LARICINA
ENERGY LTD.

2010 Second Quarter Interim Report

Amidst steady progress in advancing the Saleski and Germain projects during the second quarter, Laricina concurrently secured its capital requirements through 2011 with the decision by the Canada Pension Plan Investment Board (CPPIB) to make a $250 million strategic equity investment in the Company. We are very pleased by this funding agreement, which closed subsequent to the end of the second quarter on July 5th. The CPPIB investment was accompanied by an additional $26.2 million private placement of equity which closed on July 28th with both investments at $30 per common share.

Having the CPPIB as a strategic financial partner strengthens the Company. Its investment augments our existing $93 million in working capital at the end of the second quarter, which together is sufficient to complete the Saleski pilot project and finance construction of the Germain commercial demonstration project. We are sufficiently funded to continue our technology innovation programs and further advance our project inventory. Laricina is well-positioned, financially and technically, to achieve its goal of production capacity greater than 40,000 barrels per day by 2015.

Highlights for the quarter were:

Saleski:

- Regulatory approval for the solvent addition to the steam-assisted gravity drainage (SAGD) recovery scheme received April 30;
- Progress on the 1,800-barrel-per-day pilot to June 30:
    - 95 percent engineering complete;
    - 99 percent procurement complete;
    - 65 percent component construction (fabrication) complete;
    - 10 percent field construction complete;
    - >90 percent final road and site civil work complete;
- Initiated work on the regulatory application for the 12,500-barrel-per-day commercial Phase I;

Germain:

- Finalized supplemental information requests for the regulatory amendment of the 5,000-barrel-per-day commercial demonstration project with solvent-cyclic SAGD (SC-SAGD). Approval is expected before the end of 2010;
- Completed front-end engineering and design (FEED) and preparing for detailed engineering for the commercial demonstration project; and
- Began planning and field environmental work for the 30,000-barrel-per-day Phase II expansion regulatory application.

Saleski Project Update

Following the early 2010 spring break-up, site work at Saleski resumed in early May. Final work to complete the all-weather high-grade access road continued through the second quarter and was completed in early July. Numerous preparatory tasks for facility construction and completion of the three horizontal well-pairs, such as construction of well pads and site work, were also completed during the quarter.

The drilling rig returned to site in mid July and will finish drilling the three remaining lateral sections. By September the three horizontal well-pairs will be lined and completed with tubulars, instrumentation and pumps to be ready for commissioning and first steam.

As planned, pilot facility field construction began in earnest just after quarter end, on July 5, and is proceeding on schedule. Saleski remains on target to initiate steam injection this fall, with first oil expected three to four months thereafter.

With the pilot project progressing towards start-up, the Company initiated work on the regulatory application for the project's 12,500-barrel-per-day commercial Phase I which we expect to file by year end. Pending regulatory approval, we foresee beginning preliminary engineering in early 2011.

Also during the second quarter the Energy Resources Conservation Board (ERCB) in its report, "Alberta's Energy Reserves 2009 and Supply/Demand Outlook 2010-2019", included a revised resource estimate for bitumen deposits, including its first detailed reassessment of the Grosmont carbonates in 20 years. The ERCB made a sharp upward revision of nearly 28 percent in its resource estimate for the Grosmont carbonates, to roughly 400 billion barrels-in-place. The ERCB classifies the Athabasca-Grosmont deposit as Alberta's second-largest oil sands resource, after the Wabiskaw-McMurray sand deposit, making up over 20 percent of its revised total estimated oil sands resource of 1.8 trillion barrels-in-place. As the Grosmont is Laricina's principal target at Saleski, it was gratifying to see Alberta's energy regulator strengthen its view of the Grosmont's significance and potential.

Germain Project Update

While most of Laricina's recent efforts have been focused at Saleski, we continue to advance our commercial demonstration project at Germain.

In the second quarter, Laricina made further progress with its regulatory amendment of the 5,000-barrel-per-day commercial demonstration project to include SC-SAGD. Supplementary responses were finalized and filed before quarter-end to address the information requests made by the regulators. Based on the current status of the amendment, full regulatory approval is expected before the end of 2010.

With the recent financings supporting the funding of the Germain commercial demonstration project in its entirety, the Company is now able to focus on execution. We remain on target for the planned start-up later in 2012.

