LARICINA
ENERGY LTD.

2015 Second Quarter Interim Report

Laricina continued to focus on cost control and its restructuring process during the second quarter of 2015. Production during the second quarter averaged 695 gross barrels of bitumen per day reflecting operations from the Saleski pilot. As previously announced and part of our focus on cost control, the Germain commercial demonstration project (CDP) was suspended at the end of the first quarter.

Pursuant to the initial order granted for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the CCAA) from the Court of Queen's Bench of Alberta (the Court) effective March 26, 2015, a further order staying creditor proceedings until and including December 11, 2015 was granted on August 5, 2015.

During the quarter we negotiated the terms of a settlement transaction (the Settlement Transaction) with CPPIB Credit Investments Inc. (CPP Credit), the sole holder of our outstanding senior secured notes (the Notes), and on July 20, 2015, Laricina and CPP Credit entered into a formal binding settlement agreement (the Settlement Agreement), details of which have been conveyed in Laricina's information releases available on its web site. On August 5, 2015 Laricina received Court approval of the Settlement Transaction set forth in the Settlement Agreement and related documents.

The marketing process (the Marketing Process) previously approved by the Court is ongoing and in conjunction with that Laricina intends to offer to existing shareholders the pre-emptive opportunity to subscribe for common shares of the Company on a pro rata basis at $0.12 per common share (the Offering). Dependent upon the outcome of the Marketing Process, Laricina will determine the size of the Offering such that if all shareholders subscribed for equity, the proceeds would be sufficient to repay substantially all of Laricina's remaining indebtedness to CPP Credit.

Second Quarter 2015 Highlights

Corporate:

- Entered into a term sheet with regards to a Settlement Transaction with CPP Credit, and subsequent to the quarter the Settlement Agreement; and
- Received Court approval for a claims process, the Settlement Transaction, the Settlement Agreement and for further extension of protection under the CCAA until December 11, 2015.

At Saleski:

- Commenced production cycle in 1C-s and 2C wells in the Grosmont C zone;
- 1D well continues production cycle for more than 875 days with minimal steam injection;
- 3D well returned to production cycle after short steam injection cycle in anticipation of acquiring 4-D seismic which was completed early in the second quarter and then subsequently shut-in; and
- Completed wind down and documentation work on Saleski Phase 1 after achieving 80 percent overall engineering and design.

At Germain:

- Documented project learnings from the Germain CDP and refined models to support future project restart.

Corporate

The Settlement Agreement establishes the basis for the substantial repayment of the Notes through a combination of: proceeds from any transactions through the Marketing Process; proceeds of the Offering; and, if required, Notes conversion to common shares by the Noteholder (the Note Conversion). The Settlement Transaction provides a balanced, fair and reasonable structure and path for resolution of Laricina's financial difficulties and settles the dispute between Laricina and CPP Credit who will waive all prior defaults and events of default under the Indenture and release the Company for its claim to the acceleration payment and withdraw its application to place Laricina in receivership.

The Settlement Agreement provides important flexibility for Laricina and contains a "go shop" provision and a fiduciary out, enabling the Company to seek other transactions through the Marketing Process. Transactions may include the sale of Laricina's assets or the Company in its entirety, which transaction or transactions collectively contemplate that the Notes will be repaid in full in cash no later than January 5, 2016. The Offering allows shareholders to participate in the restructuring of the Company and to protect their pro rata equity interests and participate in any upside associated with Laricina's assets. The Note Conversion backstops the Offering.

Details of the Offering are expected to be communicated to shareholders by August 31, 2015.

Saleski Pilot

Activity at the Saleski pilot continued throughout the quarter with a focus on simultaneous production of the C wells ("block" production after "block" steaming the wells) while testing the viability of electric submersible pumps (ESPs) to improve artificial lift performance in cyclic operations, and completing the last 3D well production cycle after acquiring 4-D seismic.

In the Grosmont C, both the 1C-s and 2C wells have been in a production cycle since the beginning of the quarter. Communication between the two wells has been demonstrated by both well performance and 4-D seismic which highlights the excellent reservoir connectivity. The combined results from both C wells are slightly better than predicted and repeat the previous cycle performance demonstrating the

predictability of the reservoir and reaffirms Laricina's view of the commercial potential of the C wells under block steaming. The 2C well is approaching 30 percent recovery with no signs of diminishing recovery cycle over cycle.

The ESP test in 1C-s and 2C wells has demonstrated that the technology is robust enough for cyclic operations. The ability to steam past the ESP at high temperatures and the pumps superior operating range will result in higher production per cycle than has been achieved previously with progressive cavity pumps. This technology opens up the opportunity to consider multi-lateral C wells to reduce future development costs.

In the Grosmont D, the 1D well continues to produce at about 100 gross barrels of bitumen per day with no decline, benefitting from heat from the underlying C zone. The 1D well has produced for more than 875 days without a significant injection of steam, resulting in a steam-to-oil ratio of 1.6 for that period. The 3D well has been shut-in since early June 2015 after the decision was made to forego repairs on damaged tubing in efforts to contain costs. Although we are encouraged by the benefit of heat from the lower C zone on the D zone performance, additional testing is part of the Saleski Phase 1 plan to further enhance the well and operating plans for the commercial development of the Grosmont D.

An additional round of 4-D seismic was acquired early in the second quarter within budget and providing excellent quality of data. Processing and interpretation continued throughout the quarter.

In late July, notice was provided to our joint operations partner at the Saleski pilot as to the decision and timing to suspend operations on September 1, 2015. Although the C wells will not have reached the end of their production cycle, the predictable production decline trend being exhibited, coupled with our type curve model based on past cycle performance, provides a high level of confidence in our ability to forecast the end-cycle recovery factor, calendar day oil rate, and steam-to-oil ratio. The pilot has served its purpose to develop the basis for commercial development. Concurrent with the suspension further staff reductions will occur at that time. Similar to what we have done with the Germain CDP, our goal is to preserve the long-term value of the asset while managing our financial position.

Saleski Phase 1

During the quarter, the close-out work with our engineering, procurement and construction (EPC) contractor to preserve our engineering documentation was completed. The contract with the EPC company remains in place to re-start the project when funding is available. The two once-through steam generators have been properly preserved and stored to assure integrity of this critical long-lead equipment. Work continues to refine and enhance the project from the continued learnings being obtained from the Saleski pilot.

Germain

At Germain we continue to document project learnings from the Germain CDP, including refining our models to match performance to date and developing strategies for when the project is restarted. We are monitoring reservoir temperature and pressure, with both continuing to decline as expected following suspension in March 2015. Pressures have equalized with the regional aquifers and temperatures have declined to below 60 degrees Celsius.

Outlook

Approval of the Settlement Agreement is a significant step in our ongoing efforts to restructure our balance sheet and provides a longer-term solution that allows the Company to implement its strategy to preserve liquidity and the value of our assets, while allowing shareholders to participate in Laricina's future growth.

Laricina's business going forward after the Saleski pilot suspension will essentially be to hibernate our assets with a small complement of employees and third-party consultants with a view to preserving the value of the assets until the capital markets become receptive to oil sands investment. Notwithstanding the uncertainty in the timing of capital market and commodity price recovery, the Company will continue to seek other funding sources or mergers and acquisitions to allow the value in the assets to be captured.

We continue to believe there is significant value in our assets and we are striving to preserve that for our stakeholders. The Settlement Transaction provides a backstop for the Offering and Marketing Process in this difficult environment of general market disinterest in oil sands.

For the third quarter we are focused on completing the Saleski pilot suspension safely and efficiently, inclusive of staff reductions upon completion of the suspension; executing on the Marketing Process; advancing the claims process; and readying for the Offering.

Laricina's team continues to diligently manage operations and the Company effectively under the CCAA and a challenging economic environment. I continue to extend my gratitude for their and the directors' ongoing effort and commitment.

(Signed) "Glen C. Schmidt"

Glen C. Schmidt
President and Chief Executive Officer
August 12, 2015

The foregoing message contains forward-looking statements. Readers are directed to the Management's Discussion and Analysis and the "Advisory" on page 22, which also applies to the forward-looking statements in this message.

Management's Discussion and Analysis

This 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 three and six months ended June 30, 2015 and June 30, 2014, and the audited consolidated financial statements and MD&A contained in the Company's annual report for the financial year ended December 31, 2014. The financial information contained in this MD&A is presented in thousands of Canadian dollars except as otherwise noted and derived from the condensed consolidated interim financial statements prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*.

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

Laricina is focused on the completion of a successful restructuring plan and obtaining financing to support the Company's activities and resume development of its oil sands properties. Two areas have been identified as core development areas: Saleski and Germain. The Company has a 60 percent working interest in Saleski and a 100 percent working interest in Germain. Bitumen production volumes and bitumen blend sales volumes are presented net to Laricina's working interest unless specifically identified as gross volumes.

Significant Events for the Second Quarter Ended June 30, 2015

Since the fourth quarter of 2014, the Company has not met the minimum average daily bitumen production volume covenant as set out in the indenture dated March 20, 2014 (the Indenture) governing the $150.0 million senior secured notes issued thereunder. This caused such notes and payment-in-kind (PIK) notes, also issued under that Indenture in lieu of cash interest payments (collectively the Notes), to become payable on demand, at the option of the sole lender (the Noteholder). This default and the Noteholder's resulting ability to demand payment required the Notes to be reclassified to current liabilities at December 31, 2014. The reclassification of the Notes to current liabilities then resulted in a default of the minimum working capital covenant set out in the Indenture, and such default is continuing. For the quarter ended June 30, 2015, the Company did not meet the capital and operating expenditure plan covenant related to capital spending.

