to achieve commercial operations are dependent and conditional on financing from equity and debt sources. The Company anticipates funding capital and operating activities through equity financing until commercial development commences and thereafter through an appropriate combination of debt and equity. Asset sales or joint venture arrangements may also be considered as alternative financing sources.

Investments

The Company's excess cash is currently held in a business operating account with Canadian Imperial Bank of Commerce (CIBC) which bears interest of up to CIBC prime rate minus two percent. Laricina does not have any cash exposed to investments in asset-backed securities or commercial paper. The Company may however invest in Canadian government securities or fixed-term and bankers' acceptance investments with a minimum A rating.

Debt Financing

Laricina has a demand credit facility of $15.0 million with CIBC which was renewed on October 29, 2009 and is secured by a deposit of cash. The credit facility, if utilized, is intended for general corporate purposes, including the exploration, development and acquisition of oil sands properties. At March 31, 2010 and the date of this report, the Company had issued letters of credit totaling $4.1 million under this credit facility related to the development of the Germain and Saleski projects.

In the near term, the Company does not expect to utilize debt as a financing alternative until production cash flow is considered imminent. When projects advance to the commercial development phase, Laricina will evaluate the markets for project financing and term debt to prudently enhance the Company's borrowing capacity.

Commitments and Contractual Obligations

As at March 31, 2010 the Company had obligations as follows:

($ thousands)	Office space leases	Field leases
2010 remainder	975	2,344
2011	999	2,841
2012	-	2,836
2013	-	395
2014 and thereafter	-	266

Outstanding Share Data

At April 30, 2010, share capital consisted of the following:

(thousands)	
Common shares	40,508
Stock options	2,970
Performance share units	532
Performance warrants	4,071
Total outstanding	**48,081**

Critical Accounting Estimates

A discussion of the Company's significant accounting policies is contained in Note 2 of the accompanying notes to the audited consolidated financial statements for the financial year ended December 31, 2009 in the Company's Annual Report. The nature of critical accounting estimates for Laricina remains unchanged since December 31, 2009.

Changes in Accounting Policies

In February 2008, the Canadian Institute of Chartered Accountants Accounting Standards Board confirmed the adoption of International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. In July 2009, the International Accounting Standards Board approved additional IFRS transitional exemptions for entities to allocate their oil and natural gas asset balances under full cost accounting to the IFRS categories of exploration and evaluation assets, and development and producing properties. This exemption provides entities with relief from significant adjustments to oil and natural gas assets resulting from the retrospective adoption of IFRS. Laricina intends to use this exemption upon adoption.

The Company has completed the identification of differences between Canadian GAAP and IFRS and has determined the most significant impact of the IFRS conversion will be to property, plant and equipment. IFRS does not provide specific oil and natural gas accounting guidance other than for costs incurred during the exploration and evaluation phase. The conversion to IFRS may have a significant impact on the accounting for costs related to the pre-exploration and development phases as well as the level at which impairment tests are performed and the methodology used in testing impairment.

Other differences between Canadian GAAP and IFRS include the treatment of asset retirement obligations, stock-based compensation and other first-time adoption exemptions. During 2009, Laricina assessed these differences and provided recommendations for accounting policy changes. The impact on the Company's December 31, 2009 financial position is estimated to be an increase in asset retirement obligations of approximately $0.4 million with a corresponding reduction in retained earnings.

In the first quarter of 2010, the Company began to establish internal processes and systems to assist in reporting under IFRS and will continue to establish these throughout the remainder of 2010. In addition, the Company has provided policy decisions to the external auditors and audit committee for review and comment with finalization of policies expected to be completed during the second quarter of 2010. Throughout the remainder of 2010, additional work will be completed to allow for dual reporting of 2010 results under Canadian GAAP and IFRS including additional disclosures, opening balance sheet reconciliations, calculations for items where methods and inputs differ between Canadian GAAP and IFRS and any differences in accounting policies.

Risk Management

Risk factors remain substantially unchanged from December 31, 2009. For further information on risks please refer to the discussion of Risk Management found in the MD&A section of the Company's Annual Report for 2009.

Outlook

Laricina will continue to monitor the capital markets and consider a full range of financing strategies to provide the funds necessary to advance its projects, such as private or public equity, asset sales, and participation agreements with other oil sands development companies or joint venture arrangements. The Company is the operator of all its projects and is able to manage the pace of development to match the timing of available future financings.