During the quarter, Laricina completed front-end engineering and design (FEED) and is preparing to launch detailed engineering for the commercial demonstration project. Planning of the long-lead equipment orders is expected to commence during the third quarter.

In anticipation of regulatory approval, we expect to begin preparatory civil work on the initial well pad and the Germain plant site in the upcoming winter season as well as commence additional development drilling for observation and service wells.

Looking beyond the commercial demonstration project, the Company has commenced planning the required regulatory application for the next development phase, a 30,000-barrel-per-day project for filing in mid 2011.

Innovation

Laricina continued to advance and test several tools and techniques to drive down the costs of *in situ* oil sands recovery. The development of these value multipliers is a core strategy for the Company. A key focus area to maximize resource recovery while reducing per-unit capital and operating costs is complementing SAGD with solvents. Laricina, as industry chair of the Solvent-Heat-Assisted Recovery Process (SHARP) consortium, opened a one-day workshop in June with 16 companies at the University of Calgary focused on the advancement of additional fundamental work on solvent applications.

In June the Government of Alberta's Climate Change and Emissions Management Corporation (CCEMC) announced funding of $16.5 million to evaluate a new recovery technology, known as Enhanced Solvent Extraction Incorporating Electromagnetic Heating (ESEIEH). Laricina and partners, Harris Corporation, Nexen Inc. and Suncor Energy Inc. were awarded this funding to study and test this specific application. This project is another milestone for Laricina and a vote of confidence for the innovative approaches to *in situ* recovery the Company is pursuing.

The ESEIEH pilot project will evaluate the combined use of electromagnetic heating for rapid horizontal well pair start-up and sustained formation heating along with concurrent injection of a solvent for low-impact bitumen recovery. ESEIEH represents a potential step-change for *in situ* technology as it displaces steam in the bitumen recovery process thereby reducing the need for water sourcing and handling as well as field site burning of fossil fuels to generate steam.

This future enhancement of bitumen extraction with solvent and a heat source other than steam is an example of Laricina's commitment to oil sands recovery innovations.

Corporate
The CPPIB investment of $250 million and the follow-on private placement financing, which raised gross proceeds of $26.2 million, both investments at $30 per common share, secures our capital requirements for the next crucial phase of Laricina's development, the Germain commercial demonstration project. These two financings allow us to focus on the execution of our two projects through 2010 and 2011. We are encouraged by CPPIB's decision to take a very significant position in Laricina, a strong signal of capital market confidence in our business plan, and we look forward to having CPPIB as a long-term investor in Laricina.

In conjunction with this investment, Laricina welcomes Jeff Donahue to its Board of Directors. Mr. Donahue is Senior Principal – Principal Investing at CPPIB.

On June 2, Laricina director Barry Jackson was inducted as an Institute of Corporate Directors Fellow at the 2010 ICD Fellowship Awards Gala in Calgary. Barry exemplifies our commitment to excellence in corporate governance.

Also during the quarter Laricina awarded four scholarships totaling $12,000 to University of Calgary engineering students as part of our support of the development of the next generation of industry professionals.

Outlook
Volatility in capital markets and commodity prices increased significantly in the second quarter, a trend that looks to continue into the third quarter. Uncertainty over the timing of a sustained economic recovery underscores Laricina's priority of securing stable funding and an additional long-term strategic financial partner.

With this accomplished, we have greater flexibility concerning the timing of our potential public entry into the capital markets. The initial public offerings by other oil sands companies are encouraging signs of the capital markets' overall confidence in the oil sands. Laricina's business plan is focused on moving our projects into a development stage with a track record of production performance that translates to confidence in our execution and near-term cash flow on the horizon.

With capital certainty, Laricina is driving forward and focusing on execution of the initial stages of development at Saleski and Germain. We believe that our commitment to innovation will deliver additional advantages as we progress past the pilot and demonstration project stages, and grow to commercial production capacity greater than 40,000 barrels per day by 2015. We look forward to updating you on Saleski's summer construction and fall start-up in our next quarterly report.

(signed)

Glen C. Schmidt
President and Chief Executive Officer
July 29, 2010

Management's Discussion and Analysis

July 29, 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 six months ended June 30, 2010 and June 30, 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 (GAAP).

