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**) dated November 18, 2015 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2015 and September 30, 2014 (**interim financial statements**), and the audited consolidated annual financial statements (**annual financial statements**) and MD&A contained in the Company's annual report for the 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 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 a private development-stage oil sands company focused on the acquisition, development and commercialization of *in situ* hydrocarbon resources in Canada's Athabasca oil sands region. The Company's current focus is on completing a restructuring plan and obtaining financing to resume development of its oil sands properties and other activities. Two core development areas have been identified, Saleski and Germain. The Company has a 60.0 percent working interest in Saleski and a 100.0 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.

CCAA Announcement and Status

At December 31, 2014, Laricina 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 notes (the **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. For all fiscal quarters subsequent, the Company has not met the minimum average daily bitumen production volume and continues to be in breach of the minimum working capital covenant.

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 and have a receiver sell Laricina's assets. This application 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 were 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 (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 the most recent Court order dated August 5, 2015.

On April 1, 2015, the Company made a payment to the Noteholder of $20.0 million in accordance with the Initial Order.

On June 28, 2015, Laricina and the Noteholder agreed upon a non-binding term sheet setting out the terms of settlement relating to the repayment of the outstanding indebtedness to the Noteholder. That term sheet resulted in the parties entering into the binding settlement agreement (the **Settlement Agreement**) on July 20, 2015, and the Court, in the Company's CCAA proceedings, approved that Settlement Agreement on August 5, 2015. The June 28, 2015 non-binding term sheet also led to a hearing on July 22, 2015 to seek approval for a claims process, a second cash repayment to the Noteholder and commencement of a marketing process (the **Marketing Process**) designed to solicit a broad range of transaction alternatives. On July 24, 2015, Laricina paid the second cash payment of $31.4 million to the Noteholder which was applied first to accrued and unpaid interest, then to the reimbursement of reasonable expenses pursuant to the Indenture, and finally as a partial repayment of principal outstanding under the Notes.

The Settlement Agreement establishes the basis for the repayment in full of the Noteholder (a **Note Repayment Transaction**), subject to the results of the Marketing Process. As part of the arrangement, the Company negotiated two important provisions, namely:

- *Go Shop* – Laricina has the right to market its assets with a view to identifying a transaction or transactions with third parties which would enable it to repay the Notes; and

- *Fiduciary Out* – If Laricina can enter into such a transaction or transactions at any time prior to or on the Effective Date, where the Notes shall be repaid in full no later than January 5, 2016 inclusive of a 3.0 percent premium of the principal amount then outstanding, the Company can terminate the Settlement Agreement and pursue such other transaction and repay the Notes.

In the case where repayment of the Notes in full is not achieved, the Settlement Agreement provides for the recapitalization of the Company (the **Settlement Transaction**). A third important provision negotiated by the Company in relation to shareholder participation then applies and is described further below.

The Settlement Transaction sets out the substantial repayment of the Notes and reasonable expenses owing to the Noteholder through a combination of:

- existing cash and upon receipt of certain receivables (the **Anticipated Receivables**);
- proceeds from any potential transactions resulting from the Marketing Process (**Additional Transactions**) ;
- proceeds of a *pro rata* equity private placement (the **Offering**) to Laricina's shareholders (described further below); and
- approximately $30.0 million of the Notes continuing (the **Continuing Notes**)

with any remaining Note principal being converted to common shares by the Noteholder (the **Note Conversion**), subject to the terms of the Settlement Agreement whereby the Noteholder, together with its affiliates, may not hold in excess of 89.0 percent of the common shares of Laricina on a fully diluted basis. If upon conversion the Noteholder and its affiliates would hold more than 89.0 percent of the equity of Laricina on a fully diluted basis, the portion of the Notes to be converted that would result in equity holdings in excess of that percentage will remain outstanding post-closing and be added to the Continuing Notes. The Offering and the Note Conversion are to 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. Furthermore, shareholders have an opportunity to subscribe for additional shares that are not subscribed by other shareholders. The Note Conversion backstops the Offering.