On March 16, 2015, the Noteholder issued an acceleration notice and demand for payment of all the outstanding indebtedness under the Notes or otherwise, including interest and reasonable expenses owing to the Noteholder based upon the outstanding defaults. The Noteholder issued a notice of intention to enforce security against the assets of the Company with its demand for payment. The Noteholder also initiated an application with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the Court) seeking to put Laricina into receivership.

As a result of these actions, the Company and its wholly owned subsidiaries, Laricina GP Holding Ltd. And 1276158 Alberta Inc., applied to the Court in order to obtain protection under the *Companies' Creditors Arrangement Act* (Canada) (the CCAA). On March 30, 2015, the Company and its wholly owned subsidiaries were granted initial creditor protection effective March 26, 2015 (the Initial Order). Further protection staying creditor proceedings until and including December 11, 2015 was granted by the Court on August 5, 2015.

The CCAA is a Canadian insolvency statute which stays creditors and others from enforcing rights against an insolvent party, such as Laricina, and affords that party the opportunity to restructure its financial affairs. PricewaterhouseCoopers Inc. was appointed by the Court as the monitor (the Monitor) to provide oversight of the Company and is responsible for reviewing Laricina's ongoing operations, assisting the Company with the development and filing of a restructuring plan under the CCAA, liaising with creditors and other stakeholders and reporting to the Court.

On July 20, 2015, Laricina and the Noteholder entered into a formal binding settlement agreement (the Settlement Agreement) relating to the repayment of the outstanding indebtedness to the Noteholder. Pursuant to the Company's CCAA proceedings, the Court approved the Settlement Agreement on August 5, 2015.

The Settlement Agreement establishes the basis for the substantial repayment of the Notes through a combination of proceeds from any potential transactions resulting from the current marketing process (the Marketing Process) that was approved by the Court on July 22, 2015, proceeds of a pro rata equity private placement (the Offering) to Laricina's shareholders (described below) and, if required, Notes conversion to common shares by the Noteholder (the Note Conversion). The Offering and the Note Conversion will be conducted at the same price of $0.12 per common share. The Offering allows shareholders to participate in the restructuring of the Company and to protect their pro rata equity interests. The Note Conversion backstops the Offering.

The Settlement Agreement includes the terms of a settlement transaction (the Settlement Transaction) that outlines the substantial repayment of the Notes and reasonable expenses owing to the Noteholder. On July 24, 2015, under the terms of the Settlement Transaction and order of the Court, Laricina paid a second cash payment of $31.4 million to the Noteholder of firstly, accrued and unpaid interest, secondly, reasonable costs reimbursable to the Noteholder pursuant to the Indenture, and thirdly with the remainder applied as a partial repayment of principal outstanding under the Notes. Thereafter, the Settlement Transaction provides that the remaining outstanding principal amount be managed by:

- A further partial repayment of $8.7 million (subject to certain adjustments), on completion of the Settlement Transaction on or before November 30, 2015 (the Effective Date);
- A subsequent $3.4 million repayment (subject to certain adjustments) following completion of certain events. If these events are completed on or prior to the Effective Date, the payment will occur on the Effective Date;

- The Notes shall have $30.0 million remain outstanding (less 50 percent of net proceeds of certain anticipated receivables if they are received before the mailing date of the Offering subscription notice or 100 percent of net proceeds if received thereafter) and shall be governed by the First Supplemental Indenture as of the Effective Date. Future interest payable pursuant to the terms of the Notes and the Noteholder's reasonable costs and expenses reimbursable pursuant to the terms of the Indenture until December 31, 2015 shall be added to the principal amount of the Notes; and
- Any further remaining amount outstanding of Notes (including reasonable expenses owing) less the remaining 50 percent of net proceeds of certain anticipated receivables if they are received prior to the mailing date of the Offering subscription notice, less the aggregate proceeds of the Offering and any proceeds resulting from the Marketing Process will be converted into common shares of the Company at a price of $0.12 per common share.

The Noteholder may terminate the Settlement Transaction if the Effective Date has not occurred by November 30, 2015 or such later date to which the Company and Noteholder agree provided that date is no later than January 5, 2016.

Under the Settlement Agreement, if certain conditions are met at the Effective Date, the Noteholder will be deemed to have waived all defaults and events of default which occurred on or prior to the Effective Date and will release Company from its claim to the $9.7 million Acceleration Payment and withdraw its application to place Laricina in receivership.

In order to reduce the amount of Notes that would be converted under the Note Conversion to common shares and to allow shareholders to prevent dilution to them, the Company intends to proceed with the Offering to existing shareholders to subscribe for the Company's common shares on a pro rata basis at the same price as the Note Conversion of $0.12 per common share, such that if all the shareholders subscribed for equity, the proceeds would be sufficient to repay the remaining outstanding balance of the Notes.

The number of common shares that will be issued to the Noteholder pursuant to the Note Conversion will depend on: (i) whether any transaction is completed under the Marketing Process and the proceeds thereto and (ii) the total proceeds received pursuant to the Offering. If no transaction is completed or the Offering proceeds are minimal, the number of common shares of the Company that could be issued to the Noteholder under the Note Conversion would be highly dilutive to existing shareholders who do not participate in the Offering. Details in respect of the Offering are expected to be mailed to shareholders in August 2015.

Under the Settlement Agreement, Laricina has agreed that on the closing date of the Settlement Transaction, the Board will consist of five directors and the Noteholder will be entitled to nominate for inclusion on any slate of directors recommended by the Board to Shareholders: (a) three directors, so long as the Noteholder and its affiliates hold more than 50% of the outstanding Common Shares; (b) two directors, so long as the Noteholder and its affiliates hold at least 25% but not more than 50% of

the outstanding Common Shares; or (c) one director, so long as the Noteholder and its affiliates hold more than 10% but not more than 25% of the outstanding Common Shares. The Noteholder currently holds a contractual right to nominate one director to the Board however this position is vacant and this board nomination right will terminate on the closing date of the Settlement Transaction. Further, so long as any of the Notes are outstanding and the Noteholder does not have a representative on the Board, the Noteholder in its capacity as lender is entitled to a single observer to the Board and to the boards of Laricina's subsidiaries, and all committees thereof.

If the Settlement Transaction closes and the Noteholder holds a significant equity interest by virtue of the Note Conversion, the Board of Directors and management are likely to be changed at that time. In addition, the current officers of the Corporation may not continue on as officers upon the completion of the Settlement Transaction.

During the first quarter of 2015, the Company suspended operations at the Germain commercial demonstration project (CDP), deferred further development of Saleski Phase 1, and reduced field and head office employees and consulting services in an effort to reduce costs, safeguard its financial position and to protect the long-term value of its assets. In large part due to these measures, the Company did not meet the debt covenants mentioned above.

Quarterly Financial Information

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Total assets	**1,097,791**	1,478,016	**1,097,791**	1,478,016
Working capital (deficiency)	**(30,414)**	218,508	**(30,414)**	218,508
Cash capital expenditures (recovery)[(1)]	**(8,194)**	12,253	**(5,314)**	28,826
Bitumen blend sales revenue	**1,952**	6,630	**3,749**	10,269
Finance and other income	**4,744**	2,285	**7,116**	8,156
Net loss	**15,453**	27,339	**53,145**	50,277
Net loss per common share – basic and diluted	**0.22**	0.40	**0.76**	0.73

[(1)] Cash capital expenditures (recovery) include cash expenditures on exploration and evaluation (E&E) assets, property, plant and equipment (PP&E), and capitalized general and administrative expenses.

During the second quarter of 2015, the Company received approval from the Government of Alberta of its claim amount related to the Urban Development Sub-region (UDSR). However, the cash payment has not been received as of the date of this MD&A. The UDSR is a designated area of land surrounding Fort McMurray, Alberta created for future urban expansion. Oil sands leases within designated boundaries of the UDSR were cancelled to accommodate this development. Two of Laricina's properties were affected by the UDSR, which included 3,480 net acres at Conn Creek and 1,280 net acres at Poplar Creek. As a result of the claim approval, Laricina recorded a recovery of costs associated with the acquisition and appraisal of certain mineral leases at Conn Creek and Poplar Creek

of $7.7 million. This recovery was partially offset by capital expenditures in the first six months of 2015 related to the completion of 80 percent of the detailed engineering and design of Saleski Phase 1 and 1.1 square-km of 4-D seismic at the Saleski pilot.

During the first quarter of 2015, the Company announced that additional development of Saleski Phase 1 has been delayed to conserve capital.

The decrease in bitumen blend sales revenue for the three months and six months ended June 30, 2015, as compared to the same periods in 2014, is primarily the result of a decrease in the average realized sales price and the suspension of operations at the Germain CDP in the first quarter of 2015.

Finance income increased during the first half of 2015 as compared to the first half of 2014 as a result of accrued interest from the Government of Alberta related to the reimbursement of expenditures under the UDSR, with no comparable income during the six months ended June 30, 2014.

The decrease in net loss for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 is a result of a decrease in operating expenses due to the Germain CDP being suspended during the first quarter of 2015, and a decrease in general and administrative costs as a consequence of the reduction in employees and consulting services. These decreases were partially offset as a result of no deferred income tax recovery, increased finance expenses due to a higher interest rate on the Notes, and reorganization costs incurred under CCAA in 2015.