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 its 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 July 29, 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 that 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 June 30 **2010**	2009	Six Months Ended June 30 **2010**	2009
Working capital	**92,802**	86,094	**92,802**	86,094
Capital expenditures (cash)	**15,147**	4,440	**54,709**	24,198
Net loss	**(1,731)**	(864)	**(3,316)**	(1,761)

Throughout the second quarter of 2010, Laricina continued to make progress towards first production at the Saleski 1,800-barrel-per-day facility. Construction of facility modules continued throughout the second quarter of 2010 for transport to the Saleski site for assembling. Following spring break-up in the field, reshaping and gravelling of the all-weather road between Germain and Saleski properties was completed in order to support the transportation of the facility modules. Over the upcoming three to six months, the Saleski facility will be constructed, followed by first-steam. Bitumen production is expected to follow in three to four months after initial steam injection.

Subsequent to June 30, 2010, the Company completed a private placement with the Canadian Pension Plan Investment Board (CPPIB) of 8,333,333 common shares at $30 per common share for gross proceeds of $250.0 million. In addition, on July 28, 2010, the Company completed a private placement of 874,854 common shares at $30 per common share for gross proceeds of $26.2 million. These funds will allow Laricina to advance the construction of the Germain commercial demonstration facility.

Operational Results

Capital Asset Additions

($ thousands)	Three Months Ended June 30 **2010**	2009	Six Months Ended June 30 **2010**	2009
Oil sands properties				
Land	**25**	170	**87**	234
Exploration	**456**	95	**2,485**	8,294
Development	**11,288**	1,531	**46,218**	10,483
Other	**1,299**	1,120	**3,383**	2,310
Capitalized general and administrative	**2,747**	2,831	**4,941**	5,398
Corporate	**436**	82	**820**	106
Capital asset additions	**16,251**	5,829	**57,934**	26,825
Capital expenditures (cash)	**15,147**	4,440	**54,709**	24,198

Capital asset additions during the second quarter of 2010 included the continued construction of facility modules and plant site for the Saleski 1,800-barrel-per-day pilot; final grade and completion of the 32-km all-weather road between the Germain and Saleski development areas; and preparation for the drilling of the three remaining laterals to complete the three well pairs for the Saleski pilot operations. In the second quarter of 2009, activities included the completion of front-end engineering and design for the Germain project and preparation of information to support the amendment of the Germain pilot application to the 5,000-barrel-per-day commercial demonstration project.

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

Development Activities

	Six Months Ended June 30	
($ thousands)	**2010**	2009
Saleski	**44,713**	5,881
Germain	**1,505**	4,602
	46,218	10,483

During the second quarter of 2010, setting of the final grade was made to the all-weather access road between the Germain development site and the Saleski pilot site; drilling preparations began for the remaining lateral work to be completed for the three Saleski pilot well pairs; and continued acquisition of equipment advanced progress towards the completion of the first steam-assisted gravity drainage (SAGD) pilot facility in the Grosmont Formation. In comparison, the second quarter of 2009 development activities focused on the completion of the front-end engineering and design for the Germain project, and the preparation of information to support the amendment to the Germain commercial demonstration project.

Development expenditures for the six months ended June 30, 2010 included the drilling of two well pairs for the Saleski pilot facility which are in addition to the initial well pair drilled during the first quarter of 2008. Three of these six horizontal wells are fully drilled with the three remaining laterals expected to be completed during the third quarter of 2010. Additional development activities during 2010 include the drilling of five water source wells, four water monitoring wells and five observation wells to support the Saleski pilot and the Germain commercial demonstration projects; final grade for the all-weather road and purchasing equipment for the Saleski pilot. Development activities during the six months ended June 30, 2009 included drilling an injectivity test well in the Winterburn Formation, a water monitoring well and a carbon sequestration test well for the Germain and Saleski areas, completion of engineering and design for the Germain commercial demonstration project as well as work to support the amendment of the Germain pilot application.

By the end of the second quarter of 2010, the Saleski field site remained at 10 percent complete due to the limited access to the site during spring breakup, while the facility modules continued to be constructed offsite. All remaining modules are expected to be completed, transferred to the Saleski site and constructed by the end of the third quarter of 2010.

The amended regulatory application for the second stage of the Saleski pilot project which includes solvent-cyclic steam-assisted gravity drainage (“SC-SAGD”) processes was approved on April 30, 2010. The pilot facility will support SAGD production for approximately one year in order to validate steam chamber development in the reservoir and to gather baseline temperature, flow and production information. This will be followed by the use of SC-SAGD processes with reduced steam.

