ADVANCING ON ALL FRONTS

LARICINA
ENERGY LTD.

2011 Second Quarter Interim Report

Laricina continued to drive ahead in the second quarter, making material progress in each of its key 2011 objectives of securing additional capital, establishing the performance of the Saleski pilot, advancing the Germain project and continuing corporate engagement with the community and the investment sector.

Highlights for the second quarter were:

Saleski:

- Continued injection and production test cycles on the first two horizontal well-pairs to support early-time history matching of results at Saleski against simulations and established SAGD production in other reservoirs;
- Results to date indicate that production ramp-up is to be expected through the balance of 2011;
- Completed supplementary information requests for the provincial regulator on the 10,700-barrel-per-day (gross) Saleski Phase 1 expansion;
- Held an open house in Wabasca to discuss the planned Saleski Phase 1 expansion;

Germain:

- Completed procurement of all major equipment for the 5,000-barrel-per-day commercial demonstration project:
  - The slant drilling rig constructed for Laricina was completed as planned;
  - At quarter-end four fabrication contractors were engaged for the fabrication of modules for delivery beginning in early 2012;
  - The natural gas supply line was successfully tested and completed for an in-service date of mid-2012;
- The terms of reference for the 3-phase 150,000-barrel-per-day expansion were finalized with Alberta Environment;
- The Wabasca open house included discussion of the 3-phase 150,000-barrel-per-day expansion of the Germain development;

Corporate:

- Closed an equity issuance of 8.9 million common shares for gross proceeds of $379.5 million, with a total of 60.9 million basic and 69.1 million fully-diluted shares outstanding following the issuance;
- Made capital expenditures of $23.4 million;
- Exited the quarter with working capital of $631.2 million
- Added 14 full-time positions;
- Glen Schmidt nominated for the Ernst and Young Entrepreneur of the Year awards for 2011 and Derek Keller recognized as a Rising Star by Oilweek; and
- Awarded Innovative Energy Technologies Program (IETP) funding of $10.0 million (gross) subsequent to quarter end for demonstrating SAGD bitumen recovery in the Grosmont carbonate reservoir.

Saleski

The Saleski pilot progressed through a number of production and injection cycles in the Grosmont D and C zone well pairs. These cycles provide data critical to substantiating the overall validity of our plan to produce bitumen through steam-assisted gravity drainage (SAGD) in the carbonates and, in particular, to selecting the right combination of operating input parameters, such as steam injection rates, pressures and duration. The testing cycles involve selecting and observing the results of various sets of inputs, and then matching these results against our previous simulations as well as

established SAGD production elsewhere. Ideally, another Grosmont carbonate project would be selected as a true geological analog for history-matching. However, since we are the first to develop the Grosmont, we are using the McMurray sands as our baseline. The comparisons will then be used to fine-tune our recovery model.

The results supported Laricina's expectations that:

- SAGD through the first six months of operations has and continues to work well in the Grosmont; and
- The reservoir suggests strong initial performance in terms of permeability and well productivity, based on history-matching of tested wells to known McMurray producers.

We expect SAGD production through the rest of 2011 to steadily increase as we follow our plans to develop the SAGD performance curves for the C and D well pairs in sequence. As noted in the first quarter 2011 report, following an operating period with steam alone to validate longer term conventional SAGD performance, the second stage of solvent-cyclic SAGD (SC-SAGD) will commence in the first well pair.

Laricina held an open house in Wabasca to provide local residents with information on our planned Phase 1 expansion of Saleski by 10,700 barrels per day to a total approved capacity of 12,500 barrels per day gross. The supplementary information requests we received in the first quarter from the Energy Resources Conservation Board and Alberta Environment were completed and submitted as planned in the second quarter.

The Company also completed the design basis memorandum for the Saleski Phase 1 expansion. With the completion of our recent financing, discussed below, the detailed engineering and procurement are planned to begin in the third and fourth quarters of 2011, respectively, to remain on-track for our intended first steam timeframe at the end of 2013.

Germain

The 5,000-barrel-per-day commercial demonstration project (CDP), our first phase of development at Germain, continued to progress on-track for the planned first steam at the end of 2012.

All major equipment has been procured for the project. In order to manage the larger number of modules (twice the number as at Saleski), as well as our project schedule and the anticipated expansion of our capabilities for future phases, four fabricators are now under contract in comparison to only one for the Saleski pilot. The next stage of construction at the Germain CDP will include drilling of piles for the modules and remains on schedule for the fourth quarter.

The construction of our contracted slant drilling rig for the CDP well-pairs was completed as planned in the second quarter. Delivery of the rig to the Germain site occurred in July and positioned Laricina to initiate drilling of the first six of the CDP's 10 well pairs mid July. The early completion of the initial well pairs will move this crucial work off the remaining critical path of tasks to be completed to meet our planned late 2012 start-up.

In April, ATCO Electric received approval from the Alberta Utilities Commission for the Livock Substation and Livock to Germain Transmission projects, the official names for the facilities associated with the Germain power interconnection. This approval is significant as Germain will be tied into the power grid in time for the Germain CDP commissioning and start-up and will provide subsequent phases at Germain ready access to power. The Livock Substation will also represent the tie-in point for Saleski so the approval is also significant for Laricina's other core project.

Initial steps for the next three phases of expansion by a total of 150,000 barrels per day continued to advance in the second quarter with the terms of referenced finalized with Alberta Environment. Our ongoing work and plans for Germain were also discussed at the Wabasca open house mentioned above.

Community
In addition to the open house we held at Wabasca to provide information on the Saleski and Germain developments, Laricina provided an officials' tour of the Saleski pilot for the Alberta Minister of Energy, leadership of the Bigstone First Nation and local Métis association, as well as the administration of the Municipal District of Opportunity. Laricina's approach has focused on forging partnerships among the provincial government, local community and industry. This has fostered relationships supportive of our operations and development plans. The feedback we are receiving is that Laricina is seen as a good neighbour that seeks to understand community needs and acts to support them.

Few Canadians missed the sad news about the fire that destroyed so many homes in the town of Slave Lake. Far less well-known was the need to support people who were evacuated from the area threatened by the fires and temporarily living in Wabasca. Laricina very quickly swung into action and played a central role in purchasing and ensuring delivery of food to the nearly 300 evacuees.

Innovation
Innovation focused on economical and value-multiplying programs is a strategic element for Laricina. The most visible example is our application of SAGD to the Grosmont at Saleski.

Progress on the Enhanced Solvent Extraction Incorporating Electromagnetic Heating (ESEIEH) project remains on schedule for completion of Phase 1 by year end. Activities currently underway will test the performance of a proprietary antenna design within bitumen ore on surface. Approval has been received by the Climate Change and Emissions Management Corporation for the initial project funding release.

In the first quarter we announced receipt of the United States patent for the Laricina-developed passive heat-assisted recovery method (PHARM), a way we see of capturing additional resource in a lower bitumen zone using heat energy previously injected into the primary, higher target zone. Our Canadian patent of PHARM was confirmed in the second quarter, with receipt of the final documentation expected by mid-summer.

Neil Edmunds, our Vice President, Enhanced Oil Recovery, had his appointment as Adjunct Associate Professor at the University of Calgary extended as we continue to foster, support and advance our work on various initiatives with the University of Calgary.

Subsequent to quarter end the Government of Alberta announced Laricina was selected to receive funding of $10.0 million (gross) under IETP for the Saleski Grosmont pilot demonstrating support for our innovative approach. These achievements highlight our emphasis to improve recovery schemes that demonstrate low-cost extraction, reduce our environmental impacts, and result in more efficient use of capital and enhanced project returns.

Financial resources
Laricina's completion of a private placement of equity in June with the issuance of 8.9 million common shares for gross proceeds of $379.5 million achieved our most significant financial goal, to advance the sourcing of capital for 2012 and the development of our projects. The increase in our share price to $42.50 per share in this issuance from $30.00 per share in the summer 2010 illustrates the advancement of Laricina's projects in the eyes of investors. Production and cash flow are seen as drawing ever-nearer, while technical risks and the list of unknowns are being reduced.

Capital expenditures for the quarter were $23.4 million with the majority used for the completion of the project site clearing and construction preparation at the Germain commercial demonstration project, detailed engineering and equipment procurement for Germain. Full-year capital and operating expenditures are expected to be $311.8 million. Laricina's working capital was $631.2 million at quarter-end.