Net loss during the first six months of 2015 increased from the comparable period of 2014 as a result of no deferred income tax recovery, increased finance expenses due to realizing two full quarters of interest, as compared to one, and an increase in the interest rate associated with the Notes, reorganization costs incurred under the CCAA and a decrease in bitumen blend sales revenue and other income earned from third-party camp usage. These increases were partially offset by a decrease in operating expenses as a result of the Germain CDP being suspended during the first quarter of 2015, and a decrease in general and administrative costs due to the reduction in employees and consultants.

Results of Operations

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Bitumen blend sales revenue	**1,952**	6,880	**3,749**	10,657
Royalties	**(19)**	(250)	**(34)**	(388)
Net operating revenue[1]	**1,933**	6,630	**3,715**	10,269
Transportation and blending expenses	**1,309**	3,964	**2,779**	5,694
Operating expenses	**3,249**	17,549	**17,609**	37,261

[1] A non-IFRS measure as defined in the Non-IFRS Financial Measures section of this MD&A.

Bitumen blend sales revenue

Bitumen blend sales revenue during the first six months of 2015 resulted from ongoing operations at the Saleski pilot, and production from the Germain CDP in the first quarter of 2015. Operations at the Germain CDP were suspended in February 2015 in an effort to preserve financial flexibility and to protect the long-term value of the asset.

	Three Months Ended June 30		**Six Months Ended June 30**	
(barrels)	**2015**	2014	**2015**	2014
Saleski bitumen production volumes	**37,960**	31,994	**45,629**	64,873
Germain bitumen production volumes	**-**	36,355	**36,473**	48,138
Bitumen production volumes	**37,960**	68,349	**82,102**	113,011
Bitumen blend sales volumes	**43,610**	88,599	**110,577**	140,676

Bitumen production volumes of 37,960 barrels decreased from 68,349 barrels during the three months ended June 30, 2015 as compared to the three months ended June 30, 2014, primarily as a result of the suspension of operations at the Germain CDP during the first quarter of 2015, partially offset by an increase in production volumes at the Saleski pilot. The increase in production at the Saleski pilot during the second quarter was a result of block steaming the C zone during the first quarter. The pilot is experimental in nature, with alternating cycles of steam injection and bitumen production, and as a result bitumen production and bitumen blend sales are expected to fluctuate.

Bitumen production volumes decreased by 30,909 barrels during the first half of 2015 as compared to the first half of 2014 primarily as the result of the suspension of the Germain CDP during the first quarter of 2015. The remaining change was a result of a decrease in bitumen production at the Saleski pilot due to the timing of steam injection and bitumen production cycles.

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Average blend sales price (Cdn $/barrel) per barrel	**$ 44.77**	$ 77.66	**$ 33.91**	$ 75.75
West Texas Intermediate (WTI) (US $/barrel)	**$ 57.94**	$ 102.99	**$ 53.29**	$ 99.52
Western Canadian Select (Cdn $/barrel)	**$ 58.30**	$ 90.44	**$ 50.21**	$ 84.43

The decrease in net operating revenue of $4.7 million during the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 is primarily the result of the suspension of the Germain CDP in the first quarter, combined with a decrease in the average realized sales price per barrel of bitumen blend.

Net operating revenue of $3.7 million during the six months ended June 30, 2015 decreased from $10.3 million for the six months ended June 30, 2014 primarily as a result of decreases in bitumen production

volumes and average realized sales price per barrel of bitumen blend. The decrease in average realized sales price is a result of a decrease in the WTI benchmark, and a widening of the differentials between WTI and Laricina's average blend price, partially offset by a weakening of the Canadian dollar pricing relative to the US dollar.

Laricina's average blend sales price per barrel is net of terminal fees and other direct charges related to transportation.

Royalties

Crown royalties are paid by Laricina based on bitumen production from the Saleski pilot and the Germain CDP and based on applied royalty rates determined by the Government of Alberta. The decrease of $0.2 million in royalties for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 is primarily the result of decreases in the bitumen blend sales revenue due to the suspension of operations at the Germain CDP during the first quarter of 2015, combined with a decrease in applied royalty rates.

The decrease in royalties during the first six months of 2015 as compared to the first six months of 2014 is primarily a result of decreased bitumen blend sales revenue and a decrease in applied royalty rates.

Transportation and blending expenses

Transportation and blending expenses is comprised of the cost of transporting bitumen blend volumes to the sales terminals and the cost of diluent used in blending with the produced bitumen. The decrease in transportation and blending expenses of $2.7 million for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 is the result of decreases in bitumen production volumes, the price of diluent used in blending and the quantity of diluent required for blending purposes.

The decrease from $5.7 million in transportation and blending expenses in the first half of 2014 to $2.8 million in the first half of 2015 is primarily the result of decreases in bitumen production volumes, the price and quantity of diluent used in blending.

Operating expenses

Operating expenses for the Company consist of costs associated with operations at the Germain CDP and the Saleski pilot, as well as costs associated with the suspension of the Germain CDP and other operating expenses related to the use of Laricina's camps by third parties and maintenance of the Chip Lake access road.

The decrease in operating expenses for the three months and six months ended June 30, 2015 as compared to the three months and six months ended June 30, 2014 is primarily a result of the suspension of operations at the Germain CDP in the first quarter of 2015 and a decrease in variable costs associated with third-party use of Laricina's camps. During the second quarter of 2015, the Company received insurance proceeds of $2.0 million related to a loss associated with a third-party

natural gas pipeline break which interrupted the Germain CDP start-up during the fourth quarter of 2013.

Operating expenses are expected to decrease during the remainder of 2015 due to the suspension of operations at the Germain CDP and planned suspension of the Saleski pilot during the third quarter.

Corporate Results

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Other income	**1,579**	1,396	**3,406**	6,725
General and administrative expenses	**5,641**	9,578	**13,480**	18,519
Reorganization expenses	**4,030**	-	**6,573**	-
Depreciation and amortization	**2,780**	8,039	**12,688**	15,976
Finance income	**3,165**	889	**3,710**	1,431
Finance expenses	**5,121**	5,537	**10,754**	6,640
Net loss	**15,453**	27,339	**53,145**	50,277

Other income

Other income consists of fees charged to third parties for the use of Laricina's camp facilities and roads. Other income increased during the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 as a result of increased third-party road usage.

The decrease of $3.3 million during the six months ended June 30, 2015 as compared to the same period in 2014 is due to a decrease in third-party use of Laricina camps.

General and administrative expenses

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
General and administrative expenses, gross	**4,472**	8,593	**13,650**	16,490
Share-based payments (recovery)	**1,169**	2,031	**(1,167)**	4,892
Capitalized costs	**-**	(1,046)	**997**	(2,863)
General and administrative expenses, net	**5,641**	9,578	**13,480**	18,519

The decrease in gross general and administrative expenses of $4.1 million in the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 is primarily the result of reduction in employees and consulting services. During the first quarter of 2015, the Company discontinued the capitalization of general and administrative costs subsequent to the deferral of Saleski Phase 1 development.

Gross general and administrative expenses decreased from $16.5 million in the first half of 2014 to $13.7 million in the first half of 2015 primarily due to the suspension of performance based bonus programs late in 2014 and reductions in employees and consulting services, partially offset by employee severance of $2.0 million.

Subsequent to the quarter end, David Safari, Vice President Facilities announced his resignation effective August 14, 2015.

Laricina's share-based compensation consists of costs associated with stock options and performance share units (PSUs) granted to directors, officers, employees of, and providers of services to the Company. The Company applies the fair value method for stock options and PSUs. Share-based compensation costs are recognized over the vesting period of the award based on the estimated fair value of the stock options or PSUs on the grant date using the Black-Scholes pricing model.

Share-based payments for the three months ended June 30, 2015 decreased as compared to the same period in 2014 as a result of reductions in employees.

The decrease of $6.1 million in share-based payments during the six months ended June 30, 2015 as compared to the six months ended June 30, 2014, was due to forfeitures associated with employee reductions and resignations. As a result of the forfeitures during the first half of 2015, previously capitalized share-based payments were reversed.

During the first six months of 2015, various measures were taken by Laricina to further reduce its costs, including the reduction of employees and external consultants. Employee salary increases and performance bonus programs have been suspended for 2015 and the Company has eliminated the majority of discretionary spending. The Court order under the CCAA on April 22, 2015 approved the use of a key employee retention plan (KERP) for certain remaining employees. The KERP provides $2.3 million of retention payments to certain employees at the earlier of involuntary termination or December 31, 2015. At June 30, 2015, the Company has accrued approximately $0.5 million for the KERP.

Reorganization expenses

All expenses that have resulted from reorganization activities related to the CCAA filing are reported separately from ongoing operations of the business as reorganization items. The reorganization expenses of $6.6 million during the six months ended June 30, 2015 consist of legal fees, monitoring costs, and other professional advisory fees associated with the CCAA proceedings and restructuring plans.

Depreciation and amortization

Depreciation and amortization decreased during the three and six months ended June 30, 2015 as compared to the same periods in 2014, primarily as a result of ceasing depreciation of the Germain CDP due to the suspension of operations at the Germain CDP in the first quarter of 2015. During the first quarter of 2015, the Company ceased the recapitalization of depreciation of certain components at the Germain CDP as the recoverable amount of the Germain CDP approximates its carrying value.