Capital expenditures before capitalized general and administration costs are expected to be $84.9 million for the remainder of 2010. Of these expenditures, $27.9 million will be expended for the Saleski pilot, $37.4 million for the Germain commercial demonstration project, $7.3 million to implement infrastructure required to advance these two projects, $5.5 million for the 2010 – 2011 exploration activities and the remainder for studies, corporate development and preliminary work on future development phases.

Corporate Results

	Three Months Ended June 30		Six Months Ended June 30	
($ thousands)	**2010**	2009	**2010**	2009
Revenue	**118**	80	**225**	325
General and administrative expenses, net	**2,034**	1,013	**3,917**	2,262
Income tax recovery	**(326)**	(142)	**(636)**	(316)
Net loss	**(1,731)**	(864)	**(3,316)**	(1,761)

The increase in revenue during the three months ended June 30, 2010 compared to the same period in the previous year is due to an increased amount of funds on deposit. Revenue decreased in the first half of 2010 when compared to the same period of 2009 primarily as a result of the further decrease in the average interest rates for invested funds.

	Three Months Ended June 30		Six Months Ended June 30	
($ thousands)	**2010**	2009	**2010**	2009
General and administrative expenses, gross	**3,234**	2,550	**5,859**	5,200
Stock-based compensation costs	**1,549**	1,294	**2,999**	2,460
Capitalized costs	**(2,749)**	(2,831)	**(4,941)**	(5,398)
General and administrative expenses, net	**2,034**	1,013	**3,917**	2,262

Gross general and administrative expenses for the three and six months ended June 30, 2010 increased when compared to the same periods of 2009 primarily due to a general increase in salaries and an increase in the number of employees to 58 at June 30, 2010 compared to 47 at June 30, 2009.

Selected Quarterly Information

($ thousands, except per share amounts)	**Q2 2010**	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Working capital	**92,802**	109,378	149,320	160,804	86,094	90,879	111,530	89,768
Capital asset additions	**16,251**	41,683	12,108	5,468	5,829	20,996	13,604	14,538
Revenue	**118**	107	122	111	80	245	787	762
Net income (loss)	**(1,731)**	(1,585)	(1,574)	(1,140)	(864)	(897)	7,343	(798)
Net income (loss) per common share, basic	**$ (0.04)**	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.03)	$ 0.21	$ (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 $56.5 million to $92.8 million at June 30, 2010 primarily as a result of capital expenditures incurred for the 2009-2010 winter drilling program, the construction of the all-weather road between Germain and Saleski, and the advancement of the Saleski pilot facility.

($ thousands)	
Working capital, December 31, 2009	149,320
Capital expenditures (cash)	(54,709)
Other	(1,809)
Working capital, June 30, 2010	**92,802**

Laricina has sufficient working capital to finance the anticipated capital and operating spending program remaining in 2010 of approximately $92.3 million. Subsequent to June 30, 2010, the Company closed two private placements of equity. The first closed on July 5, 2010 with CPPIB for total net proceeds of $242.5 million and the second closed on July 28, 2010 for total net proceeds of $25.2 million. Both financings were at $30.00 per common share.

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. The private placements completed subsequent to June 30, 2010 will provide necessary funding to complete the commercial demonstration project at Germain. 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 June 30, 2010 and the date of this report, the Company had issued letters of credit totaling $4.2 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 cost of capital.

Commitments and Contractual Obligations

As at June 30, 2010 the Company had obligations as follows:

($ thousands)	Office leases	Field leases
2010 remainder	682	2,340
2011	1,026	2,841
2012	9	2,836
2013	9	395
2014 and thereafter	12	266

Outstanding Share Data

At July 29, 2010, share capital consisted of the following:

(thousands)	
Common shares	49,730
Stock options	2,974
Performance share units	525
Performance warrants	4,071
Total outstanding	**57,300**

Subsequent Events

On July 5, 2010, Laricina closed a private placement with CPPIB of 8,333,333 common shares at $30.00 per common share for net proceeds of $242.5 million.

On July 28, 2010, Laricina closed an additional private placement of 874,854 common shares at $30.00 per common share for net proceeds of $25.2 million.

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 half 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. This included a review of the current accounting system to allow for the dual reporting required in 2010. In addition, the Company has provided policy decisions to the external auditors and audit committee for review and comment with finalization of policies and opening balance sheet audits to be completed by the end of the third quarter. 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, calculations for items where methods and inputs differ between Canadian GAAP and IFRS and any differences in accounting policies as well as ongoing training and education of new accounting treatments, processes and other policies for all finance and operating personnel.