Outlook

At Laricina we focus continually on the items we must manage in order to advance our projects. Currently, capital cost control and project schedule management are key areas in which we seek to increase our internal capability, combined with oversight of our growing external relationships in drilling, engineering, fabrication and construction. We have been able to meet our objectives for cost and schedule management in the competitive SAGD sector through this concentration of effort, and we will continue to focus on adding to our capabilities as the work flow in these areas grows along with our projects. During the quarter we added 14 full-time personnel to our Calgary/Wabasca team and inducted 19 summer/cooperative students.

Our greatest external uncertainties remain the political, regulatory, community engagement and economic environments. Our focus on innovation to increase the competitiveness of our projects is aimed at offsetting these uncertainties to some degree. In addition we are optimistic that the governmental and community relationships we have fostered will encourage fair consideration of the SAGD sector in contemplated policy actions. The current economic environment and forecasts remain positive in their description of commodity prices and energy demand, which if realized will continue to support the economic development of our projects.

With our continued advancement on all fronts in the second quarter, I am pleased to report that the pilot performance at Saleski and future project developments continue to progress in line with meeting our objective of 40,000 barrels per day of installed capacity by the end of 2014.

(signed) “Glen C. Schmidt”

Glen C. Schmidt
President and Chief Executive Officer
July 27, 2011

The foregoing message contains forward-looking statements. Readers are directed to the Management’s Discussion and Analysis and the “Advisory” on page 5, which also applies to the forward-looking statements in this message.

Management's Discussion and Analysis

July 27, 2011

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 condensed consolidated interim financial statements and accompanying notes for the six months ended June 30, 2011 and June 30, 2010, and the audited consolidated financial statements and MD&A contained in the Company's Annual Report for the financial year ended December 31, 2010. The financial information presented in this MD&A has been prepared in accordance with International Accounting Standard 34 – Interim Reporting. 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. Laricina has converted to IFRS effective January 1, 2011. All comparative numbers have been restated in accordance with the policies adopted under IFRS as outlined in note 3 to the unaudited condensed consolidated financial statements, unless otherwise stated.

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. Readers are directed to the following "Advisory on Forward-Looking Statements" which applies to this MD&A and interim report. 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 contingent, prospective and recoverable 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 27, 2011, 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

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands of dollars)	**2011**	2010	**2011**	2010
Working capital	**$ 631,215**	$ 92,906	**$ 631,215**	$ 92,906
Capital expenditures (cash)	**23,370**	15,147	**91,856**	54,709
Net loss	**(5,755)**	(1,756)	**(10,094)**	(3,336)

Laricina began as a small prospecting *in situ* oil sands company and five years later has emerged as a leader in the industry. The Company completed the Saleski pilot, which is the first steam-assisted gravity drainage (SAGD) project in the Grosmont Formation carbonate reservoir and is currently constructing a commercial demonstration project in the Grand Rapids Formation at Germain. Steam injection at the Saleski pilot commenced on December 23, 2010 with the first quarter of 2011 focused on commissioning activities. During the second quarter of 2011, Laricina began selling bitumen produced from the Saleski pilot and will continue to ramp up production throughout the remainder of 2011.

Continued construction of the Germain 5,000-barrel-per-day solvent-cyclic SAGD commercial demonstration project (CDP) will proceed through 2012 with steam injection anticipated prior to year-end 2012. The remainder of 2011 will focus on the operations at the Saleski pilot; the engineering, module fabrication, infrastructure and drilling activities for the Germain CDP; and the advancement of engineering and regulatory work to support the 10,700 barrel per day Phase 1 expansion at Saleski.

On June 29, 2011, the Company completed its largest equity private placement with new and existing shareholders which totaled 8,928,709 common shares at $42.50 per common share for net proceeds of $365.8 million. These funds will be used to advance the Germain CDP from construction through to operations as well as continue progress on the expansion phases at Germain and Saleski and other future development projects.

Capital Investment

Capital investment includes costs related to exploration and evaluation assets, property, plant and equipment, and intangible assets.

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2011**	2010	**2011**	2010
Exploration and evaluation assets:				
Land	**$ 65**	$ 25	**$ 148**	$ 87
Exploration	**(904)**	456	**15,726**	2,485
Development	**11,359**	7,958	**50,160**	37,090
Other	**3,898**	1,202	**11,113**	3,131
Capitalized general and administrative	**3,791**	2,750	**7,505**	4,914
	18,209	12,391	**84,652**	47,707
Property, plant and equipment:				
Facilities and other equipment	**110**	3,330	**15,147**	9,128
Corporate	**125**	436	**348**	820
	235	3,766	**15,495**	9,948
Intangible assets	**6,938**	-	**6,938**	-
Capital asset additions	**$ 25,382**	$ 16,157	**$ 107,085**	$ 57,655
Capital expenditures (cash)	**$ 23,370**	$ 15,147	**$ 91,856**	$ 54,709

Capital asset additions during the first half of 2011 included the 2010-2011 winter drilling program of 13 exploration wells and 27 development wells; detailed engineering and site preparation for the Germain CDP facility and initial well pad; and the completion of a permanent camp at Germain.

Exploration

Exploration activities during the first six months of 2011 included a 15.6 square-km 3-D seismic program over the Saleski Phase 1 planned site and 13 exploration wells, of which five were in Germain, five in Saleski and the remaining three were in the Burnt Lakes area,. The information obtained from these wells will be used to support further planning of the Germain, Saleski and Burnt Lakes areas. In comparison, exploration activities during the first half of 2010 included an 8.6 square-km 3-D seismic program covering the future Germain CDP facility site.

Development activities

Consistent with 2010, development expenditure during the first six months 2011, were primarily attributable to the advancement of Saleski and Germain projects.

	Six Months Ended June 30	
(thousands of dollars)	**2011**	2010
Saleski	**$ 5,460**	$ 44,713
Germain	**58,894**	1,505
Other	**953**	-
	$ 65,307	$ 46,218

The development drilling program for the 2010-2011 winter program included 17 observation wells, eight water source and monitoring wells, and two water disposal wells. These wells were drilled primarily to support the Germain commercial demonstration project. The development activities during the first quarter of 2010 were primarily in support of the Saleski pilot and included the 2009-2010 winter drilling program of five water source wells, four water monitoring wells and five observation wells and the drilling of the remaining well pairs.

During the first six months of 2011, other development activities included the recording of a $15.0 million finance lease for the Germain permanent camp and detailed engineering and site preparation for the Germain CDP. This project will continue to advance throughout 2011 with engineering, module fabrication, site preparation and drilling six of the 10 well-pairs. Additional development activities during 2010 included the final grading of the all-weather road and purchasing equipment for the Saleski pilot.

Other

Other capital activities during the first half of 2011 included commissioning requirements associated with initial steaming and first production at the Saleski pilot facility; advancing the regulatory application for the Saleski Phase 1; work on the 3-phase, 150,000-barrel-per-day Germain expansion to advance the environmental impact assessment and regulatory application; progressing on research and development projects, including Enhanced Solvent Extraction Incorporating Electromagnetic Heating project; and providing for future site restoration.

Intangible assets

During the second quarter of 2011, Laricina recorded intangible assets of $5.7 million relating to the expansion of available power for the Company's future development projects at Germain and Saleski. An additional $1.2 million was recorded for the recapitalization of the amortization of certain components of the Saleski pilot. Components such as the development well pairs directly contribute to the understanding of the reservoir and assist in the assignment of proven reserves and will be recapitalized until the related reserves are recognized.

Capital expenditures before capitalized general and administration costs are expected to be $202.0 million for the remainder of 2011. Of these expenditures, $24.1 million will be expended for the

Saleski pilot and Phase 1 expansion, $136.2 million for the Germain CDP and advancing Phase 2, $25.5 million for road upgrades, pipeline and other development infrastructure, $7.4 million to support the preliminary 2011-2012 winter exploration drilling and geophysical program and the remainder for studies and corporate development. Laricina plans to finance future activities with current cash resources, debt and equity financings.

Corporate Results

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2011**	2010	**2011**	2010
Net revenue	**$ 247**	$ -	**$ 247**	$ -
Finance income	**1,220**	118	**2,154**	225
General and administrative expenses, net	**3,908**	2,036	**7,157**	3,892
Income tax recovery	**(1,532)**	(333)	**(512)**	(651)
Net loss	**(5,755)**	(1,756)	**(10,094)**	(3,336)

Operating activities

Laricina recorded its first production volumes and initial blend sales during the second quarter of 2011. Operating, transportation and blending costs were initially recognized during the second quarter of 2011 directly related to first production sales from the Saleski pilot. Due to the experimental nature of a pilot, it is expected that operating costs will exceed net revenue throughout the life of this project.