The balance of the Settlement Transaction contemplated under the Settlement Agreement will be effected as follows with closing to occur on or prior to November 30, 2015 or such later date as Laricina may request and to which the Noteholder may consent, which consent shall not be

unreasonably withheld, provided that in no event shall such date be later than January 5, 2016 (the **Effective Date**):

- Net proceeds of remaining Anticipated Receivables and any funds from any Additional Transactions will be paid to the Noteholder, as received, and allocated to principal repayment. In that regard, on August 20, 2015, the Company forwarded $1.2 million of Anticipated Receivables proceeds that had been received and were then due to the Noteholder under the terms of the Settlement Agreement to further reduce the Initial Notes principal. Of the restricted cash at September 30, 2015, $1.9 million reflects proceeds received in respect of certain other Anticipated Receivables. This amount was remitted to the Noteholder on October 1, 2015 in accordance with the terms of the Settlement Agreement in full repayment of the PIK Notes then outstanding of $1.6 million with the residual balance applied to the Initial Notes principal;
- A principal repayment of $8.7 million (subject to certain adjustments) on the Effective Date;
- A principal repayment of $3.4 million (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;
- Approximately $30.0 million of the principal amount of the Continuing Notes (less 50.0 percent of net proceeds of certain outstanding receivables if they are received before the mailing date of the Offering subscription notice or 100.0 percent of net proceeds if received thereafter which are to be paid to the Noteholder upon their receipt, and if completed, any funds from certain Additional Transactions) will remain outstanding and continue to be governed by the Indenture which will be amended on closing (the **First Supplemental Indenture**) and will bear an interest rate of 13.5 percent per year, of which interest will be paid through the issuance of PIK Notes until the maturity date of such remaining Notes on March 20, 2018; and
- All of the remaining amount of the Notes, accrued interest until the Effective Date and certain expenses, less the aggregate proceeds of the Offering which will be paid to the Noteholder upon their receipt, will be converted to preferred shares at a price of $0.12 per preferred share, which in turn will immediately convert into common shares on a one-for-one basis.

The number of common shares issued to the Noteholder pursuant to the Note Conversion will depend upon: (i) whether any transaction is completed under the Marketing Process and the proceeds thereto; (ii) the total proceeds received pursuant to the Offering; and (iii) be subject to the aforementioned 89.0 percent restriction on ownership. 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 will be highly dilutive to existing shareholders. If the Settlement Transaction closes and the Noteholder holds a significant equity interest by virtue of the Note Conversion, the newly-constituted board of directors of Laricina may change management and/or the business plan at that time. Details in respect of the Offering were mailed to shareholders on October 23, 2015 in an Information Letter dated October 21, 2015 and the Offering subscription notice and related documentation on November 9, 2015.

Under the Settlement Agreement, Laricina agreed that on the Effective Date, the new board of directors would consist of five directors. The Noteholder will be entitled to nominate for inclusion on any slate of directors recommended to shareholders: (a) three directors, so long as the Noteholder and its affiliates hold more than 50.0 percent of the outstanding common shares; (b) two directors, so long as the Noteholder and its affiliates hold at least 25.0 percent but not more than 50.0 percent of the outstanding common shares; or (c) one director, so long as the Noteholder and its affiliates hold more than 10.0 percent but not more than 25.0 percent of the outstanding common shares. The Noteholder currently holds a contractual right to nominate one director to the existing board of directors (the **Board**); however, this position is currently vacant and this nomination right will terminate on the Effective Date. Furthermore, 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.

Warrants under the Settlement Agreement

On closing of the Note Conversion and the Offering, the Noteholder is also entitled to warrants exercisable in the aggregate for that number of common shares that are equivalent to 5.0 percent of the common shares outstanding upon completion of the Offering and the Note Conversion, each such warrant having an exercise price of $0.25 per warrant (as such exercise price would be adjusted pursuant to the anti-dilution provisions contained in the warrant certificate) and expiring on March 20, 2018 (the **Consent Fee Warrants**). For each warrant exercised, the Noteholder will receive one common share. The existing 3,750,000 warrants issued in March 2014 and held by the Noteholder will be surrendered and cancelled.

If a Note Repayment Transaction occurs where the Company is not sold in its entirety, Laricina shall issue warrants exercisable in the aggregate for that number of common shares that are equivalent to 2.5 percent of the outstanding common shares upon completion of a Note Repayment Transaction (the **Note Repayment Warrants**). Each such warrant shall have an exercise price of $0.25 per warrant (as such exercise price would be adjusted pursuant to the anti-dilution provisions contained in the warrant certificate) and the total in-the-money value of warrants issued shall not exceed $2.5 million. For each warrant exercised, the Noteholder will receive one common share. The existing 3,750,000 warrants held by the Noteholder will be then surrendered and cancelled.