Finance income

Finance income consists of interest earned on cash, cash equivalents and short-term investments. In the first six months of 2015, finance income also includes interest accrued of $2.8 million on reimbursement of expenditures related to the UDSR claims. The increase in finance income for the three and six months ended June 30, 2015 as compared to the three and six months ended June 30, 2014 is a result of the interest earned on the UDSR claims.

Finance expenses

Finance expenses consist of interest on the Notes and accretion of the site restoration provision. The decrease in finance expense of $0.4 million for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014 is a result of a reduction in the principal amount of Notes outstanding and no amortization on the debt issue costs associated with the senior secured notes, partially offset by an increase in the interest rate. The Company continues to pay interest under the CCAA.

The increase in finance expenses for the six months ended June 30, 2015 as compared to the same period for June 30, 2014 is primarily the result of two full quarters of interest and the 200 basis point increase in interest rates effective January 1, 2015, partially offset by no amortization on the debt issue costs in the six months ended June 30, 2015. In the six months ended June 30, 2014, finance expenses consisted of amortization of the debt issue costs associated with the senior secured notes, interest recognized on the Notes, and accretion for the site restoration provision.

Income taxes

Due to the material uncertainty associated with the probability of generating future taxable profits, the Company recorded a deferred income tax recovery of nil for the three and six month periods ended June 30, 2015, as compared to $8.5 million and $15.5 million for the corresponding periods in 2014.

Effective July 1, 2015, the Government of Alberta enacted an increase in the Alberta corporate income tax rate from 10 percent to 12 percent.

Net loss

Net loss decreased by $11.9 million for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. The decrease is primarily the result of reduced operating expenses due to the suspension of the Germain CDP in the first quarter of 2015 and a decrease in general and administrative costs as a result of the reduction in employees and consulting services. These decreases

are partially offset by the differences in deferred income tax recovery, increased finance expenses associated with the Notes and reorganization costs associated with the CCAA.

Laricina recorded a net loss of $53.1 million for the first six months of 2015 as compared to a loss of $50.3 million for the same period of 2014. The increase is primarily the result of differences in the deferred income tax recovery, increased finance expenses associated with the Notes, reorganization costs associated with the CCAA and decreases in bitumen blend sales revenue and other income. These increases were partially offset by a decrease in operating expenses as a result of reduced third-party camp usage, suspension of the Germain CDP in the first quarter of 2015, a $2.0 million receipt of insurance proceeds, and $2.8 million of accrued interest recorded on the UDSR claims.

Capital Investment

Capital investment includes costs related to exploration and evaluation (E&E) assets, property, plant and equipment (PP&E), capitalized general and administrative expenses, and non-cash expenditures.

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	2014	**2015**	2014
Exploration and evaluation assets:				
Saleski	**(505)**	7,722	**1,996**	13,569
Germain	**-**	3,069	**-**	12,111
Other	**(7,718)**	256	**(7,889)**	336
Cash expenditures on E&E	**(8,223)**	11,047	**(5,893)**	26,016
Cash expenditures on PP&E	**29**	442	**88**	634
Cash expenditures on capitalized general and administrative expenses	**-**	764	**491**	2,176
Total cash capital expenditures	**(8,194)**	12,253	**(5,314)**	28,826
Non-cash capital expenditures(1)	**(2,443)**	3,239	**(1,314)**	8,149
Total capital expenditures	**(10,637)**	15,492	**(6,628)**	36,975

(1) Non-cash expenditures include non-cash capitalized general and administrative expenses and changes in provisions for site restoration.

Saleski

In the second quarter of 2015, the Canada Revenue Agency approved the majority of the 2010 and 2011 Scientific Research and Experimental Development (SR&ED) tax claims and, as a result, the Company recognized as a reduction to E&E balance the refundable portion of the Alberta tax credit of $0.6 million out of the total $0.8 million associated with these claims. Remaining capital expenditures for the six months ended June 30, 2015, primarily consisted of the completion of 80 percent of the detailed engineering and design for Saleski Phase 1. Further development of Saleski Phase 1 has been deferred since the first quarter while the Company conserves capital. During the first six months of 2014, capital expenditures for Saleski consisted of the continued advancement of engineering, site preparation and purchase of long-lead equipment for Saleski Phase 1, and drilling an additional D-zone well at the Saleski pilot.

Laricina's exploration expenditures at Saleski during the first half of 2015 consisted of the acquisition of 1.1 square-km of 4-D seismic at the Saleski pilot. Exploration expenditures during the comparable period of 2014 also included the acquisition of 1.1 square-km of 4-D seismic at the Saleski pilot.

Germain

Operations at the Germain CDP were suspended during the first quarter of 2015 and, as a result, there were no capital expenditures at Germain during the first six months of 2015. Capital expenditures during the first half of 2014 consisted of the continued conversion of well-pairs to production and construction of a solvent recovery unit at the Germain CDP.

In the first six months of 2014, Laricina's exploration activities at Germain included the acquisition of 1.6 square-km of 4-D seismic and drilling of one exploration well. There were no exploration activities in the first and second quarters of 2015.

Other

During the second quarter of 2015, the Company received notice from the Government of Alberta approving its $7.7 million claim for the cancellation of certain of Laricina's Conn Creek and Poplar Creek leases as part of the UDSR. The claim reimburses Laricina for expenditures previously incurred for acquisition and appraisal of these properties.

In the first six months of 2014, other E&E capital expenditures consisted of work done for the continued planning and maintenance of Laricina's oil sands leases.

Property, plant and equipment

Property, plant and equipment additions during the first six months of 2015 and 2014 were for corporate assets related to information technology.

Cash expenditures on capitalized general and administrative expenses

Capitalized general and administrative costs consist of expenses directly related to project exploration and development activities. During the first quarter of 2015, the Company discontinued the capitalization of general and administrative costs subsequent to the deferral of Saleski Phase 1 development.

Non-cash capital expenditures

Non-cash capital expenditures for the first half of 2015 consisted primarily of the change in rate associated with the provision for future site restoration and the recovery of previously capitalized non-cash share-based payments as compared to the first half of 2014 which consisted primarily of the change in rate associated with the provision for the future site restoration and the capitalization of non-cash share-based payments.

Intangible assets

The Company records intangible assets for the recapitalization of depreciation of certain components of E&E assets. The components consist of items that directly relate to Laricina's understanding of the reservoir and assist in the future assignment of proved reserves. The recapitalization of depreciation of certain components ceased on January 1, 2015 as the recoverable amount of the Germain cash generating unit approximates its carrying value. During the six month period ended June 30, 2015, $4.2 million was recapitalized for certain components of the Saleski pilot. For the six month period ended June 30, 2014, $11.6 million was recapitalized for certain components of the Saleski pilot and the Germain CDP.

Selected quarterly information

(thousands of dollars, except per share amounts)	**Q2 2015**	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Working capital (deficiency)	**(30,414)**	(27,370)	3,899	192,657	218,508	252,215	143,255	182,720
Cash capital expenditures (recovery)	**(8,194)**	2,880	7,824	9,143	12,253	16,573	28,713	29,750
Bitumen blend sales	**1,952**	1,797	5,702	7,713	6,880	3,777	1,235	3,371
Finance income	**3,165**	545	746	758	889	542	671	805
Other income	**1,579**	1,827	4,124	3,110	1,396	5,329	3,597	1,191
Net loss	**15,453**	37,692	284,353	25,236	27,339	22,938	12,267	10,240
Net loss per common share - basic and diluted	**$ 0.22**	$ 0.54	$ 4.08	$ 0.36	$ 0.40	$ 0.34	$ 0.18	$ 0.15

During the first quarter of 2015, the Company applied for protection under the CCAA, and as a result a portion of the liabilities were classified as subject to compromise and are disclosed in note 1 to the condensed consolidated interim financial statements. The Company failed to meet the minimum average daily bitumen production volume covenant during the fourth quarter of 2014 and in all subsequent quarters. As a result of the production covenant defaults, the Notes and acceleration payments are classified as current liabilities. The increase in working capital in the first quarter of 2014 is a result of the issuance of senior secured notes and warrants for net proceeds totaling $143.9 million.

The capital recovery during the second quarter of 2015 is due to the approval of a claim from the Government of Alberta for the reimbursement of costs that were incurred in two areas that were affected by the UDSR and the refundable portion of the 2010 and 2011 Alberta SR&ED claims that were recorded. Prior to the deferral of Saleski Phase 1, capital expenditures throughout 2014 and the first quarter of 2015 primarily consisted of the detailed engineering and design of the 10,700 barrels per day Phase 1. Throughout 2014, capital expenditures at Germain were primarily for the fabrication, construction and commissioning of the Germain CDP.

Bitumen blend sales revenue declined during the second quarter of 2015 compared to previous periods as a result of the suspension of operations at the Germain CDP during the first quarter of 2015. Bitumen blend sales revenue began to decline in the fourth quarter of 2014 as the result of a decline in the average realized sale price per barrel of bitumen blend. The increase in the first quarter of 2014 of

bitumen blend sales revenue was a result of the initial bitumen blend sales from the Germain CDP. As a result of the experimental nature of the Saleski pilot and the alternating cycles of steam injection and bitumen production, bitumen blend sales are expected to fluctuate.

Finance income increased during the second quarter of 2015 as a result of interest accrued on the UDSR claims. Decreases in finance income since the third quarter of 2014 are the result of decreases in the average funds on deposit.