Finance income

Finance income increased during the three and six months ended June 30, 2011 when compared to the same period of 2010 primarily from the increased funds on deposit combined with an increase in the average interest rates for invested funds. The increase in funds on deposit during the first half of 2011 are a result of the four private placements completed during the second half of 2010.

General and administrative expenses

Gross general and administrative expenses increased for the three and six month periods ended June 30, 2011 when compared to the same periods in 2010 primarily due to growth in the Company's employee and consulting base. Costs directly related to project exploration and development activities are capitalized.

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2011**	2010	**2011**	2010
General and administrative expenses, gross	**$ 5,432**	$ 3,234	**$ 10,831**	$ 5,859
Stock-based compensation costs	**2,267**	1,551	**3,831**	2,946
Capitalized costs	**(3,791)**	(2,749)	**(7,505)**	(4,913)
General and administrative expenses, net	**$ 3,908**	$ 2,036	**$ 7,157**	$ 3,892

At June 30, 2011, the Company had 112 employees compared to 58 at June 30, 2010. General and administrative expenses are expected to increase as a result of the anticipated increases in staffing levels. As projects progress towards commercialization, a smaller percentage of general and administrative expenses will be allocated to capitalized cost.

Net loss

The Company recorded a net loss of $5.8 million and $10.1 million for the three and six months ended June 30, 2011, respectively, compared to a net loss of $1.8 million and $3.3 million during the three and six month periods ended June 30, 2010, respectively. Typical of a company in early stages of operations, Laricina will continue to show net losses from earnings until commercial production is achieved. Due to the experimental nature of a pilot project the Saleski pilot is expected to have operating costs in excess of net revenue.

Finance costs

Finance costs include accretion on site restoration provision and interest recorded on the finance lease associated with the Germain permanent camp. Finance costs increased during the first half of 2011 when compared to the same period in 2010 due to the finance lease which commenced in January 2011 and additional costs associated with providing for site restoration for the Germain CDP.

Pre-exploration costs

Pre-exploration activities during the three and six months ended June 30, 2011 include initial surveying work to support future pipeline infrastructure. There were no pre-exploration activities during the comparable periods in 2010.

Amortization

Increases in amortization expense during the three and six months ended June 30, 2011 are directly related to the completion of the all-weather road in the third quarter of 2010, the availability of the Germain camp for use during the first quarter of 2011 and from the initial pilot facility production during the second quarter of 2011.

Selected Quarterly Information

(thousands of dollars, except per share amounts)	**Q2 2011**	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Working capital	**$ 631,215**	$ 294,200	$ 361,751	$ 381,783	$ 92,906	$ 109,378	$ 149,320	$ 160,804
Capital asset additions	**25,382**	81,703	35,753	6,399	16,157	41,498	12,108	5,468
Finance and other income	**1,220**	934	4,251	912	118	107	122	111
Net profit (loss)	**(5,755)**	(4,339)	716	(1,264)	(1,756)	(1,580)	(1,574)	(1,140)
Net profit (loss) per common share, basic	**$ (0.11)**	$ (0.08)	$ 0.01	$ (0.03)	$ (0.04)	$ (0.04)	$ (0.04)	$ (0.03)
Net profit (loss) per common share, diluted	**$ (0.11)**	$ (0.08)	$ 0.01	$ (0.03)	$ (0.04)	$ (0.04)	$ (0.04)	$ (0.03)

The 2010 quarterly information has been restated to conform with the conversion to IFRS. The 2009 quarterly information presented has been prepared under Canadian GAAP.

Working capital increased during the second quarter of 2011 due to the June 29, 2011 closing of an equity private placement of common shares contributing net proceeds of $365.8 million. At the end of the third and fourth quarters of 2010, working capital was significantly higher due to the closing of four private placements of common shares resulting in net proceeds of $329.6 million. 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 equity private placement.

The increase in capital asset additions during the first quarter of 2011 is the result of the $15.0 million Germain camp finance lease and expenditures incurred from the 2010-2011 winter drilling program of 13 exploration wells and 27 development wells. An increase in capital spending for the Saleski pilot in preparation for first-steam on December 23, 2010 occurred throughout 2010. Capital asset additions generally increase in the first quarter of each year due to the seasonality of the exploration drilling and geophysical programs usually completed during the winter months.

Other income in the fourth quarter of 2010 resulted from the sale of Saleski pilot data to a third-party for net proceeds of $3.0 million. Finance income has increased since the third quarter of 2010 due to increased funds on deposit from financings completed in the second half of 2010. Finance income during 2009 and the first half of 2010 were lower due to declining interest rates beginning in late 2008.

Liquidity and Financial Resources

Working Capital

Working capital increased from December 31, 2010 by $269.5 million to $631.2 million at June 30, 2011 primarily due to the receipt of $365.8 million net proceeds from the private placement financing which closed on June 29, 2011. This increase is partially offset by capital expenditures incurred for the 2010-2011 winter drilling program and initial engineering and construction costs for the Germain CDP.

(thousands of dollars)		
Working capital, December 31, 2010	$	361,751
Proceeds from the issuance of common shares, net of share issuance costs		365,815
Capital expenditures (cash)		(91,856)
Operating activities		(6,518)
Other		2,023
Working capital, June 30, 2011	**$**	**631,215**

Laricina has sufficient working capital to finance the anticipated capital and operating spending program remaining in 2011 of approximately $222.9 million which will be focused primarily on the continued advancement of the Germain CDP. Working capital will also be used for the advancement of expansion phases at Saleski and Germain, and for general corporate purposes.

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 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 a major Canadian bank which bears interest up to the bank's prime rate minus 1.8 percent and guaranteed investment certificates with interest rates ranging from 1.3 to 1.6 percent. The Company may 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 a major Canadian bank which has been extended to October 31, 2011 and is secured by a deposit of cash. The credit facility is intended for general corporate purposes, including the exploration, development and acquisition of oil sands properties. At June 30, 2011 and the date of this report, the Company had a $3.6 million letter of credit outstanding under this credit facility related to the development of the Germain and Saleski projects.

As projects are advanced to the commercial development phase, Laricina will evaluate the markets for prudent interim or long-term debt funding alternatives.

Commitments and Contractual Obligations

As of the date of this report, the Company has contractual obligations for office space, communication equipment and agreements, drilling rig rentals, natural gas purchases, camp facilities and other obligations as follows:

(thousands of dollars)	Office	Field
2011 remainder	$ 1,481	$ 4,991
2012	2,819	10,045
2013	2,819	8,420
2014	2,835	4,069
2015 and thereafter	2,358	2,859

Related to the outstanding $3.6 million letter of credit, the Company will be required to reimburse the costs incurred by the third-party up to $3.6 million if the development of the Germain project is delayed. This letter of credit is not expected to be renewed but will be replaced with a new letter of credit of $9.3 million in the third quarter of 2011.

As at June 30, 2011, the Company has $45.8 million of purchase commitments outstanding relating to the acquisition of long-lead equipment for the Germain CDP.

Outstanding Share Data

At July 27, 2011, share capital consisted of the following:

(thousands)	
Common shares	60,906
Stock options	3,454
Performance share units	650
Performance warrants	4,071
Total outstanding	**69,081**

Subsequent Event

Subsequent to June 30, 2011, the Government of Alberta announced that the Company was selected to receive funding of up to $10.0 million (gross) under the Innovative Energy Technologies Program for the Saleski Grosmont SAGD project. This funding is to be used to advance future Saleski projects.

Critical Accounting Estimates

A discussion of the Company's significant accounting policies is contained in Note 3 of the accompanying notes to the unaudited condensed consolidated interim financial statements for the period ended June 30, 2011.

Changes in Accounting Policies

In February 2008, the Canadian Institute of Chartered Accountants Accounting Standards Board confirmed the adoption of 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 has used this exemption upon adoption.

The most significant impact of the IFRS conversion is the accounting for exploration and evaluation assets, and 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 will have a significant impact on the future 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 site restoration provisions (asset retirement obligations), share-based payments (stock-based compensation) and other first-time adoption exemptions. The impact on the Company's January 1, 2010 opening financial position, required under IFRS for comparative purposes, statements, was as follows: an increase in site restoration provisions of $0.4 million; an increase in share capital of $3.0 million as a result of the change in accounting for flow-through shares issued prior to the date of conversion; and an increase in contributed surplus of $1.3 million as a result of the adjustments to accounting for

share-based payments. Each of these adjustments has a corresponding change to retained earnings as well as a future income tax impact.