If a Note Repayment Transaction occurs where the Company is sold in its entirety, Laricina is then required to pay a cash fee equal to the in-the-money value of the Note Repayment Warrants had such warrants been issued and outstanding immediately prior to entering the transaction (the **Note Repayment Warrant Fee**), such that it does not exceed $2.5 million. The existing 3,750,000 warrants held by the Noteholder will be then surrendered and cancelled.

Acceleration Payment Waiver

As a result of the demand for repayment of the Notes by the Noteholder on March 16, 2015, an acceleration payment amount (the **Acceleration Payment**) equivalent to 6.0 percent of the principal

amount of the Notes then outstanding became immediately payable. A provision of $9.7 million was 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 the Company from its claim to the Acceleration Payment and withdraw its application to put Laricina into receivership.

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.

Quarterly Financial Information

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2015	2014	**2015**	2014
Total assets	**729,146**	1,463,020	**729,146**	1,463,020
Working capital (deficiency)	**(56,341)**	192,657	**(56,341)**	192,657
Cash capital expenditures (recovery)[1]	**394**	9,143	**(4,920)**	37,969
Bitumen blend sales revenue	**791**	7,713	**4,540**	18,370
Finance and other income	**2,972**	3,868	**10,088**	12,024
Net loss	**464,293**	25,236	**517,438**	75,513
Net loss per share – basic and diluted	**6.65**	0.36	**7.42**	1.10

[1] Cash capital expenditures (recovery) include cash expenditures on exploration and evaluation assets, property, plant and equipment, capitalized general and administrative expenses and any reversals or offsets thereto.

The Company suspended operations at the Saleski pilot during the third quarter of 2015 in an effort to conserve cash and preserve the value of the assets until the capital markets are more receptive to oil sands investment. As a result, cash capital expenditures during the three month period ended September 30, 2015 consisted primarily of the continued planning and maintenance of certain oil sands leases.

During the nine month period ended September 30, 2015, a net cash capital recovery of $4.9 million was primarily the result of recording, in the second quarter of 2015, a $7.8 million claim owed to the Company by the Government of Alberta for compensation relating to the cancellation of certain leases located on portions of Laricina's Conn Creek and Poplar Creek properties within the Urban Development Sub-Region (the **UDSR**). The UDSR is a designated area of land surrounding Fort McMurray, Alberta created for future urban expansion. Laricina has been previously advised by the government of its intention to pay this amount to Laricina according to the compensation provisions in the *Mineral Rights Compensation Regulation* but the cash payment has not been received as of the date of this MD&A. Laricina is not aware of any valid reason for the delay in payment of its claim and has initiated legal action to expedite recovery. The net cash capital recovery was partially offset by capital expenditures in the first nine months of 2015 related to 1.1 square-km of 4-D seismic at the Saleski pilot and to the completion of 80.0 percent of the detailed engineering and design of Saleski

Phase 1, following which the Company delayed further development of Saleski Phase 1 to conserve capital.

Bitumen blend sales revenue for the three and nine months ended September 30, 2015 decreased, as compared to the corresponding periods in 2014, primarily as a result of the suspension of operations at the Germain commercial demonstration project (**CDP**) in the first quarter of 2015, the suspension of operations at the Saleski pilot during the third quarter of 2015 and a decrease in the average realized sales price per barrel of bitumen blend.

Finance and other income decreased for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014, due to lower cash and short-term investments balances and a reduced usage of Laricina's camp facilities and roads by third parties.

For the nine months ended September 30, 2015, finance and other income decreased compared to the corresponding 2014 period primarily as a result of lower third-party use of camps and roads in 2015. This decrease was partially offset by accrued interest related to the reimbursement of expenditures under the UDSR, with there being no comparable income during the nine months ended September 30, 2014.

Net loss increased for the three and nine months ended September 30, 2015 relative to the corresponding periods in 2014 as a result of an impairment loss of $30.2 million on intangible assets and $300.2 million on exploration and evaluation (**E&E**) assets, a loss on substantial modification of the Notes (the **Amended Notes**), Consent Fee Warrants and Repayment Transaction Warrants of $118.4 million under the Settlement Agreement, a finance expense increase due to accretion of the Amended Notes associated with the substantial modification of the Notes, lower other income due to a decrease in third-party camp usage, reduced bitumen blend sales, the costs of suspending operations, severance costs associated with the employee reductions during 2015, reorganization costs incurred under CCAA and no deferred income tax recovery. These increases were partially offset by lower transportation and blending expenses, operating expenses and depreciation and amortization as a result of suspending operations at the Germain CDP in the first quarter of 2015 and the Saleski pilot in September 2015. In addition, general and administrative expenses were lower as a consequence of employee and consulting services reductions.