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

The private placements completed subsequent to June 30, 2010 provide the Company with continued flexibility in managing the pace of development and the necessary capital to support its initial projects at Germain and Saleski. 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.

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. Reshaping to final grade and gravelling was completed during the second quarter of 2010 and finishing gravel will be applied to the road by the fall of 2010.

Drilling and completion activities for the Saleski pilot SAGD well pairs 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 shop to the Saleski property by the end of the third quarter of 2010. Start-up of the facility is anticipated during the fourth quarter with first production three to four 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 before the end of 2010. Start-up of the Germain commercial demonstration project could occur in 2012. The Company expects to begin ordering the long-lead equipment required for the Germain commercial demonstration project by the third quarter of 2010.

Advancement of the next stages of development is planned with the filing of the Saleski 12,500 barred-per-day expansion application before the end of 2010. In the first half of 2011 the regulatory application for the planned 30,000 barrel-per-day expansion is expected to be filed for Germain.

Consolidated Balance Sheets

(Unaudited)

As at

(thousands of dollars)		**June 30 2010**		December 31 2009
Assets				
Current assets				
Cash (note 2)	**$**	**100,304**	$	156,062
Accounts receivable		**4,170**		3,306
Prepaid expenses and deposits		**390**		461
		104,864		159,829
Abandonment deposits		**359**		358
Other long-term assets		**244**		244
Capital assets		**395,564**		337,890
	$	**501,031**	$	498,321
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**12,062**	$	10,509
Asset retirement obligations		**3,230**		2,143
Deferred revenue		**11**		32
Future income tax		**20,137**		20,239
		35,440		32,923
Shareholders' equity				
Share capital (notes 3 and 5)		**445,818**		444,981
Contributed surplus		**18,850**		16,178
Retained earnings		**923**		4,239
		465,591		465,398
Commitments (note 4)				
Subsequent events (note 5)				
	$	**501,031**	$	498,321

See accompanying notes to the consolidated financial statements

Consolidated Statements of Loss, Comprehensive Loss and Retained Earnings

(Unaudited) *(thousands of dollars, except per share amounts)*	Three Months Ended June 30 **2010**	2009	Six Months Ended June 30 **2010**	2009
Revenue				
Interest	**$ 118**	$ 80	**$ 225**	$ 325
Expenses				
General and administrative	**2,034**	1,013	**3,917**	2,262
Amortization	**141**	73	**260**	140
	2,175	1,086	**4,177**	2,402
Loss before income taxes	**(2,057)**	(1,006)	**(3,952)**	(2,077)
Future income tax recovery	**(326)**	(142)	**(636)**	(316)
Net loss and comprehensive loss	**(1,731)**	(864)	**(3,316)**	(1,761)
Retained earnings, beginning of period	**2,654**	7,817	**4,239**	8,714
Retained earnings, end of period	**$ 923**	$ 6,953	**$ 923**	$ 6,953
Net loss per common share (note 3)				
Basic and diluted	**$ (0.04)**	$ (0.02)	**$ (0.08)**	$ (0.05)

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(Unaudited)

(thousands of dollars)	Three Months Ended June 30 **2010**	2009	Six Months Ended June 30 **2010**	2009
Cash provided by (used in):				
Operating activities				
Net loss	**$ (1,731)**	$ (864)	**$ (3,316)**	$ (1,761)
Add items not affecting cash:				
Stock-based compensation	**748**	269	**1,397**	638
Amortization	**141**	73	**260**	140
Future income tax recovery	**(326)**	(142)	**(636)**	(316)
Deferred revenue	**(10)**	(10)	**(21)**	(21)
Changes in non-cash working capital	**(138)**	221	**(180)**	466
	(1,316)	(453)	**(2,496)**	(854)
Investing activities				
Capital expenditures	**(15,147)**	(4,440)	**(54,709)**	(24,198)
Abandonment deposits	**-**	(242)	**(1)**	(242)
Changes in non-cash working capital	**660**	(695)	**1,448**	(3,101)
	(14,487)	(5,377)	**(53,262)**	(27,541)
Decrease in cash during the period	**(15,803)**	(5,830)	**(55,758)**	(28,395)
Cash, beginning of period	**116,107**	93,636	**156,062**	116,201
Cash, end of period	**$ 100,304**	$ 87,806	**$ 100,304**	$ 87,806

See accompanying notes to the consolidated financial statements

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.