The adoption of IFRS accounting policies has resulted in higher share-based payment expense at the time of grant due to the recognition of the expense related to each tranche being treated as a separate grant with a different vesting date and fair value. Under Canadian GAAP, the expense was recognized on a straight-line basis. In addition, amortization has increased due to the component amortization required under IFRS.

Risk Management

Risk factors remain substantially unchanged from December 31, 2010. 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 2010.

Outlook

With the completion of the June 29, 2011 equity private placement the Company has the flexibility to manage the pace of development including supporting the pilot project at Saleski, the commercial demonstration project at Germain and the Saleski Phase 1 expansion. 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, debt and participation agreements with other oil sands development companies or joint venture agreements.

Reservoir steaming at the Saleski pilot commenced on December 23, 2010 with first production sales recorded during the second quarter of 2011. Reservoir steaming will continue throughout the remainder of 2011 during the production ramp-up phase as steam rates are increased to their maximum. Following an operating period with steam alone to validate longer term conventional SAGD performance, the second stage of solvent-cyclic SAGD will commence in the first well pair.

During the remainder of 2011 activities for the Saleski Phase 1 expansion will include continuing the regulatory review process and completing front-end engineering and design. The regulatory application for the Saleski Phase 1 expansion was filed in December 2010.

Development activities related to the Germain commercial demonstration project will continue throughout 2011 and include detailed engineering, module fabrication, electrical infrastructure and drilling six of the 10 horizontal well pairs. The Germain commercial demonstration project is anticipated to start initial steaming prior to year-end 2012.

During 2011, additional head office and field expertise will be required to execute the development of Germain, accommodate the production expected from the Saleski pilot and continue to advance further phases of development at Saleski and Germain. Due to the increased size of the organization, general and administrative expenses are expected to increase as a result of additional salary expense and office costs. Laricina is expanding its Calgary office space in the third quarter of 2011 with a move to Fifth Avenue Place.

The 2011 capital and operating expenditures (including cash general and administrative expenses) are expected to be approximately $311.8 million, with a reduction from the previous forecast due to a shift in the expected timing a capital requirements. The majority of capital costs remain directed to the continued advancement of the Germain CDP.

Condensed Consolidated Statements of Financial Position

(Unaudited)

As at		**June 30**	December 31
(thousands of dollars)	Note	**2011**	2010
Assets			
Current assets			
Cash and cash equivalents	11	**$ 640,184**	$ 375,426
Trade and other receivables		**5,444**	17,030
Prepaid expenses and deposits		**1,293**	449
Inventories	5	**4,689**	254
		651,610	393,159
Non-current assets			
Abandonment deposits		**901**	507
Other long-term	6	**1,194**	551
Exploration and evaluation	7	**508,240**	425,806
Property, plant and equipment	8	**44,907**	30,705
Intangible	9	**6,938**	-
		562,180	457,569
Total assets		**$ 1,213,790**	$ 850,728
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**$ 15,395**	$ 31,408
Finance lease obligation	8	**5,000**	-
		20,395	31,408
Non-current liabilities			
Site restoration provision	10	**9,524**	4,747
Finance lease obligation	8	**7,764**	-
Deferred income tax		**15,089**	16,777
		32,377	21,524
Total liabilities		**52,772**	52,932
Shareholders' equity			
Share capital	12	**1,150,886**	780,198
Contributed surplus		**24,399**	21,771
Deficit		**(14,267)**	(4,173)
Total shareholders' equity		**1,161,018**	797,796
Total liabilities and shareholders' equity		**$ 1,213,790**	$ 850,728

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

(thousands of dollars)	Note	**Three Months Ended June 30** **2011**	2010	**Six Months Ended June 30** **2011**	2010
Revenue					
Blend sales		**$ 255**	$ -	**$ 255**	$ -
Royalties		**(8)**	-	**(8)**	-
		247	-	**247**	-
Expenses					
Transportation and blending		**353**	-	**353**	-
Operating		**2,317**	-	**2,317**	-
Pre-exploration		**74**	-	**237**	-
General and administrative		**3,908**	2,036	**7,157**	3,892
Amortization		**1,596**	141	**2,238**	260
		8,248	2,177	**12,302**	4,152
Results from operating activities		**(8,001)**	(2,177)	**(12,055)**	(4,152)
Finance income		**1,220**	118	**2,154**	225
Finance expenses	8,10	**(506)**	(30)	**(705)**	(60)
Net finance income		**714**	88	**1,449**	165
Net loss before income tax		**(7,287)**	(2,089)	**(10,606)**	(3,987)
Deferred income tax recovery		**(1,532)**	(333)	**(512)**	(651)
Total comprehensive loss		**$ (5,755)**	$ (1,756)	**$ (10,094)**	$ (3,336)

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(thousands of dollars)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance at January 1, 2010	$ 447,872	$ 17,484	$ (289)	$ 465,067
Comprehensive loss	-	-	(3,336)	(3,336)
Share-based payments	-	3,456	-	3,456
Performance share units exercised	837	(837)	-	-
Balance at June 30, 2010	448,709	20,103	(3,625)	465,187
Comprehensive loss	-	-	(548)	(548)
Issue of common shares	339,650	-	-	339,650
Share issue costs, net of tax of $3,082	(9,247)	-	-	(9,247)
Share-based payments	-	2,610	-	2,610
Options exercised	196	(53)	-	143
Performance share units exercised	890	(889)	-	1
Balance at December 31, 2010	780,198	21,771	(4,173)	797,796
Comprehensive loss	-	-	(10,094)	(10,094)
Issue of common shares	379,470	-	-	379,470
Share issue costs, net of tax of $3,414	(10,241)	-	-	(10,241)
Share-based payments	-	4,086	-	4,086
Performance share units exercised	1,459	(1,458)	-	1
Balance at June 30, 2011	**$ 1,150,886**	**$ 24,399**	**$ (14,267)**	**$ 1,161,018**

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Unaudited)
For the six months ended June 30
(thousands of dollars)

	2011	2010
Cash flows from operating activities		
Loss for the period	**$ (10,094)**	$ (3,336)
Adjustments for:		
Amortization	**2,238**	260
Equity settled share-based payments	**1,712**	1,372
Unwinding of site restoration discount	**159**	60
Deferred income tax recovery	**(512)**	(651)
Deferred income	**(21)**	(21)
	(6,518)	(2,316)
Change in trade and other receivables	**3,648**	236
Change in prepaid expenses and deposits	**(212)**	20
Change in inventories	**(4,435)**	-
Change in trade and other payables	**(501)**	(436)
Net cash used in operating activities	**(8,018)**	(2,496)
Cash flow from investing activities		
Property, plant and equipment, and exploration and evaluation expenditures	**(84,771)**	(53,261)
Intangible expenditures	**(5,667)**	-
Finance lease obligation	**(2,236)**	-
Abandonment deposits	**(394)**	(1)
Net cash used in investing activities	**(93,068)**	(53,262)
Cash flow from financing activities		
Proceeds from the issue of common shares	**379,471**	-
Share issue costs	**(13,627)**	-
Net cash from financing activities	**365,844**	-
Net increase (decrease) in cash and cash equivalents	**264,758**	(55,758)
Cash and cash equivalents, beginning of period	**375,426**	156,062
Cash and cash equivalents, end of period	**$ 640,184**	$ 100,304

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting Entity

Laricina Energy Ltd. (Laricina or the Company) was incorporated on November 11, 2005 under the *Business Corporations Act* (Alberta). The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 2011 are comprised of the Company and its subsidiaries. Since inception, Laricina has focused on acquiring prospective oil sands properties, developing properties into projects, financing, attracting suitable personnel and developing innovative technologies. Currently, two areas have been identified as near-term future commercial projects, Germain and Saleski. The Company will require future equity and debt financing to continue to commerciality.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements which were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and are included in the Company's Annual Report for 2010.

2. Basis of Preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* These consolidated financial statements were prepared by the Company in accordance with International Financial Reporting Standards (IFRS) and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied effective January 1, 2011. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

The June 30, 2011 condensed consolidated interim financial statements were approved for release to shareholders by the Board of Directors on July 27, 2011.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payment arrangements measured at fair value which are included in Trade and Other Payables. The methods used to measure fair value are discussed in note 4.