Other income consists of fees charged to third parties for the use of Laricina's camp facilities and roads. Fluctuations in other income are a result of the variation in third-party use of Laricina's camps and road.

Net loss decreased during the second quarter of 2015 as compared to previous quarters primarily as a result of reduced operating expenses due to the suspension of the Germain CDP and decreased general and administrative costs as a result of the reduction in employees and consulting services. Since the first quarter of 2015, no deferred income tax recoveries have been recognized, additional costs have been incurred related to reorganization activities and interest expense has increased due to the 200 basis points increase associated with the Notes, which offset the decrease in the second quarter of 2015, and led to the increase in net loss during the first quarter of 2015, as compared to the first three quarters of 2014. During the fourth quarter of 2014, the Company recorded a loss on impairment of $195.2 million in relation to the Germain cash generating unit (CGU), Burnt Lakes CGU and other long term assets. Increased net loss throughout 2014 was the result of operating expenses and depreciation associated with the Germain CDP.

Liquidity and Financial Resources

As at June 30, 2015, Laricina had a capital resource deficiency of $30.4 million.

Cash, cash equivalents and short-term investments	105,221
Non-cash working capital	(135,635)
Capital resources deficiency	**(30,414)**

The condensed consolidated interim financial statements are prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the period ended June 30, 2015, the Company reported a net loss of $53.1 million. Since December 31, 2014, the Company has not met the minimum average daily bitumen production volume covenant for the respective quarters as required in the Indenture for the senior secured notes. As a result, the Notes were reclassified to current liabilities. This reclassification subsequently caused the Company to breach the minimum working capital covenant in each of the corresponding quarters. Effective January 1, 2015, the Notes bear interest at 13.5 percent per annum and the Company has been restricted from issuing PIK notes in lieu of payment of cash interest.

However, as a result of the Settlement Agreement the Company is able to resume issuing PIK notes as of July 23, 2015.

On March 30, 2015, the Company announced that it was granted initial creditor protection under the CCAA effective March 26, 2015 following the demand for payment in full from the Noteholder. As a result of the Company being granted creditor protection under the CCAA, a portion of the liabilities were reclassified as subject to compromise. On July 20, 2015, Laricina and the Noteholder entered into the Settlement Agreement described above. On July 22, 2015, the Court approved Laricina's proposed Marketing Process, a second cash repayment to the Noteholder of $31.4 million, and a claims process to deal with unsecured creditors. The Court approved the Settlement Agreement on August 5, 2015 and also further extended the stay of creditor proceedings under the CCAA until and including December 11, 2015.

The above factors result in a material uncertainty which casts significant doubt upon the Company's ability to continue as a going concern.

Since January 1, 2015, in an effort to reduce its costs, the Company has suspended operations at the Germain CDP, deferred further development of Saleski Phase 1, and reduced the number of field and head office employees and external consultants. In late July 2015, notice was provided to the Company's joint operations partner at the Saleski pilot as to the decision and timing to suspend operations on September 1, 2015.

Cash, cash equivalents and short-term investments

The Company's cash is held in a business operating account with a major Canadian bank bearing interest up to the bank's prime rate minus 1.9 percent. In addition, the Company holds excess cash in high-interest savings accounts and guaranteed investment certificates with interest rates ranging from 0.7 percent to 1.3 percent.

Senior secured notes and payment-in-kind notes

On March 20, 2014, Laricina issued $150.0 million of senior secured notes which mature on March 20, 2018 and bear interest at 13.5 percent payable quarterly. The Notes are subject to certain financial and operational covenants which are described in note 6 of the accompanying notes to the financial statements as at and for the six months ended June 30, 2015. On the Effective Date of the Settlement Transaction, the First Supplemental Indenture will take effect thereby amending the current financial and operational covenants.

Credit facility

As at June 30, 2015, Laricina had a demand credit facility of $15.0 million with a major Canadian bank which has been extended to October 31, 2015. The credit facility is intended for general corporate purposes, including the exploration, development and acquisition of oil sands properties. At the date of this report, the Company had letters of credit totalling $6.8 million under this credit facility and no cash amount has been drawn.

The Company's letters of credit are to suppliers of utilities to support development at Saleski and the development and restart of Germain. If project development is cancelled, the Company will be required to reimburse up to $6.8 million of the suppliers' costs. The letters of credit of $5.7 million, $0.5 million, $0.3 million and $0.3 million are expected to be renewed on July 31, 2016, August 31, 2015, December 5, 2015 and January 16, 2016 respectively.

When the initial notes were issued on March 20, 2014, Laricina entered into an inter-creditor agreement where an event of default on the Notes constituted a cross default on the Company's demand credit facility. As of the date of this MD&A, the Company is in default on the demand credit facility. The demand credit facility continues to be available for use by the Company and is secured by an equivalent cash deposit.

Subsequent to June 30, 2015 the Company reduced the balance of the credit facility to $10.0 million and $5.0 million of the cash collateral securing the facility was released.

Contractual obligations

At August 12, 2015, the Company had the following cash-settled contractual obligations:

	2015	2016	2017	2018	2019	Thereafter	Total
Interest payments on Notes (1)	5,622	4,050	4.050	1,223	-	-	14,945
Repayment of Notes (2) (3)	93,480	-	-	30,000	-	-	123,480
Operating leases	823	569	233	21	-	-	1,646
Other contractual obligations	2,456	7,172	2,515	2,937	2,865	13,989	31,934
Total contractual obligations	**102,381**	**11,791**	**6,798**	**34,181**	**2,865**	**13,989**	**172,005**

(1) At the Company's option, the interest may be paid in cash or by way of further PIK notes.
(2) The Company is obligated to reimburse the reasonable expenses of the Noteholder and these amounts will be added to the repayment of Notes in 2015.
(3) The Notes repayment in 2018 may be lower than $30 million if the net proceeds of certain anticipated receivables are applied.

Other contractual obligations include a rig contract, electricity purchases, natural gas purchases, KERP, costs associated with the camps and other obligations.

2015 Outlook

At June 30, 2015, the Company has cash, cash equivalents and short-term investments of $105.2 million which is sufficient liquidity for the extended stay period until and including December 11, 2015. It is expected that the Company's operations will continue uninterrupted in the ordinary course and obligations to employees and suppliers of goods and services that are not otherwise stayed under the

Initial Order will continue to be met on an ongoing basis, subject to the oversight of the Monitor. In late July 2015 notice was provided to the joint operations partner at the Saleski pilot as to the decision and timing to suspend operations on September 1, 2015.

Following the suspension of the Saleski pilot, the Company will be reducing staffing levels to allow Laricina to minimize costs and preserve the long-term value of its assets.

As part of the Settlement Transaction, the Company is undertaking the Marketing Process and seeking alternative transactions to raise sufficient funds to repay the outstanding Notes.

Outstanding Share Data

At August 12, 2015, share capital consisted of the following:

(thousands of shares)	
Common shares	69,738
Stock options	1,085
Performance share units	1,270
Warrants	3,750
Total	**75,843**

Each stock option, performance share unit, and warrant requires the Company, upon exercise and payment of the consideration, to issue one common share.

Non-IFRS Financial Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other entities.

Net operating revenue is a non-IFRS measure which the Company uses to analyze the net amount received from bitumen blend sales after the payment of Crown royalties. Net operating revenue is calculated as bitumen blend sales less royalties.

Critical Accounting Estimates, Judgments and Policies

A discussion of the Company's significant accounting estimates, judgments and accounting policies are described in note 3 and note 4, respectively, of the Company's audited consolidated financial statements as at and for the year ended December 31, 2014. The Company has consistently applied these same accounting policies throughout all periods presented.

Risk Management

The risk factors influencing the Company remain substantially unchanged, except for those noted below, from those detailed in the Risk Management section of the MD&A included in the Company's annual report for 2014.

On June 26, 2015, it was announced that the Government of Alberta will be reviewing the current royalty structure. There is no assurance that the current royalty structure will not change in a way that may have an adverse effect for Laricina in the future. Changes are expected to be announced by the end of year.

On June 29, 2015, the province of Alberta increased the Alberta corporate income tax rate from 10 percent to 12 percent effective July 1, 2015. The impact of this measure will depend on the Company's future profitability.

Advisory on Forward-Looking Statements

This MD&A and interim report contains certain forward-looking statements relating to, without limitation, the Company's business and its intentions, plans, expectations, anticipated financial performance or condition, the potential results of the Settlement Transaction, Settlement Agreement, Marketing Process, Offering and other restructuring process and enhancement of shareholder value. Forward-looking statements may include, but are not limited to, statements concerning estimates of contingent, prospective and recoverable resources; probable and possible reserves; 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", "potential" or other similar words suggesting future outcomes and statements that actions, events or conditions "may", "would", "could", "should" or "will" be taken or occur in the future. The reader is cautioned not to place undue reliance on any forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, 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 August 12, 2015, 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 MD&A and interim report include those outlined in the Risk Management section of this MD&A and 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 in this MD&A and interim report, 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, what benefit Laricina will derive. 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 in this MD&A and interim report are expressly qualified by this advisory and disclaimer.