Although potential acquisitions of oil sands properties are a consideration for the Company, the primary focus is on advancing the development of current land holdings, specifically the Germain and Saleski areas.

Completion of the 32-km all-weather road connecting the current all-weather road from Germain to the Saleski pilot facility site was achieved in the first quarter of 2010, including the construction of two bridges for river crossings. Upgrading and final materials will be applied to the road by the fall of 2010.

Drilling and completion activities for the Saleski pilot SAGD wells will be completed in the third quarter of 2010. Water source and water disposal well completion and tie-in work is also scheduled to be completed in the third quarter of 2010.

Construction of all facility modules for the Saleski pilot is expected to be completed and transferred from the fabrication plants to the Saleski property by mid-year 2010. Start-up of the facility is anticipated during the fourth quarter with first production three to six months after commencement of reservoir steaming.

Laricina filed the amended regulatory application for the commercial demonstration project at Germain in November 2009. Approval of this amended application is expected by mid-year 2010. Start-up of the Germain commercial demonstration project could occur in 2012. Subsequent to receiving regulatory approval and the receipt of adequate financing the Company expects to begin ordering the long-lead equipment required for the Germain commercial demonstration project by the third quarter of 2010.

As the outlook for capital markets improves Laricina will seek the best opportunity to recognize the value inherent in its people, assets and technologies. The Company believes that it will be able to attract the financing necessary to continue to execute its projects.

Consolidated Balance Sheets

(Unaudited)

As at

(thousands of dollars)		**March 31 2010**		December 31 2009
Assets				
Current assets				
Cash (note 2)	**$**	**116,107**	$	156,062
Accounts receivable		**7,644**		3,306
Prepaid expenses and deposits		**597**		461
		124,348		159,829
Abandonment deposits		**359**		358
Other long-term assets		**244**		244
Capital assets		**379,454**		337,890
	$	**504,405**	$	498,321
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**14,970**	$	10,509
Asset retirement obligations		**3,194**		2,143
Deferred revenue		**21**		32
Future income tax		**20,196**		20,239
		38,381		32,923
Shareholders' equity				
Share capital (note 3)		**445,223**		444,981
Contributed surplus		**18,147**		16,178
Retained earnings		**2,654**		4,239
		466,024		465,398
Commitments (note 4)				
	$	**504,405**	$	498,321

See accompanying notes to the consolidated financial statements

Consolidated Statements of Loss, Comprehensive Loss and Retained Earnings

(Unaudited)

For the Three Months Ended March 31 *(thousands of dollars, except per share amounts)*	**2010**	2009
Revenue		
Interest	**$ 107**	$ 245
Expenses		
General and administrative	**1,883**	1,249
Amortization	**119**	67
	2,002	1,316
Loss before income taxes	**(1,895)**	(1,071)
Future income tax recovery	**(310)**	(174)
Net loss and comprehensive loss	**(1,585)**	(897)
Retained earnings, beginning of period	**4,239**	8,714
Retained earnings, end of period	**$ 2,654**	$ 7,817
Net loss per common share (note 3)		
Basic and diluted	**$ (0.04)**	$ (0.03)

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(Unaudited)

For the Three Months Ended March 31 (*thousands of dollars*)		**2010**		2009
Cash provided by (used in):				
Operating activities				
Net loss	**$**	**(1,585)**	$	(897)
Add (deduct) items not affecting cash:				
Stock-based compensation		**649**		369
Amortization		**119**		67
Future income tax recovery		**(310)**		(174)
Deferred revenue		**(11)**		(11)
Changes in non-cash working capital		**(42)**		245
		(1,180)		(401)
Investing activities				
Capital expenditures		**(39,562)**		(19,758)
Abandonment deposits		**(1)**		-
Changes in non-cash working capital		**788**		(2,406)
		(38,775)		(22,164)
Decrease in cash during the period		**(39,955)**		(22,565)
Cash, beginning of period		**156,062**		116,201
Cash, end of period	**$**	**116,107**	$	93,636

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements – March 31, 2010

(tabular amounts in thousands of dollars except per share amounts and as otherwise noted)

1. Summary of Significant Accounting Policies

The interim consolidated financial statements include the accounts of Laricina Energy Ltd. and its wholly-owned subsidiary companies (“Laricina” or the “Company”) and are prepared in accordance with Canadian generally accepted accounting principles. Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the interim financial statements, and revenue and expenses during the reporting period. Actual results may differ from those estimates.