Functional and presentation currency
The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. Financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts and if otherwise stated.

Use of estimates and judgments
The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates. Significant estimates used in the preparation of the condensed consolidated interim financial statements include, but are not limited to, the recovery of exploration and evaluation assets (note 7), the valuation of property, plant and equipment (note 8), site restoration provisions (note 10), and the measurement of share-based payments (note 12).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements, and have been applied consistently by the Company and its subsidiaries.

Basis of consolidation
Subsidiaries are entities controlled by the Company. Control exists when a Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Many of the Company's oil sands activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Exploration and evaluation assets (E&E)
Costs of exploring for and evaluating oil sands properties are initially capitalized and may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses and the projected costs of retiring the assets but do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore the area, which are expensed directly to the income statement as they are incurred.

3. Summary of Significant Accounting Policies (continued)

E&E assets are not depleted or amortized until the earlier of: (1) the asset is in use as management intended; and (2) the determination of technical feasibility and commercial viability of extracting a mineral resource. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proven reserves exist. E&E assets are allocated to cash generating units (CGUs) for purposes of determining whether or not the assets must be transferred to the development and producing category within Property, Plant and Equipment and for performing impairment testing when indicators of impairment exist. The Company uses the following CGUs for E&E assets: Saleski, Germain, Burnt Lakes and Other. A review of each exploration project is performed, at least annually, to determine whether proven reserves have been discovered. Upon determination of proven reserves, E&E assets attributable to these reserves are tested for impairment with the associated CGU and then transferred to Development and Producing (D&P) assets.

E&E assets that are in use as management intended are amortized and recapitalized as intangible assets until technical feasibility and commercial viability of extracting a mineral resource can be determined. Once technical feasibility and commercial viability are established the underlying intangible asset is transferred to D&P assets and subsequently depleted.

Other E&E assets are amortized when they are used to support the production of reservoir information gathering including facilities and other infrastructure. The amortization of these assets is recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment consists of oil sands assets which have transferred from E&E assets to D&P assets, facilities and other equipment, and corporate assets.

D&P assets consist of oil sands assets and are measured at cost less accumulated amortization and depletion. The cost of D&P at January 1, 2010, the date of transition to IFRS, was determined as provided by IFRS 1 exemption whereby oil and gas companies using full cost accounting could allocate carrying values of E&E assets to CGUs based on amounts determined under Canadian GAAP and allocate carrying values of D&P assets to appropriate CGUs using pro-rata reserve volumes or reserve values. The Company has allocated E&E assets to CGUs based on amounts previously determined under Canadian GAAP, with no value assigned to the D&P assets at January 1, 2010 as no projects have met the criteria of technical feasibility and commercial viability.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of D&P assets are recognized as property, plant and equipment only when they increase the future economic benefits embodied in the specific asset to which they are related. All other expenditures are recognized as an expense when incurred. Such costs generally represent costs incurred in developing proved or probable reserves and bringing in or enhancing production from such reserves, and accumulated on a project area basis. The carrying amount of any

replaced or sold components is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an E&E asset or property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the E&E asset or property, plant and equipment, and are recognized on a net basis within other income or other expense in profit or loss.

Amortization and depletion
The net carrying value of E&E assets is amortized on a straight-line basis over the estimated useful lives between 10 and 20 years. E&E assets which gather information about the reservoir to assist in the development of technical feasibility and commercial viability of extracting mineral resources are recapitalized as intangible assets and subsequently transferred to D&P assets when proven reserves are assigned.

The net carrying value of D&P assets is depleted using the unit-of-production method which uses the ratio of production to the related total proven and probable reserves, taking into account the future development costs necessary to bring these reserves into production. The estimate of future development costs is reviewed by independent reserve engineers on an annual basis.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantity of bitumen which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can reasonably be made available.

Reserves which can be produced economically through application of enhanced recovery techniques are only included in the proven and probable classification when successful testing by a pilot project, or other reasonable evidence, such as experience of the same techniques on similar reservoirs or reservoir simulation studies provide support for the engineering analysis on which the project was based.

For facilities and other equipment, amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of 25 years. For corporate assets, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives at annual rates of between 20 and 30 percent.

3. Summary of Significant Accounting Policies (continued)

The expected residual value of facilities and other equipment, and corporate assets is evaluated when amortization commences.

Amortization methods, useful lives and residual values are reviewed at each reporting date. When significant components of an E&E asset or property, plant and equipment have different useful lives, they are accounted for and depreciated as separate items.

Inventories

Inventories consist of materials, condensate, production blend and other inventory. Materials inventory is materials, parts and supplies and is valued at the lower of cost or net realizable value with cost determined using a first-in, first-out basis. Condensate inventory is condensate purchases for the purpose of blending and is valued at the lower of cost or net realizable value with cost determined using a weighted-average cost. Production blend inventory is produced bitumen that has been blended for purposes of transporting the product to market and is value at the lower of cost or net realizable value with cost determined using a weighted-average cost. Other inventory consists primarily of gravel for use in road maintenance and site preparation, and is valued at the lower of cost or net realizable value with cost determined using a weighted-average cost.

Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable with the associated asset.

Other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

Impairment

A financial asset is assessed at each reporting date to determine if there is any objective evidence that it is impaired. Impairment is considered to exist if objective evidence indicates that one or more events would have a negative effect on the estimated future cash flows of that asset. Significant financial assets are tested for impairment on an individual basis with the remaining financial assets assessed in groups that share similar credit risk. An impairment loss of a financial asset is recognized in profit or loss and is calculated as the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred income tax assets, are reviewed at each reporting period for indications of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to D&P assets and if facts and circumstances suggest that the

carrying amount exceeds the recoverable amount. For the purposes of impairment testing, assets are grouped into the smallest group of assets that generates independent cash inflows from continuing use or CGU. The recoverable amount of the asset or the CGU is the greater of its value-in-use or its fair value less costs to sell. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the CGU to which the corporate asset is allocated.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time-value-of-money and the specific risks of the asset. Value-in-use is generally calculated using the present value of the future cash flows expected to be derived from the production of proven and probable reserves.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss and are reversed in subsequent periods if indicators exist such that the impairment has decreased. The impairment loss is reversed through profit or loss and is the lower of the recoverable amount and the carrying value of the asset net of amortization or depletion as if no previous impairment existed.

The Company assesses the recoverability of E&E assets, before and at the moment of reclassification to property, plant & equipment using E&E CGUs. After the reclassification to property, plant and equipment on the basis of technical feasibility and commercial viability, development and producing CGUs are used for impairment testing.

Site Restoration Provision

A provision is recognized if, as a result of a past event, the Company has a legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flows at a rate that reflects the current assessment of the time-value-of-money and the risks specific to the underlying liability. The Company recognizes a provision for site restoration obligations as the activities of the Company give rise to dismantling, decommissioning and site disturbance remediation requirements. A provision is made for the estimated cost of site restoration with a corresponding increase to the related exploration and evaluation asset or property, plant and equipment. Site restoration costs are amortized on a basis consistent with the related asset's amortization and depletion policy.

The site restoration provision is measured at the present value of management's best estimate of expenditures required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The unwinding of the discount related to the passage of time is recognized as a finance expense and the changes in the estimated future cash flows are capitalized. Actual site restoration costs are charged against the site restoration obligation when incurred to the extent the provision was established.

3. Summary of Significant Accounting Policies (continued)

Share-based payment arrangements

The Company applies the fair value method for performance warrants, stock options and performance share units granted. Compensation cost is recognized over the vesting period of the award based on the estimated fair value of the performance warrants, stock options or performance share units on the grant date using the Black-Scholes pricing model with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as compensation cost over the vesting period with a corresponding increase in accrued liabilities.

Revenue

Revenue from the sale of bitumen is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, typically when legal title passes to an external property. This is generally at the time the product enters the pipeline. Revenue is measured net of royalty costs as the entity is acting as a collection agent on behalf of the Crown.

Finance income and finance costs

Finance income is recognized as it accrues using the effective interest method. Finance expense includes the unwinding of the discount on site restoration provision and interest associated with finance leases.

Income tax

Income tax is comprised of current and deferred income taxes which are recognized in profit or loss except when they relate to items recognized directly in equity, or in other comprehensive income.