Results of Operations

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2015	2014	**2015**	2014
Bitumen blend sales revenue	**791**	7,713	**4,540**	18,370
Royalties	**(15)**	(312)	**(49)**	(700)
Net operating revenue[1]	**776**	7,401	**4,491**	17,670
Transportation and blending expenses	**586**	3,903	**3,365**	9,597
Operating expenses	**2,373**	17,654	**19,982**	54,915

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

Bitumen blend sales revenue

During the first nine months of 2015, Laricina derived bitumen blend sales revenue from production at the Saleski pilot and the Germain CDP. To conserve capital and protect the long-term value of the assets, the Company suspended operations at the Germain CDP in February 2015 and ceased production at the Saleski pilot on August 31, 2015 to commence shutting in operations which was substantially complete by the end of September 2015.

	Three Months Ended September 30		Nine Months Ended September 30	
(barrels)	**2015**	2014	**2015**	2014
Saleski bitumen production volumes	**18,534**	21,407	**64,163**	86,280
Germain bitumen production volumes	**-**	62,002	**36,473**	110,140
Bitumen production volumes	**18,534**	83,409	**100,636**	196,420
Bitumen blend sales volumes	**24,455**	107,164	**135,032**	247,840

For the three months ended September 30, 2015, bitumen production volumes were 18,534 barrels, a decrease from 83,409 barrels produced during the three months ended September 30, 2014, and principally the result of the aforementioned facility suspensions.

Bitumen production volumes of 100,636 barrels for the nine months ended September 30, 2015 were lower than the 196,420 barrels produced in the same period in 2014 primarily as the result of suspension of operations at the Germain CDP in first quarter 2015. The remaining change is a result of the suspension of operations at the Saleski pilot late in the third quarter, and decreased bitumen production at the Saleski pilot during 2015 due to the timing of steam injection and bitumen production cycles.

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Average blend sales price (Cdn $/barrel) per barrel	**$ 32.34**	$ 71.97	**$ 33.62**	$ 74.12
West Texas Intermediate (**WTI**) (US $/barrel)	**$ 46.43**	$ 97.17	**$ 51.00**	$ 99.61
West Texas Intermediate (Cdn $/barrel)	**$ 60.75**	$ 103.03	**$ 64.07**	$ 108.08
Western Canadian Select (Cdn $/barrel)	**$ 43.29**	$ 83.82	**$ 47.90**	$ 85.89

For the three months ended September 30, 2015, net operating revenue of $0.8 million decreased from $7.4 million for the three months ended September 30, 2014 primarily as a result of the suspension of operations at the Germain CDP and the Saleski pilot, combined with a decrease in the average realized sales price per barrel of bitumen blend.

Net operating revenue for the nine months ended September 30, 2015 decreased by $13.2 million relative to the corresponding period in 2014 primarily due to a decrease in bitumen production

volumes as result of the suspension of operations at the Germain CDP and the Saleski pilot, and a decrease in the average realized sales price per barrel of bitumen blend. The decrease in average realized sales price is a result of the lower 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 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 from $0.3 million in royalties for the three months ended September 30, 2014 to a nominal amount for the three months ended September 30, 2015 is a consequence of decreases in bitumen blend sales revenue as a result of decreased production and average realized prices, combined with a decrease in applied royalty rates.

As a result of decreased bitumen blend sales revenue upon the suspension of operations at the Germain CDP and the Saleski pilot and a decrease in applied royalty rates during the nine months ended September 30, 2015, there was a $0.7 million decrease in royalties compared to the nine months ended September 30, 2014.

Transportation and blending expenses

Transportation and blending expenses are 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.

Transportation and blending expenses of $0.6 million for the three months ended September 30, 2015 decreased from $3.9 million for the three months ended September 30, 2014 as a result of a decrease in bitumen production volumes, the price of diluent used in blending and the quantity of diluent required for blending purposes.

Transportation and blending expenses decreased by $6.2 million for the nine months ended September 30, 2015 compared to the corresponding period in 2014 due to decreases in bitumen production volumes and the price and quantity of diluent used in blending.

Operating expenses

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

Operating expenses decreased for the three months and nine months ended September 30, 2015, as compared to the three and nine months ended September 30, 2014 primarily as a result of the suspension of operations at the Germain CDP and the Saleski pilot, and a decrease in variable costs associated with third-party use of Laricina's camps. During the nine months ended September 30, 2015, the Company received $5.1 million of insurance proceeds which were offset against operating expenses. The insurance proceeds are related to a third-party natural gas pipeline break which interrupted the Germain CDP start-up during the fourth quarter of 2013.