Condensed Consolidated Statements of Financial Position

Unaudited

As at *(thousands of Canadian dollars)*	Note	**June 30 2015**	December 31 2014
Assets			
Current assets			
Cash and cash equivalents	7	**100,171**	128,902
Short-term investments		**5,050**	51,000
Trade and other receivables		**20,159**	8,299
Prepaid expenses and deposits	4	**3,843**	1,127
Inventories		**4,587**	5,300
		133,810	194,628
Non-current assets			
Exploration and evaluation assets	5	**850,436**	870,700
Property, plant and equipment		**73,936**	76,832
Intangible assets		**39,609**	35,765
		963,981	983,297
Total assets		**1,097,791**	1,177,925
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**9,069**	18,638
Senior secured notes and payment-in-kind notes	1,6	**-**	172,091
Liabilities subject to compromise	1,6	**155,155**	-
		164,224	190,729
Non-current liabilities			
Site restoration provision		**46,438**	45,755
Total liabilities		**210,662**	236,484
Shareholders' equity			
Share capital	9	**1,342,894**	1,342,679
Contributed surplus		**56,544**	57,926
Deficit		**(512,309)**	(459,164)
Total shareholders' equity		**887,129**	941,441
Total liabilities and shareholders' equity		**1,097,791**	1,177,925

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

CCAA announcement and status and going concern basis of presentation (note 1)

Condensed Consolidated Statements of Comprehensive Loss

Unaudited

For the *(thousands of Canadian dollars, except for per share amounts)*	Note	**Three Months Ended June 30** **2015**	2014	**Six Months Ended June 30** **2015**	2014
Revenue					
Bitumen blend sales		**1,952**	6,880	**3,749**	10,657
Royalties		**(19)**	(250)	**(34)**	(388)
Net operating revenue		**1,933**	6,630	**3,715**	10,269
Other income		**1,579**	1,396	**3,406**	6,725
		3,512	8,026	**7,121**	16,994
Expenses					
Transportation and blending		**1,309**	3,964	**2,779**	5,694
Operating	10	**3,249**	17,549	**17,609**	37,261
Pre-exploration		**-**	100	**93**	100
General and administrative		**5,641**	9,578	**13,480**	18,519
Reorganization	4	**4,030**	-	**6,573**	-
Depreciation and amortization	5	**2,780**	8,039	**12,688**	15,976
		17,009	39,230	**53,222**	77,550
Results from operating activities		**(13,497)**	(31,204)	**(46,101)**	(60,556)
Finance income		**3,165**	889	**3,710**	1,431
Finance expenses	8	**(5,121)**	(5,537)	**(10,754)**	(6,640)
Net finance expense		**(1,956)**	(4,648)	**(7,044)**	(5,209)
Loss before income tax		**(15,453)**	(35,852)	**(53,145)**	(65,765)
Deferred income tax recovery		**-**	(8,513)	**-**	(15,488)
Total loss and comprehensive loss		**(15,453)**	(27,339)	**(53,145)**	(50,277)
Loss per common share	11				
Basic		**$ (0.22)**	$ (0.40)	**$ (0.76)**	$ (0.73)
Diluted		**$ (0.22)**	$ (0.40)	**$ (0.76)**	$ (0.73)

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

Condensed Consolidated Statements of Changes in Equity

Unaudited

(thousands of Canadian dollars)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance at December 31, 2013	1,337,048	38,201	(99,298)	1,275,951
Comprehensive loss	-	-	(50,277)	(50,277)
Share-based payments	-	5,470	-	5,470
Warrants issued on financing	-	14,249	-	14,249
Performance share units exercised	2,149	(2,148)	-	1
Replacement options exercised	2,830	(2,738)	-	92
Balance at June 30, 2014	1,342,027	53,034	(149,575)	1,245,486
Comprehensive loss	-	-	(309,589)	(309,589)
Share-based payments	-	5,544	-	5,544
Performance share units exercised	652	(652)	-	-
Balance at December 31, 2014	1,342,679	57,926	(459,164)	941,441
Comprehensive loss	-	-	(53,145)	(53,145)
Share-based payments (recovery)	-	(1,167)	-	(1,167)
Performance share units exercised	215	(215)	-	-
Balance at June 30, 2015	**1,342,894**	**56,544**	**(512,309)**	**887,129**

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

Condensed Consolidated Statements of Cash Flows

Unaudited

For the six months ended June 30 *(thousands of Canadian dollars)*	Note	**2015**	2014
Cash flows from operating activities			
Comprehensive loss		**(53,145)**	(50,277)
Adjustments for:			
Depreciation and amortization	5	**12,688**	15,976
Equity-settled share-based payments	9	**321**	4,205
Non-cash interest payments	8	**-**	4,134
Accretion	8	**509**	1,009
Deferred income tax recovery		**-**	(15,488)
		(39,627)	(40,441)
Net change in non-cash operating working capital	12	**(2,120)**	281
Net cash used in operating activities		**(41,747)**	(40,160)
Cash flows from investing activities			
Property, plant and equipment and exploration and evaluation:			
Expenditures		**(3,039)**	(29,787)
Recovery	5	**8,353**	-
Proceeds from the disposal of exploration and evaluation assets		**-**	961
Short-term investments		**45,950**	(20,000)
Abandonment deposits		**-**	(5)
Net change in non-cash investing working capital items	12	**(18,248)**	(6,034)
Net cash from (used in) investing activities		**33,016**	(54,865)
Cash flows from financing activities			
Payment on senior secured notes	1,6	**(20,000)**	-
Proceeds from the issuance of senior secured notes and warrants		**-**	143,854
Proceeds from the issuance of common shares		**-**	93
Finance lease obligation		**-**	(1,687)
Net change in non-cash financing working capital items	12	**-**	10
Net cash from (used in) financing activities		**(20,000)**	142,270
Net increase (decrease) in cash and cash equivalents		**(28,731)**	47,245
Cash and cash equivalents, beginning of period		**128,902**	113,066
Cash and cash equivalents, end of period		**100,171**	160,311

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

1. CCAA Announcement and Status and Going Concern Basis of Presentation

CCAA Announcement

At December 31, 2014, Laricina Energy Ltd. (Laricina or the Company) did not meet the minimum average daily bitumen production volume covenant for the fourth quarter of 2014 as set out in the indenture dated March 20, 2014 (the Indenture) governing the $150.0 million of 11.5 percent senior secured notes (the Initial Notes) issued thereunder, which caused such notes and payment-in-kind (PIK) notes, also issued under that Indenture in lieu of cash interest payments (collectively the Notes), to become payable on demand, at the option of the sole lender (the Noteholder). This default and the resulting right to demand payment required the Notes to be reclassified to current liabilities at December 31, 2014. The reclassification of the Notes to current liabilities then resulted in a default of the minimum working capital covenant set out in the Indenture.

On March 16, 2015, the Noteholder issued an acceleration notice and demand for payment of all the outstanding indebtedness under the Notes or otherwise, including interest and reasonable expenses owing to the Noteholder based upon the outstanding defaults. The Noteholder issued a notice of intention to enforce security against the assets of the Company with its demand for payment. The Noteholder also initiated an application with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the Court) seeking to put Laricina into receivership which was subsequently adjourned indefinitely by the Court.

As a result of these actions by the Noteholder, the Company and its wholly owned subsidiaries, Laricina GP Holding Ltd. and 1276158 Alberta Inc., filed for and was granted creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the CCAA) pursuant to an order dated March 30, 2015 with effect as of March 26, 2015 (the Initial Order). The CCAA is a Canadian insolvency statute which stays creditors and others from enforcing rights against an insolvent party, such as Laricina, and affords that party the opportunity to restructure its financial affairs. PricewaterhouseCoopers Inc. was appointed by the Court as the monitor to provide oversight of the Company and is responsible for reviewing Laricina's ongoing operations, assisting the Company with the development and filing of a restructuring plan under the CCAA, liaising with creditors and other stakeholders and reporting to the Court.

Protection has been extended until and including December 11, 2015 by further Court order dated August 5, 2015.

In connection with the commencement of creditor protection under the CCAA, Laricina has classified separately certain obligations into those subject to compromise on the statement of financial position. These liabilities represent the amounts expected to be allowed on known or potential claims to be

resolved through the creditor protection proceedings and remain subject to future potentially material adjustments arising from activities arising while under the CCAA. The liabilities that are not subject to the creditor protection proceedings are excluded from liabilities subject to compromise.

As at June 30, 2015, the liabilities subject to compromise by the CCAA proceedings were comprised of the following:

Senior secured notes (note 6)	130,000
Payment-in-kind notes (note 6)	12,350
Provision for acceleration payment (note 6)	9,741
Accounts payable and accrued liabilities	3,064
Total liabilities subject to compromise	**155,155**

Status

On July 20, 2015, Laricina and the Noteholder entered into a formal binding settlement agreement (the Settlement Agreement) relating to the repayment of the outstanding indebtedness to the Noteholder. Pursuant to the Company's CCAA proceedings, the Court approved the Settlement Agreement on August 5, 2015.

The Settlement Agreement establishes the basis for the substantial repayment of the Notes through a combination of proceeds from any potential transactions resulting from the current marketing process (the Marketing Process) that was approved by the Court on July 22, 2015, proceeds of a pro rata equity private placement (the Offering) to Laricina's shareholders (described below) and, if required, Notes conversion to common shares by the Noteholder (the Note Conversion). The Offering and the Note Conversion will be conducted at the same price of $0.12 per common share. The Offering allows shareholders to participate in the restructuring of the Company and to protect their pro rata equity interests. The Note Conversion backstops the Offering.