The asset and liability method of accounting for income taxes is followed whereby deferred income tax assets and liabilities are recognized based on the estimated tax effects of temporary differences between the carrying value of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted tax rates that will apply in the years the temporary differences are expected to be recovered or settled. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred income tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent the related tax benefit will no longer be realized.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Earnings per share
Basic net profit (loss) per common share is calculated using the weighted-average number of common shares issued and outstanding during the period. The Company uses the treasury stock method to determine the dilutive effect of performance warrants, stock options and performance share units.

Financial instruments
All financial instruments are recognized in the statement of financial position initially at fair value. Subsequent measurement of all financial assets and liabilities except those at fair value through profit or loss and available-for-sale are measured at amortized cost determined using the effective interest rate method. Cash and Cash Equivalents comprise cash balances and guaranteed investment certificates that may be redeemed at the option of the Company. Trade and Other Receivables, Prepaid Expenses and Deposits are classified as loans and receivables while Trade and Other Payables are classified as other financial liabilities and the fair values approximate their carrying value due to the short-term nature of these instruments. The Company has not designated any financial instruments as available-for-sale.

New standards and interpretations not yet adopted
A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2011, and have not been applied in preparing these condensed consolidated interim financial statements. None are expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 *Financial Instruments,* which will be adopted on January 1, 2013 and is expected to impact the classification and measurement of financial assets. The extent of the impact to the Company's consolidated financial statements has not been determined.

4. Determination of Fair Values

Certain accounting policies and disclosures require the Company to determine fair value for purposes of measurement or disclosure. Fair values have been determined based on the methods outlined below using the applicable hierarchy, where applicable.

Level 1 fair value measurement
Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 fair value measurement
Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

4. Determination of Fair Values (continued)

Stock options, performance shares and stock appreciation rights – The fair value is estimated using a Black-Scholes option pricing model based on quoted market prices for the underlying common shares, volatility based on historical prices and published risk-free interest rates.

Level 3 fair value measurement
Level 3 fair value measurements are based on unobservable information and are derived by management's estimate of fair value.

Additional disclosure about the assumptions used in determining fair value is disclosed in the notes specific to the asset or liability.

Cash, trade and other receivables, and trade and other payables
The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables is estimated as the present value of the future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2011 and December 31, 2010 the fair value of these balances approximated their carrying value due to their short-term nature.

Stock options, performance share units and stock appreciation rights
The fair value of stock options, performance share units and stock appreciation rights are measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price, expected volatility, expected life, expected forfeitures, expected dividends and the risk-free interest rate. The carrying value of accrued liabilities for stock appreciation rights has been assessed at a Level 2 fair value measurement as the significant inputs are derived from quoted indices.

5. Inventories

		June 30 2011		December 31 2010
Condensate	**$**	**103**	$	-
Parts		**1,562**		254
Production blend		**157**		-
Other		**2,867**		-
	$	**4,689**	$	254

6. Other Long-Term Assets

At June 30, 2011, the Company had investment tax credits of $1.2 million ($0.6 million at December 31, 2010). The investment tax credits resulted from the Canada Revenue Agency's Scientific Research and Experimental Development (SR&ED) program and the Company's applications for 2007, 2008, and 2009 SR&ED expenditures. The after-tax benefit associated with the investment tax

credits is approximately $0.9 million ($0.4 million at December 31, 2010). The investment tax credits will be used to offset current income taxes payable and begin to expire in 2026.

7. Exploration and Evaluation Assets

Cost		
Deemed cost at January 1, 2010	$	317,669
Additions during the year		108,137
Balance at December 31, 2010		425,806
Additions during the period		84,652
Balance, June 30, 2011	**$**	**510,458**

Amortization		
Balance, January 1, 2010	$	-
Amortization for the year		-
Balance, December 31, 2010		-
Amortization for the period		2,218
Balance, June 30, 2011	**$**	**2,218**

Carrying amounts		
As at January 1, 2010	$	317,669
As at December 31, 2010	$	425,806
As at June 30, 2011	**$**	**508,240**

E&E assets consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability. Additions represent the Company's share of the costs incurred on E&E assets during the period. During the period ended June 30, 2011 and the year ended December 31, 2010 no amount was transferred to property, plant and equipment.

During the period ended June 30, 2011, the Company began producing bitumen from the Saleski pilot facility. There are no proven reserves assigned to this project and as a result no assets were transferred to property, plant and equipment. Amortization of the pilot facility and related infrastructure has been recorded in profit or loss. The amortization of assets providing additional reservoir information has been recapitalized as intangible assets in accordance with note 9.

E&E assets were recognized on transition to IFRS in accordance with IFRS 6 *Exploration and Evaluation of Mineral Resources.*

As at January 1, 2010 an impairment test was performed on all CGUs and no impairment was identified.

8. Property, Plant and Equipment

Cost	Facilities and other equipment	Corporate assets	Total
Deemed cost, January 1, 2010	$ 19,637	$ 1,368	$ 21,005
Additions	10,564	1,106	11,670
Balance, December 31, 2010	30,201	2,474	32,675
Additions	15,147	348	15,495
Balance, June 30, 2011	**$ 45,348**	**$ 2,822**	**$ 48,170**
Amortization			
Balance, January 1, 2010	$ -	$ (784)	$ (784)
Amortization for the year	(598)	(588)	(1,186)
Balance, December 31, 2010	(598)	(1,372)	(1,970)
Amortization for the period	(906)	(387)	(1,293)
Balance, June 30, 2011	**$ (1,504)**	**$ (1,759)**	**$ (3,263)**
Carrying amounts			
As at January 1, 2010	$ 19,637	$ 584	$ 20,221
As at December 31, 2010	$ 29,603	$ 1,102	$ 30,705
As at June 30, 2011	**$ 43,844**	**$ 1,063**	**$ 44,907**

During the period ended June 30, 2011 the Company entered into a contract with a third-party to establish a permanent camp at Germain. The Company assumes substantially all of the risks and rewards of ownership and as a result the contract will be classified as a finance lease. As at June 30, 2011 assets held under finance lease have a gross value of $15.0 million (nil at December 31, 2010) and accumulated amortization of $0.3 million (nil at December 31, 2010) which is included in facilities and other equipment.

9. Intangible Assets

At June 30, 2011, the Company had intangible assets of $5.7 million relating to payments made to a third-party provider of power. This fee was paid to expand the availability of power for the Company's future development projects at Germain and Saleski, and will be amortized over the term of the contract with the third-party provider. Amortization will commence once the expansion is complete.

At June 30, 2011, the Company had intangible assets of $1.2 million relating to the recapitalization of the amortization of E&E assets. During the period ended June 30, 2011, the Company commenced production from the Saleski pilot facility. There have been no proven reserves assigned to this project; however the pilot is operating in management's intended use and as a result amortization of the related assets is recorded. The assets which directly contribute to the understanding of the

reservoir and assist in the assignment of proven reserves have been amortized and subsequently recorded as an intangible asset.

10. Site Restoration Provision

Balance, January 1, 2010	$	2,584
Provisions made during the year		1,598
Revisions (change in discount rate)		461
Unwinding of discount		104
Balance, December 31, 2010		4,747
Provisions made during the period		4,690
Revisions (change in discount rate)		(72)
Unwinding of discount		159
Balance, June 30, 2011	**$**	**9,524**

11. Credit Facility

The Company's credit agreement with a Canadian chartered bank was renewed on October 31, 2011. Amounts drawn under the facility can take the form of prime rate-based loans, bankers' acceptances, LIBOR loans or letters of credit and will bear interest at the prime rate, bankers' acceptances rates or at LIBOR plus a spread above the reference rate between 1.0 percent and 2.0 percent per annum. 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 June 30, 2011 and July 27, 2011 the Company had issued a letter of credit totaling $3.6 million under this credit facility and no amount had been drawn against the facility.

12. 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, 2010	51,916	$	780,198
Issued for cash	8,929		379,470
Share issue costs, net of tax benefit	-		(10,241)
Performance share units exercised	61		1,459
Balance, June 30, 2011	**60,906**	**$**	**1,150,886**

12. Share Capital (continued)

On October 19, 2010, Laricina closed a private placement of flow-through common shares. In accordance with the terms of the offering and pursuant to the Income Tax Act, the Company has renounced, for income tax purposes, exploration expenditures of $15.7 million to holders of the common shares effective December 31, 2010. The Company has incurred the associated qualifying expenditures for the period ended June 30, 2011.