The accounting policies and methods of computation applied are consistent with those outlined in the Company’s consolidated financial statements for the year ended December 31, 2009. These interim consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company’s Annual Report for 2009.

2. Credit Facility

The Company’s credit agreement with a Canadian chartered bank was renewed on October 29, 2009. The credit agreement provides a demand credit facility of $15.0 million and is secured by a deposit of cash equal to the amount of the credit facility. As at May 6, 2010 the Company had issued letters of credit of $4.1 million in total under this credit facility.

3. Share Capital

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value, issuable in series

Issued

	Number of Shares (thousands)		**Amount**
Common Shares			
Balance, December 31, 2009	40,480	$	444,981
Performance share units exercised	11		242
Balance, March 31, 2010	**40,491**	**$**	**445,223**

Performance Warrants

In conjunction with its initial private placement, the Company granted performance warrants on a one-time basis to certain founding directors, officers, employees of, and providers of services to the Company. The performance warrants were issued in five series with the targeted exercise prices ranging from $6.00 to $16.00, vesting over three years and for each warrant exercised the holder will receive one common share.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, March 31, 2010 and December 31, 2009	**4,071**	**$**	**11.20**
Exercisable, March 31, 2010	**4,071**	**$**	**11.20**

For the three month period ended March 31, 2010, no amount was recognized for compensation cost related to performance warrants granted.

Stock Option Plan

The Company has a Stock Option Plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of options.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2009	2,588	$	11.54
Granted	375		19.97
Outstanding, March 31, 2010	**2,963**	**$**	**12.61**
Exercisable, March 31, 2010	**2,113**	**$**	**8.39**

For the three month period ended March 31, 2010, compensation cost of $0.5 million ($0.6 million in 2009) was recognized for options that have been granted.

3. Share Capital (continued)

Performance Share Unit Plan

The Company has a Performance Share Unit Plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of performance share units.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2009	404	$	0.01
Granted	154		0.01
Exercised	(11)		0.01
Outstanding, March 31, 2010	**547**	**$**	**0.01**
Exercisable, March 31, 2010	**92**	**$**	**0.01**

For the three month period ended March 31, 2010, compensation cost of $1.7 million ($0.3 million in 2009) was recognized for performance share units that have been granted.

Per Share Amounts

Basic and diluted net loss per common share has been calculated using the weighted average number of common shares outstanding during the three month periods ending March 31, 2010 and March 31, 2009 of 40,481,000 and 34,748,000, respectively. The calculation of diluted net loss per share does not include performance warrants, options or units as the effect would be anti-dilutive.

4. Commitments

As at March 31, 2010 the Company has lease obligations as follows:

	Office space leases		Field leases	
2010 remainder	$	975	$	2,344
2011	$	999	$	2,841
2012		-	$	2,836
2013		-	$	395
2014 and thereafter		-	$	266

Corporate Information

Senior Management	*Directors*
Glen C. Schmidt President and CEO	Jonathan C. Farber [2, 3] Managing Director, Lime Rock Partners
David J. Theriault Senior Vice President In Situ and Exploration	S. Barry Jackson [3, 4C] Chairman, TransCanada Corporation
Neil R. Edmunds Vice President Enhanced Oil Recovery	Gordon J. Kerr [2, 4,] President and CEO, Enerplus Resources Fund
Karen E. Lillejord Vice President Finance and Controller	Brian K. Lemke [1, 2C] Independent Investor
Marla A. Van Gelder Vice President Corporate Development	Robert A. Lehodey, Q.C. [3C, 4] Partner, Osler, Hoskin & Harcourt LLP
Derek A. Keller Vice President Production	W. Glen Russell 3, 4 Principal, Glen Russell Consulting
George C. Brindle Vice President Facilities	Glen C. Schmidt President and CEO, Laricina Energy Ltd.

[1] Chairman of the Board
[2] Audit Committee
[3] Governance & Human Resources Committee
[4] Technical Committee
[C] Committee Chairman

LARICINA
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