The Settlement Agreement includes the terms of a settlement transaction (the Settlement Transaction) that outlines the substantial repayment of the Notes and reasonable expenses owing to the Noteholder. On July 24, 2015 under the terms of the Settlement Transaction and order of the Court, Laricina paid a second cash payment of $31.4 million to the Noteholder of firstly, accrued and unpaid interest, secondly, reasonable costs reimbursable pursuant to the Indenture, and thirdly with the remainder applied as a partial repayment of principal outstanding under the Notes. Thereafter, the Settlement Transaction provides that the remaining outstanding principal amount be managed by:

- A further partial repayment of $8.7 million (subject to certain adjustments), on completion of the Settlement Transaction which must occur on or before November 30, 2015 (the Effective Date);
- A subsequent $3.4 million repayment (subject to certain adjustments) following completion of certain events. If these events are completed on or prior to the Effective Date, this amount is to be paid on the Effective Date;

- The Notes shall have $30.0 million remain outstanding (less 50 percent of net proceeds of certain anticipated receivables if they are received before the mailing date of the Offering subscription notice or 100 percent of net proceeds if received thereafter) and shall be governed by the First Supplemental Indenture as of the Effective Date. Future interest payable pursuant to the terms of the Notes and the Noteholder's reasonable costs and expenses reimbursable pursuant to the terms of the Indenture until December 31, 2015 shall be added to the principal amount of the Notes; and
- Any further remaining amount outstanding of Notes (including reasonable expenses owing) less the remaining 50 percent of net proceeds of certain anticipated receivables if they are received prior to the mailing date of the Offering subscription notice, less the aggregate proceeds of the Offering and any proceeds resulting from the Marketing Process will be converted into common shares of the Company at a price of $0.12 per common share.

The Noteholder may terminate the Settlement Transaction if the Effective Date has not occurred by November 30, 2015 or such later date to which the Company and Noteholder agree provided that date is no later than January 5, 2016.

Under the Settlement Agreement, if certain conditions are met at the Effective Date, the Noteholder will be deemed to have waived all defaults and events of default which occurred on or prior to the Effective Date and will release Company from its claim to the Acceleration Payment and withdraw its application to place Laricina in receivership.

In order to reduce the amount of Notes that would be converted under the Note Conversion to common shares and to allow shareholders to prevent dilution to them, the Company intends to proceed with the Offering to existing shareholders to subscribe for the Company's common shares on a pro rata basis at the same price as the Note Conversion of $0.12 per common share, such that if all the shareholders subscribed for equity, the proceeds would be sufficient to repay the remaining outstanding balance of the Notes.

The number of common shares that will be issued to the Noteholder pursuant to the Note Conversion will depend on: (i) whether any transaction is completed under the Marketing Process and the proceeds thereto and (ii) the total proceeds received pursuant to the Offering. If no transaction is completed or the Offering proceeds are minimal, the number of common shares of the Company that could be issued to the Noteholder under the Note Conversion would be highly dilutive to existing shareholders who do not participate in the Offering. Details in respect of the Offering are expected to be mailed to shareholders in August 2015.

Under the Settlement Agreement, Laricina has agreed that on the closing date of the Settlement Transaction, the Board will consist of five directors and the Noteholder will be entitled to nominate for inclusion on any slate of directors recommended by the Board to Shareholders: (a) three directors, so long as the Noteholder and its affiliates hold more than 50% of the outstanding Common Shares; (b) two directors, so long as the Noteholder and its affiliates hold at least 25% but not more than 50% of the outstanding Common Shares; or (c) one director, so long as the Noteholder and its affiliates hold

more than 10% but not more than 25% of the outstanding Common Shares. The Noteholder currently holds a contractual right to nominate one director to the Board however this position is vacant and this board nomination right will terminate on the closing date of the Settlement Transaction.
Further, so long as any of the Notes are outstanding and the Noteholder does not have a representative on the Board, the Noteholder in its capacity as lender is entitled to a single observer to the Board and to the boards of Laricina's subsidiaries, and all committees thereof.

If the Settlement Transaction closes and the Noteholder holds a significant equity interest by virtue of the Note Conversion, the Board of Directors and management are likely to be changed at that time. In addition, the current officers of the Corporation may not continue on as officers upon the completion of the Settlement Transaction.

Going Concern

The condensed consolidated interim financial statements are prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. If this assumption were not appropriate, adjustments to these financial statements may be necessary.

Laricina is a development stage oil sands company focused on developing properties into projects, obtaining financing to support the Company's activities and developing innovative technologies. Two core development areas have been identified, Saleski and Germain. The Company has a 60 percent working interest in Saleski and a 100 percent working interest in Germain. As such, the Company earns limited bitumen blend sales revenue and is dependent upon equity issuances, debt financing, asset dispositions or joint arrangements with third parties to fund future operating and investing activities.

In the fourth quarter of 2014, Laricina engaged financial advisors to assist the Company in the evaluation and pursuit of a full range of financial and strategic alternatives. On July 22, 2015, the Marketing Process was approved by the Court.

Early in the first quarter of 2015, Laricina deferred the development of Saleski Phase 1 which has a production capacity of 10,700 gross barrels per day and suspended operations at the Germain commercial demonstration project (CDP). In late July 2015 Laricina provided notice to its joint operations partner at the Saleski pilot that the Company intends to suspend operations on September 1, 2015. The Company did not meet the minimum average daily bitumen production volume and the minimum working capital covenants for the quarters ended March 31, 2015 and June 30, 2015. In addition, the Company did not meet the capital and operating expenditure plan covenant related to capital spending for the quarter ended June 30, 2015.

The conditions discussed in this note indicate the existence of a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

2. Reporting Entity

Laricina Energy Ltd. 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, 2015 encompasses the Company and its subsidiaries.

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 which were prepared in accordance with International Financial Reporting Standards (IFRS) and are included in the Company's annual report for 2014.

3. Basis of Preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared by the Company in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting* and IFRS. The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in the audited consolidated financial statements as at and for the year ended December 31, 2014.

On August 12, 2015, these condensed consolidated interim financial statements were approved for release to shareholders by the Board of Directors.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis. The methods used to measure fair value are included in the Company's annual report for 2014.

Cash and cash equivalents are comprised of cash balances, guaranteed investment certificates and high interest savings accounts that may be redeemed at the Company's option. Short-term investments are comprised of guaranteed investment certificates that are not redeemable at the Company's option. Trade and other receivables are classified as loans and receivables, while trade and other payables are classified as other financial liabilities. The fair values approximate their carrying value due to the short-term nature of these instruments. Senior secured notes are carried at amortized cost determined using the effective interest rate method. PIK notes are classified as other financial liabilities.

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars, the Company's functional currency.

Use of estimates and judgments

The nature of critical accounting estimates and judgments for Laricina remain unchanged from those included in the Company's annual report for 2014.

4. Retainers and Reorganization Expenses

As at June 30, 2015, prepaid expenses and deposits included $0.6 million of retainers to professional advisors relating to the creditor protection proceedings as described in note 1.

The reorganization expenses of $4.0 million and $6.6 million incurred during the three and six month periods ended June 30, 2015, respectively, were comprised of legal fees, monitoring costs, and professional advisory fees associated with the CCAA proceedings. The Company is also including the Noteholder's costs in the restructuring costs as a result of a requirement within the Indenture to reimburse the Noteholder's costs.

5. Exploration and Evaluation Assets

Cost	
Balance at December 31, 2014	1,127,157
Additions during the period	1,637
Recovery during the period	(8,353)
Balance, June 30, 2015	**1,120,441**
Depreciation	
Balance, December 31, 2014	(256,457)
Depreciation for the period	(13,548)
Balance, June 30, 2015	**(270,005)**
Carrying amounts	
As at December 31, 2014	870,700
As at June 30, 2015	**850,436**

On July 25, 2013, the Government of Alberta announced an Urban Development Sub-region of more than 55,000 acres of Crown land for urban expansion in the Fort McMurray area. This extended over portions of Laricina's Conn Creek and Polar Creek properties and resulted in the cancellation of these leases. The recovery during the period ended June 30, 2015 included $7.7 million in compensation from the Government of Alberta regarding expenditures associated with acquisition and development of these mineral leases. In addition, as at June 30, 2015, the Company recorded the recovery of $2.8 million of the interest income related to this compensation. This recovery is recorded within finance income in the condensed consolidated statements of comprehensive loss.

6. Senior Secured Notes and Payment-In-Kind Notes

	June 30 2015	December 31 2014
Senior secured notes	**130,000**	150,000
Payment-in-kind notes	**12,350**	12,350
Provision for acceleration payment	**9,741**	9,741
	152,091	172,091

On March 20, 2014, the Company issued the Initial Notes in an aggregate principal amount of $150.0 million bearing interest at a rate of 11.5 percent per annum and a maturity date of March 20, 2018. Interest is paid quarterly on February 28, May 31, August 31 and November 30. On each interest payment date until December 31, 2014, the Company had the option to elect to issue PIK notes bearing interest at a rate of 11.5 percent per annum in lieu of cash payment of interest.

The Notes are subject to certain financial and operational covenants including the following:

- Minimum working capital of $95.0 million;
- Minimum average daily bitumen production volumes commencing in the fiscal quarter ended December 31, 2014 and each fiscal quarter thereafter; and
- Specified capital and operating expenditures commencing in the fiscal quarter ended June 30, 2014.

In addition, the Notes are subject to certain exceptions and qualifications which limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; create or permit to exist restrictions on the ability to make certain payments and distributions; make certain dispositions and transfers of assets; and initiate amalgamations, mergers or consolidations.