On June 29, 2011, Laricina closed a private placement of 8,928,709 common shares at a price of $42.50 per common share for gross proceeds of $379.5 million ($365.8 million net of share issue costs).

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, 2011 and December 31, 2010	**4,071**	**$**	**11.20**
Exercisable, June 30, 2011	**4,071**	**$**	**11.20**

The fair value calculation for performance warrants was not required during the period ended June 30, 2011 and June 30, 2010 as no performance warrants were issued or required a change in measurement.

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. The exercise price and vesting period of options granted is determined by the Board of Directors at the time of grant.

	Number (thousands)		Weighted Average Exercise Price
Outstanding, December 31, 2010	3,083	$	13.50
Granted	365		35.18
Forfeited	(4)		32.50
Outstanding, June 30, 2011	**3,444**	**$**	**15.77**
Exercisable, June 30, 2011	**2,454**	**$**	**10.76**

For the three and six month periods ended June 30, 2011, compensation cost of $1.0 million ($0.6 million in 2010) and compensation cost of $1.7 million ($1.0 million in 2010), respectively, has been recognized for options that have been granted. During the three and six month periods ended June 30, 2011, $0.6 million ($0.3 million in 2010) and $1.0 million ($0.5 million in 2010), respectively, was capitalized.

A forfeiture rate of 2.0 percent (2.0 percent in 2010) was used when recording share-based payments related to the stock options. Expected volatility is based on historical volatility adjusted for changes expected due to publicly available information. Expected life is based on general option holder behavior and the risk-free interest rate is based on government bonds of a similar life.

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 (PSUs). PSUs have an exercise price of $0.01 per PSU and vest on dates determined by the Board of Directors at the time of grant, and for each PSU exercised the holder will receive one common share. The PSUs outstanding at June 30, 2011, have a weighted average remaining contractual life of 5.4 years.

	Number (thousands)		Weighted Average Exercise Price
Outstanding, December 31, 2010	555	$	0.01
Granted	150		0.01
Exercised	(61)		0.01
Forfeited	(1)		0.01
Outstanding, June 30, 2011	**643**	**$**	**0.01**
Exercisable, June 30, 2011	**151**	**$**	**0.01**

For the three and six month periods ended June 30, 2011, compensation cost of $0.9 million ($0.8 million in 2010) and $2.4 million ($2.5 million in 2010), respectively, has been recognized for PSUs that have been granted. For the three and six month periods ended June 30, 2011, $0.5 million ($0.4 million in 2010) and $1.3 million ($1.4 million in 2010) was capitalized, respectively.

A forfeiture rate of 2.0 percent (0.8 percent in 2010) was used when recording share-based payments related to the performance share units. Expected volatility is based on historical volatility adjusted for changes expected due to publicly available information. Expected life is based on general option holder behavior and the risk-free interest rate is based on government bonds of a similar life.

12. Share Capital (continued)

Share Appreciation Rights

The Company has 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 (SAR) 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, 2010	36	$	26.88
Granted	55		35.34
Forfeited	(3)		30.00
Outstanding, June 30, 2011	**88**	**$**	**32.03**
Exercisable, June 30, 2011	**12**	**$**	**25.18**

All share appreciation rights granted were granted to employees directly involved in field activities. For the three and six month periods ended June 30, 2011, a nominal amount of compensation has been recognized for share appreciation rights that have been granted (nominal in 2010). At June 30, 2011, the Company had recorded an accrued liability of $0.2 million ($0.1 million at December 31, 2010) for outstanding share appreciation rights. At June 30, 2011, the Company had an obligation of $0.2 million (nil at December 31, 2010) for stock appreciation rights that had vested.

The estimated fair value of share appreciation rights for the period ended June 30, 2011 was calculated at the date of grant using the Black-Scholes model and the following assumptions:

		2011
Weighted average fair value per SAR	$	6.34
Share price	$	35.34
Exercise price	$	35.34
Expected volatility (percent)		28.6
Average risk-free interest rate (percent)		1.8
Expected life (years)		2.1

A forfeiture rate of 10.0 percent (10.0 percent in 2010) was applied for grants issued during the period ended June 30, 2011, when recording share-based payments related to the share appreciation rights. Expected volatility is based on historical volatility adjusted for changes expected due to publicly available information. Expected life is based on general option holder behavior and the risk-free interest rate is based on government bonds of a similar life.

13. Loss per Share

Basic loss per share

The calculation of basic loss per share at June 30, 2011 was based on the loss attributable to common shareholders of $10.1 million ($3.3 million in 2010) and a weighted average number of common shares outstanding during the six month period ended June 30, 2011. The weighted average number of common shares outstanding was calculated as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands of shares)	**2011**	2010	**2011**	2010
Issued common shares at beginning of period	**51,941**	41,491	**51,916**	40,480
Effect of common shares issued	**98**	-	**49**	-
Effect of PSUs exercised	**32**	21	**31**	17
Weighted average common shares outstanding (basic)	**52,071**	41,512	**51,996**	40,497

Diluted loss per share

The calculation of diluted net loss per share does not include performance warrants, options or performance share units as the effect would be anti-dilutive.

The basic and diluted loss per share was $0.11 and $0.19 for the three and six month periods ended June 30, 2011, respectively, compared to a basic and diluted loss per share of $0.04 and $0.08 for the three and six month periods ended June 30, 2010, respectively.

14. Personnel Expenses

The aggregate payroll expense of employees and executive management are as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2011	2010	**2011**	2010
Wages and salaries	**$ 2,743**	$ 1,556	**$ 5,310**	$ 3,078
Benefits and other personnel costs	**708**	447	**1,504**	631
Share-based payments	**2,267**	1,550	**3,831**	2,945
Total remuneration	**5,718**	3,553	**10,645**	6,654
Capitalized portion of total remuneration	**(2,831)**	(2,231)	**(5,623)**	(3,956)
	$ 2,887	$ 1,322	**$ 5,022**	$ 2,698

Personnel expenses directly related to exploration and evaluation activities have been capitalized and included in exploration and evaluation assets.

15. Operating Leases

Non-cancellable operating lease rentals as at June 30 are payable as follows:

		2011		2010
Less than one year	$	**12,876**	$	4,955
Between one and five years		**30,615**		5,411
More than five years		**47**		50
	$	**43,538**	$	10,416

16. Executive Compensation

In addition to salaries, the Company provides non-cash benefits to executive officers. The executive officers include the Chief Executive Officer, Senior Vice President In Situ and Exploration, Vice President Finance and Controller, Vice President Enhanced Oil Recovery, Vice President Corporate Development, Vice President Production, and Vice President Facilities. Executive officers also participate in the Company's stock option and performance share unit plans.

Executive officer compensation is comprised of the following:

	Three Months Ended June 30				Six Months Ended June 30			
		2011		2010		**2011**		2010
Salaries	$	**458**	$	454	$	**917**	$	817
Other short-term employment benefits		**243**		223		**498**		428
Share-based payments		**490**		404		**977**		707
	$	**1,191**	$	1,081	$	**2,392**	$	1,952

Share-based payments represent the amortization of compensation associated with grants of stock options and performance share units to executive officers as recorded in the financial statements.

17. Financial Risk Management

The Company is exposed to certain financial risks as a result of exploration, development and financing activities. These risks include credit risk, liquidity risk and market risk. This note includes the Company's exposure to these risks as well as the objectives, policies and processes for measuring and managing risk as well as capital management. The Board of Directors oversees management's establishment and execution of the risk management policies. These policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and market conditions.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. This credit exposure is mitigated through credit practices that limit transactions according to counterparties' credit quality. A substantial portion of the Company's trade and other receivables is with a small number of joint venture partners in the oil and natural gas industry and is subject to normal industry credit risk and resolution processes under the joint venture agreements. Laricina has historically not experienced any collection issues and joint venture receivables are typically collected within one month of the joint venture bill being issued.

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance, as a result no provision for doubtful accounts has been recorded at June 30, 2011 (no amount recorded at December 31, 2010).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was:

		June 30 2011		December 31 2010
Cash and cash equivalents	**$**	**640,184**	$	375,426
Trade and other receivables		**5,444**		17,030
	$	**645,628**	$	392,456

The maximum exposure to credit risk for trade and other receivables by type of customer was:

		June 30 2011		December 31 2010
Joint venture partners	**$**	**1,396**	$	9,571
Other		**4,048**		7,459
	$	**5,444**	$	17,030

The Company's most significant receivable with a single joint venture partner, was for $1.4 million at June 30, 2011 ($9.6 million at December 31, 2010).