Share Appreciation Rights
The Company established a Share Appreciation Rights Plan (the "SAR Plan") on March 25, 2010. Directors, officers, employees of, or providers of services to, Laricina are eligible to receive grants of share appreciation rights which entitle the holder to receive a cash payment equal to the excess of the market price of the Company's common shares over the exercise price on the date the share appreciation right is exercised. The obligations for cash payments under the SAR Plan are accrued as compensation expense over the vesting period.

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 July 29, 2010 the Company had issued letters of credit of $4.2 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	42		837
Balance, June 30, 2010	**40,522**	**$**	**445,818**

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, June 30, 2010 and December 31, 2009	**4,071**	**$**	**11.20**
Exercisable, June 30, 2010	**4,071**	**$**	**11.20**

For the three and six month periods ended June 30, 2010, no amount (nominal in 2009) 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	382		20.02
Outstanding, June 30, 2010	**2,970**	**$**	**12.63**
Exercisable, June 30, 2010	**2,145**	**$**	**8.71**

For the three and six month periods ended June 30, 2010, compensation cost of $0.6 million ($0.5 million in 2009) and $1.1 million ($1.1 million in 2009), respectively, has been recognized for options that have been granted.

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	159		0.01
Exercised	(42)		0.01
Outstanding, June 30, 2010	**521**	**$**	**0.01**
Exercisable, June 30, 2010	**69**	**$**	**0.01**

For the three and six month periods ended June 30, 2010, compensation cost of $0.7 million ($1.4 million in 2009) and $2.4 million ($1.7 million in 2009), respectively, has been recognized for performance share units that have been granted.

Share Appreciation Rights

On March 25, 2010, the Company established a Share Appreciation Rights Plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of share appreciation rights providing for cash payments equal to the excess of the market price of the common shares over the exercise price of the right. The vesting period of the share appreciation rights is two years.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2009	-	$	-
Granted	24		25.18
Outstanding, June 30, 2010	**24**	**$**	**25.18**
Exercisable, June 30, 2010	**-**	**$**	**-**

All share appreciation rights granted were granted to employees directly involved in pre-commercial development activities. For the three and six month periods ended June 30, 2010, compensation cost of $0.1 million has been recognized for share appreciation rights that have been granted.

3. Share Capital (continued)

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 and six month periods ending June 30, 2010 of 40,512,000 and 40,497,000, respectively and the three and six month periods ending June 30, 2009 of 34,756,000 and 34,752,000, 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 June 30, 2010 the Company has lease obligations as follows:

	Office leases		Field leases	
2010 remainder	$	682	$	2,340
2011	$	1,026	$	2,841
2012	$	9	$	2,836
2013	$	9	$	395
2014 and thereafter	$	12	$	266

5. Subsequent Events

On July 5, 2010, Laricina closed a private placement of 8,333,333 common shares at a price of $30.00 per common share with a single investor for gross proceeds of $250.0 million.

On July 28, 2010, Laricina closed an additional private placement of 874,854 common shares at a price of $30.00 per common share for gross proceeds of $26.2 million.

Corporate Information

Senior Management

Glen C. Schmidt
President and CEO

David J. Theriault
Senior Vice President In Situ and Exploration

Neil R. Edmunds
Vice President Enhanced Oil Recovery

Karen E. Lillejord
Vice President Finance and Controller

Marla A. Van Gelder
Vice President Corporate Development

Derek A. Keller
Vice President Production

George C. Brindle
Vice President Facilities

Directors

Jeff Donahue [2, 3]
Senior Principal – Principal Investing,
Canada Pension Plan Investment Board

Jonathan C. Farber [2, 3]
Managing Director, Lime Rock Partners

S. Barry Jackson [3, 4C]
Chairman, TransCanada Corporation

Gordon J. Kerr [2, 4]
President and CEO, Enerplus Resources Fund

Brian K. Lemke [1, 2C]
Independent Investor

Robert A. Lehodey, Q.C. [3C, 4]
Partner, Osler, Hoskin & Harcourt LLP

W. Glen Russell [5]
Principal, Glen Russell Consulting

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
[5] Advisor to the Board
[C] Committee Chairman

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