As a result of the suspension of operations at the Germain CDP and the Saleski pilot, operating expenses are expected to decrease during the remainder of 2015.

Corporate Results

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2015	2014	**2015**	2014
Other income	**2,699**	3,110	**6,105**	9,835
General and administrative expenses	**5,595**	8,414	**19,075**	26,933
Depreciation and amortization	**3,298**	8,302	**15,986**	24,278
Impairment loss	**330,396**	-	**330,396**	-
Finance income	**273**	758	**3,983**	2,189
Finance expenses	**5,587**	5,674	**16,341**	12,314
Loss on substantial modification of notes	**118,353**	-	**118,353**	-
Reorganization expenses	**1,803**	-	**8,376**	-
Net loss	**464,293**	25,236	**517,438**	75,513

Other income

Other income consisted of fees charged to third parties for the use of Laricina's camp facilities and roads.

As a result of decreased third-party road usage during the three months ended September 30, 2015, other income has decreased as compared to the same period in 2014. The decrease of $3.7 million during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 is primarily due to a decrease in third-party use of Laricina's camps.

General and administrative expenses

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2015	2014	**2015**	2014
General and administrative expenses, gross	**5,781**	7,455	**19,431**	23,945
Share-based payments (recovery)	**1,067**	2,552	**(100)**	7,444
Capitalized costs	**(1,253)**	(1,593)	**(256)**	(4,456)
General and administrative expenses, net	**5,595**	8,414	**19,075**	26,933

Gross general and administrative expenses decreased from $7.5 million for the three months ended September 30, 2014 to $5.8 million for the three months ended September 30, 2015, primarily as a result of employee and consulting services reductions associated with the suspension of operations at the Saleski pilot. A small complement of employees and consultants remain to steward and operate the business.

During the third quarter of 2015, David Safari, Vice President Facilities, announced his resignation effective August 14, 2015. Subsequent to third quarter 2015, and effective November 12, 2015, Jim Hand, Chief Operating Officer and Senior Vice President Operations, announced his resignation from the Company.

The $4.5 million decrease in gross general and administrative expenses for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 is primarily the result of the suspension of performance-based bonus programs in late 2014 and reductions in employees and consulting services, partially offset by employee severance of $3.1 million.

Laricina's share-based compensation consisted 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.

As a result of the reduction in the number of employees, there was a decrease in share-based payments for the three and nine months ended September 30, 2015 as compared to the three and nine months ended September 30, 2014 due to the forfeitures of unvested stock options and PSUs. During the first nine months of 2015, various measures were taken by Laricina to further reduce its costs, including the reduction of employees and consulting services. Employee salary increases and performance bonus programs have been suspended for all of 2015 and the Company has eliminated the majority of discretionary spending. The Court order under the CCAA proceedings on April 22, 2015 approved the use of a key employee retention plan (the **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 September 30, 2015, the Company has paid $0.8 million of the KERP and has accrued a further $0.8 million. Of these amounts, $0.3 million and $0.1 million, respectively, has been classified to operating expenses.

Depreciation and amortization

Depreciation and amortization decreased during the three and nine months ended September 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. The Company ceased depreciation of the Saleski pilot beginning in fourth quarter 2015 as a result of the suspension of operations during the third quarter of 2015.

Impairment loss

At September 30, 2015, the Company identified indications of impairment for all cash generating units (**CGUs**) due to declining commodity prices, reduced availability of financing and the expectation that such availability may not improve in the near term. During the three month and nine month periods ended September 30, 2015, the Company recorded an impairment loss of $330.4 million. This impairment is comprised of $58.4 million, $251.0 million, $6.0 million and $15.0 million related to the Saleski CGU, Germain CGU, Burnt Lakes CGU and Other CGU, respectively. This resulted in $300.2 million of impairment related to E&E assets and $30.2 million related to intangible assets.

For purposes of determining whether impairment of E&E assets, property, plant and pquipment and intangible assets exists, management exercises their judgement in estimating the fair value less costs to dispose (**FVLCD**).

Finance income

Finance income consisted of interest earned on cash and short-term investments.

Beginning in the second quarter of 2015, finance income also included accrued interest of $2.9 million relating to reimbursement of expenditures associated with the UDSR claims. The lower finance income for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 is a result of a decrease in the cash and short-term investments balances in 2015. Higher finance income for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 is a result of the accrued interest on the UDSR claim in the second quarter of 2015, partially offset by lower interest earned on cash and short-term investments during the 2015 period.