The Company's trade and other receivables were aged based on invoice date as follows:

		June 30 2011		December 31 2010
Current (less than 30 days)	**$**	**5,444**	$	17,030
Past due (more than 30 days)		**-**		-
	$	**5,444**	$	17,030

17. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages liquidity risk through the management of its capital structure and timing of discretionary expenditures to ensure it will meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation. Laricina prepares annual capital and operating expenditure budgets that are monitored on a regular basis and updated as necessary.

As at June 30, 2011, cash was held in a fully-liquid, interest-bearing operating account and Laricina had $15.0 million available in the bank credit facility to manage its expenditures, if necessary. Trade and Other Payables are expected to be paid within one month.

Market Risk

Market risk is the risk that the value of financial instruments or future cash flows will fluctuate due to movements in market prices, such as commodity prices. Oil prices, natural gas prices and heavy oil differentials fluctuate significantly in response to regional, national and global supply and demand factors beyond the control of Laricina. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Prices for oil are determined in global markets and generally denominated in US dollars. The exchange rate effect can not be quantified but generally an increase in the Canadian dollar as compared to the US dollar reduces the price received for oil.

Capital Management

The Company's objectives when managing capital are to safeguard the ability to pursue the acquisition, exploration, development and production of oil sands resources and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

Laricina's capital structure includes the components of shareholders' equity, bank debt and working capital. The Company does not have material operations and the primary assets consist of oil sands properties for development. Accordingly, the Company may adjust capital spending, issue new shares, acquire or dispose of assets, enter into joint venture arrangements or issue new debt to manage the capital structure.

The Company's capital management objectives remained unchanged during the period ended June 30, 2011. Laricina is not subject to externally imposed capital restrictions; however the credit facility referred to in note 11 is secured by a deposit of cash equal to the amount of the credit facility.

18. Subsequent Event

Subsequent to June 30, 2011, the Government of Alberta announced the Company was selected to receive funding of up to $10.0 million (gross) under the Innovative Energy Technologies Program for the Saleski Grosmont SAGD project. This funding is to be used in future Saleski projects.

19. Reconciliation from Canadian GAAP to IFRS

Condensed Consolidated Statements of Financial Position at the end of the last reporting year under Canadian GAAP – June 30, 2010

(thousands of dollars)	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash and cash equivalents		$ 100,304	$ -	$ 100,304
Trade and other receivables		4,170	-	4,170
Prepaid expenses and deposits		390	-	390
		104,864	-	104,864
Non-current assets				
Abandonment deposits		359	-	359
Other long-term assets		244	-	244
Exploration and evaluation assets	*a*	-	365,377	365,377
Property, plant and equipment	*a*	395,564	(365,655)	29,909
		396,167	(278)	395,889
Total assets		$ 501,031	$ (278)	$ 500,753
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables		$ 12,062	$ (104)	$ 11,958
Non-current liabilities				
Site restoration provision	*b*	3,230	888	4,118
Deferred revenue		11	-	11
Deferred tax	*f*	20,137	(658)	19,479
		23,378	230	23,608
Total liabilities		35,440	126	35,566
Shareholders' equity				
Share capital	*e*	445,818	2,891	448,709
Contributed surplus	*c*	18,850	1,253	20,103
Retained earnings (deficit)		923	(4,548)	(3,625)
Total shareholders' equity		465,591	(404)	465,187
Total liabilities and shareholders' equity		$ 501,031	$ (278)	$ 500,753

19. Reconciliation from Canadian GAAP to IFRS (continued)

Statement of Consolidated Financial Position at the end of the last reporting year under Canadian GAAP – December 31, 2010

(thousands of dollars)	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		$ 375,426	$ -	$ 375,426
Trade and other receivables		17,030	-	17,030
Prepaid expenses and deposits		449	-	449
Inventory		254	-	254
		393,159	-	393,159
Non-current assets				
Abandonment deposits		507	-	507
Other long-term assets		551	-	551
Exploration and evaluation assets	*a*	-	425,806	425,806
Property, plant and equipment	*a, d*	457,787	(427,082)	30,705
		458,845	(1,276)	457,569
Total assets		$ 852,004	$ (1,276)	$ 850,728
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables		$ 29,229	$ 2,179	$ 31,408
Non-current liabilities				
Site restoration provision	*b*	3,695	1,052	4,747
Deferred revenue		-	-	-
Deferred tax		18,170	(1,393)	16,777
		21,865	(341)	21,524
Total liabilities		51,094	1,838	52,932
Shareholders' equity				
Share capital	*e*	779,544	654	780,198
Contributed surplus	*c*	20,472	1,299	21,771
Retained earnings (deficit)		894	(5,067)	(4,173)
Total equity		800,910	(3,114)	797,796
Total liabilities and shareholders' equity		$ 852,004	$ (1,276)	$ 850,728

Reconciliation of Condensed Consolidated Statements of Comprehensive Loss for the six month period ended June 30, 2010

(thousands of dollars)	Note		Canadian GAAP		Effect of transition to IFRS		IFRS
Expenses							
General and administrative	*c*	$	3,917	$	(25)	$	3,892
Amortization			260		-		260
Results from operating activities			4,177		(25)		4,152
Finance income			225		-		225
Finance expenses	*b*		-		(60)		(60)
Net finance income			225		(60)		165
Loss before income tax			(3,952)		(35)		(3,987)
Deferred income tax recovery	*f*		(636)		(15)		(651)
Total comprehensive loss		$	(3,316)	$	(20)	$	(3,336)

Reconciliation of Condensed Consolidated Statements of Comprehensive Loss for the three month period ended June 30, 2010

(thousands of dollars)	Note		Canadian GAAP		Effect of transition to IFRS		IFRS
Expenses							
General and administrative	*c*	$	2,034	$	2	$	2,036
Amortization			141		-		141
Results from operating activities			2,175		2		2,177
Finance income			118		-		118
Finance expenses	*b*		-		(30)		(30)
Net finance income			118		(30)		88
Loss before income tax			(2,057)		(32)		(2,089)
Deferred income tax recovery	*f*		(326)		(7)		(333)
Total comprehensive loss		$	(1,731)	$	(25)	$	(1,756)

19. Reconciliation from Canadian GAAP to IFRS (continued)

Notes to the reconciliation from Canadian GAAP to IFRS:

(a) IFRS 1 election for full cost oil and gas entities

The Company elected an IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS as follows:

i. Exploration and evaluation assets were reclassified from the full cost pool to exploration and evaluation assets at the amount previously recorded under Canadian GAAP.
ii. No amounts were allocated to the development and producing assets as technical feasibility and commercial viability has not been established at the date of transition.

(b) Site restoration provision

Under Canadian GAAP asset retirement obligations were discounted at a credit adjusted risk-free rate of between 4.5 and 5.1 percent. Under IFRS the estimated cash flows for site restoration has been risk adjusted therefore the provision is discounted at a risk-free rate and reevaluated at each reporting period. Upon transition to IFRS this resulted in an increase in the site restoration provision with a corresponding decrease in retained earnings.

Under Canadian GAAP unwinding of the discount was capitalized as Laricina is a pre-operational company. Under IFRS, the unwinding of discount is included as a finance expense.

(c) Share-based payments

Under Canadian GAAP, the Company recognized an expense related to their share-based payments on a straight-line basis through the date of vesting and accounted for forfeitures as they occurred. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

(d) Amortization

When significant components of E&E or property, plant and equipment, have different useful lives they are accounted for and amortized as separate items. Certain assets became available for use during 2010 and were subject to amortization.

(e) Flow-through shares

Under Canadian GAAP, the Company recorded flow-through shares at the amount received on issuance. Under IFRS, the Company is required to record the flow-through shares at the value of common shares and a liability associated with the premium received for sale of tax pools to the investor.

(f) *Deferred income tax liability and deferred income tax recovery*

Deferred income tax liability and deferred income tax recovery was calculated based on the adjustments previously mentioned.

Material adjustments to the condensed consolidated statements of cash flows during 2010

There are no material differences between the statements of cash flows presented under IFRS and the statements of cash flows presented under previous Canadian GAAP.

Corporate Information

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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

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Glen C. Schmidt
President and CEO, Laricina Energy Ltd.

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[2] Audit Committee
[3] Governance & Human Resources Committee
[4] Technical Committee
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