At December 31, 2014, the Company did not meet the minimum average daily bitumen production volume covenant for the fourth quarter of 2014. As a result, the Notes were reclassified to current liabilities as the Noteholder had the option to demand repayment. This reclassification led to a second event of default in relation to the minimum working capital covenant. Upon an event of default, the Notes bear interest at a rate of 13.5 percent per annum and the Company is restricted from issuing PIK notes in lieu of payment of interest.

As a result of the demand for repayment of the Notes by the Noteholder on March 16, 2015, the $162.4 million of Notes and the acceleration payment (the Acceleration Payment) amount became immediately payable. The Acceleration Payment amount is calculated as 6.0 percent of the principal amount of the Notes outstanding on the acceleration date if the acceleration date occurs prior to March 20, 2016. A provision of $9.7 million has been recorded in accrued liabilities as of December 31, 2014 for the Acceleration Payment associated with the Notes. Under the Settlement Agreement, if certain conditions are met at the Effective Date, the Noteholder will be deemed to have waived all defaults and events of

default which occurred on or prior to the Effective Date and will release Company from its claim to the Acceleration Payment and withdraw its application to place Laricina in receivership.

The Company did not meet the minimum average daily bitumen production volume and the minimum working capital covenants for the quarters ended March 31, 2015 and June 30, 2015. In addition, the Company did not meet the capital and operating expenditure plan covenant related to capital spending for the quarter ended June 30, 2015.

On April 1, 2015 and July 24, 2015, the Company made payments of $20.0 million and $31.4 million, respectively, to the Noteholder. The payments were applied to accrued interest, costs of the Noteholder and the Notes based on the ordering outlined in the Settlement Transaction.

The Indenture will be amended by the First Supplemental Indenture subsequent to June 30, 2015 as described in note 1.

7. Credit Facility

As at June 30, 2015, Laricina had a demand credit facility of $15.0 million with a major Canadian chartered bank which has been extended to October 31, 2015. Amounts drawn 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. As at June 30, 2015, the Company had issued letters of credit totalling $6.8 million under this credit facility and no cash amount had been drawn.

When the Initial Notes were issued on March 20, 2014, Laricina entered into an inter-creditor agreement wherein an event of default on the Notes constituted a cross default on the Company's demand credit facility. Accordingly as of August 12, 2015, the Company is in default on the demand credit facility. The demand credit facility continues to be available for use by the Company and is secured by an equivalent cash deposit.

Subsequent to June 30, 2015, the Company reduced the credit facility to $10.0 million and the $5.0 million of cash collateral securing the facility was released.

8. Finance Expenses

Finance expenses for the periods ended June 30 are as follows:

	Three Months Ended		Six Months Ended	
	2015	2014	**2015**	2014
Interest on the Notes	**4,855**	4,380	**10,245**	4,900
Accretion of site restoration obligation	**266**	502	**509**	1,009
Amortization of debt issuance costs	**-**	197	**-**	220
Amortization of equity-settled debt costs	**-**	458	**-**	511
	5,121	5,537	**10,754**	6,640

9. 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, 2014	69,732	1,342,679
Performance share units exercised	6	215
Balance, June 30, 2015	**69,738**	**1,342,894**

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, and for each stock option exercised, the holder will receive one common share.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2014	1,642	$	28.12
Expired	(183)		32.50
Forfeited	(356)		28.75
Outstanding, June 30, 2015	**1,103**	**$**	**27.19**
Exercisable, June 30, 2015	**768**	**$**	**27.82**

For the three month period ended June 30, 2015, a compensation cost of $0.4 million had been recognized for stock options that had been granted. For the six month period ended June 30, 2015, a compensation recovery of $0.3 million has been recognized for stock options that had been forfeited. During the three and six month periods ended June 30, 2014, a compensation cost of $0.4 million and $0.7 million, respectively, had been recognized for options that had been granted.

For the three and six month periods ended June 30, 2015, a nil amount and $0.5 million, respectively, has been reversed from previously capitalized grants due to the forfeiture of the underlying grant, compared to a nominal amount and $0.1 million, respectively, capitalized in the three and six month periods ended June 30, 2014.

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 the grant. For each PSU exercised, the holder will receive one common share.

	Number (thousands)		Weighted Average Exercise Price
Outstanding, December 31, 2014	1,658	$	0.01
Exercised	(6)		0.01
Forfeited	(355)		0.01
Outstanding, June 30, 2015	**1,297**	**$**	**0.01**
Exercisable, June 30, 2015	**582**	**$**	**0.01**

For the three months ended June 30, 2015 and June 30, 2014, compensation costs of $0.8 million and $0.4 million, respectively, has been recognized for PSUs that have been granted. For the six months ended June 30, 2015, a compensation recovery of $0.8 million has been recognized for PSUs that have been forfeited, compared to a compensation cost of $0.7 million for PSUs that had been granted in the six month period ended June 30, 2014.

For the three and six month periods ended June 30, 2015, a nil amount and $1.0 million, respectively, has been reversed from previously capitalized amounts due to the forfeiture of the underlying grant, compared to the $0.3 million and $0.9 million, respectively, capitalized in the three and six months ended June 30, 2014.

Warrants

In conjunction with the issuance of the Initial Notes, the Company issued warrants on a one-time basis to the Noteholder. The warrants vested immediately upon issue and have exercise prices ranging from $15.00 to $20.00 per warrant and expire on March 20, 2019.

	Number (thousands)		Weighted Average Exercise Price
Outstanding, December 31, 2014	3,750	$	18.00
Outstanding, June 30, 2015	**3,750**	**$**	**18.00**
Exercisable, June 30, 2015	**3,750**	**$**	**18.00**

For the three month and six month periods ended June 30, 2015, a nil finance expense ($0.4 million and $0.5 million in three and six month periods ended June 30 2014), has been recognized for warrants that have been issued.

Share Appreciation Rights

The Company has 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 (SARs) 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 SARs is two years.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2014	24	$	28.50
Expired	(24)		28.50
Outstanding, June 30, 2015	**-**	**$**	**-**

All SARs were granted to employees directly involved in field activities. For the three and six month periods ended June 30, 2015, a compensation recovery of nil and $0.2 million, respectively, were recorded for SARs that have been granted. For the corresponding periods in 2014, a compensation recovery of $0.2 million and $0.5 million, respectively, were recorded.

At June 30, 2015 and December 31, 2014, the Company had no obligation for SARs that had vested.

10. Operating Expenses

During the second quarter of 2015, the Company received an interim payment from insurers of $2.0 million. The Company was compensated for a loss event resulting from the break of a third-party natural gas pipeline at Germain during 2013 that interrupted facility start-up.

11. Loss per Share

Basic loss and comprehensive loss per share

The calculation of basic loss per share for the three and six month periods ended June 30, 2015 was based on the loss attributable to common shareholders of $15.5 million and $53.1 million ($27.3 million and $50.3 million in 2014), respectively, and the weighted average number of common shares outstanding during the three and six month periods ended June 30, 2015. The weighted average number of common shares outstanding was calculated as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
(thousands)	**2015**	2014	**2015**	2014
Issued common shares at beginning of period	**69,737**	68,436	**69,732**	67,762
Effect of performance share units exercised	**1**	8	**2**	41
Effect of replacement options exercised	**-**	618	**-**	628
Weighted average common shares outstanding (basic)	**69,738**	69,062	**69,734**	68,431

Diluted loss and comprehensive loss per share

The calculation of diluted loss and comprehensive loss per share does not include stock options, PSUs or warrants as the effect would be anti-dilutive. The basic and diluted loss per share was $0.22 and $0.76 for the three and six month periods ended June 30, 2015, respectively, compared to a basic and diluted loss per share of $0.40 and $0.73 for the three and six month periods ended June 30, 2014, respectively.

12. Supplemental Cash Flow Disclosures

The following table reconciles the net changes in non-cash working capital from the statement of financial position to the cash flows statement as at June 30:

	2015	2014
Operating activities		
Trade and other receivables	**(1,834)**	(1,282)
Prepaid expenses and deposits	**(2,827)**	(2,050)
Inventories	**640**	(1,250)
Trade and other payables	**1,901**	4,863
Cash provided by (used in) operating activities	**(2,120)**	281
Investing activities		
Trade and other receivables	**(10,026)**	2,105
Prepaid expenses and deposits	**111**	425
Inventories	**73**	(133)
Trade and other payables	**(8,406)**	(8,431)
Cash used in investing activities	**(18,248)**	(6,034)
Financing activities		
Trade and other payables	**-**	10
Cash provided by financing activities	**-**	10

Corporate Information

Senior Management

Glen C. Schmidt
President and CEO

James R. Hand
Senior Vice President Operations and COO

Derek A. Keller
Vice President Production

Diane T. Koenig
Vice President Finance and Controller

Marla A. Van Gelder
Vice President Corporate Development

Directors

Brian K. Lemke [1, 2]
Independent Investor

Ian D. Bruce [2, 4]
Independent Investor

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

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

Gordon J. Kerr [2C, 4]
Independent Businessman

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

W. Glen Russell [3, 4]
Principal, Glen Russell Consulting

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

LARICINA
ENERGY LTD.

800, 425 – 1st Street SW
Calgary, Alberta T2P 3L8
Phone: 403-750-0810
Facsimile: 403-263-0767

E-Mail: Laricina@laricinaenergy.com
www.laricinaenergy.com

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