Finance expenses

Finance expenses consisted of interest and amortization of debt issue costs on the Notes, change in fair value of the Consent Fee Warrants and Note Repayment Warrants, accretion of the site restoration provision and the liability component of the Amended Notes. Refer to note 9 to the interim financial statements for a detailed composition of the finance expenses.

Finance expenses for the three months ended September 30, 2015 compared to the same period in 2014 were relatively flat. The third quarter of 2015 included accretion of the liability component of the Amended Notes and an increase in the interest rate on the Notes. These increases were partially offset by a reduction in the principal amount of Notes outstanding and no debt issue costs amortization. The Company continues to pay interest while under the CCAA. Due to a provision in the Settlement Agreement, Laricina resumed issuing PIK Notes in lieu of cash interest payments effective July 23, 2015.

Finance expenses increased to $16.3 million during the nine months ended September 30, 2015 from $12.3 million during the nine months ended September 30, 2014 primarily as a result of the accretion of the liability component of the Amended Notes, recognizing three full quarters of interest and a 200 basis point increase in interest rates effective January 1, 2015, partially offset by no amortization on the debt issue costs for the nine months ended September 30, 2015. Finance expenses in 2014 included the amortization of the debt issue costs associated with the senior secured notes and such remaining costs were written off at December 31, 2014 as a result of the covenant defaults.

Loss on substantial modification of senior secured notes

During the quarter ended September 30, 2015, the Company recorded a loss on the substantial modification of the Notes of $118.4 million. As a result of the Court approval of the Settlement Agreement on August 5, 2015, the terms of the Indenture were substantially modified as discussed earlier including the addition of the Note Conversion feature. The substantial modification of the terms resulted in the application of extinguishment accounting causing the derecognition of the existing Notes, and recognition of the liability and an equity components of the Amended Notes, Consent Fee Warrants, and Repayment Fee Warrants at fair value with the difference being the loss on substantial modification of the Notes.

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 expenses.

Reorganization expenses of $1.8 million and $8.4 million incurred during the three and nine month periods ended September 30, 2015, respectively, were comprised of legal fees, monitoring costs, and professional advisory fees associated with the CCAA proceedings. The reorganization expenses include the Noteholder's costs pursuant to a requirement in the Indenture to reimburse reasonable costs of the Noteholder.

Income taxes

Due to the material uncertainty associated with the probability of generating future taxable profits, the Company did not record a deferred income tax recovery for the three and nine month periods ended September 30, 2015, as compared to $7.5 million and $23.0 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 10.0 percent to 12.0 percent.

Net loss

Net loss increased for the three and nine months ended September 30, 2015 relative to the corresponding periods in 2014 primarily a result of an impairment loss of $330.4 million, a loss on substantial modification of the Notes of $118.4 million under the Settlement Agreement, increased finance expense for accretion of the liability component of the Amended Notes, lower other income

due to a decrease of third-party camp usage, reduced bitumen blend sales revenue, the costs of suspending operations, severance costs associated with the employee reductions during 2015, reorganization costs incurred under the CCAA and no deferred income tax recovery. These increases were partially offset by lower transportation and blending expenses, operating expenses and depreciation and amortization as a result of suspending operations at the Germain CDP in the first quarter of 2015 and the Saleski pilot in September 2015. In addition, general and administrative expenses were lower as a consequence of employee and consulting services reductions.

Capital Investment

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2015	2014	**2015**	2014
Exploration and evaluation assets:				
Saleski	**344**	5,125	**2,340**	18,694
Germain	**-**	1,879	**-**	13,990
Other	**47**	599	**(7,842)**	935
Cash expenditures on E&E	**391**	7,603	**(5,502)**	33,619
Cash expenditures on PP&E	**3**	312	**91**	946
Cash expenditures on capitalized general and administrative expenses	**-**	1,228	**491**	3,404
Total cash capital expenditures	**394**	9,143	**(4,920)**	37,969
Non-cash capital expenditures[1]	**1,994**	2,233	**680**	10,381
Total capital expenditures	**2,388**	11,376	**(4,240)**	48,350

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

Saleski

During the third quarter of 2015, the Company suspended operations at the Saleski pilot to further conserve capital. There was minimal capital activity in the third quarter of 2015 and a reclassification of certain capital amounts associated with Saleski Phase 1 which had previously been expensed as part of wind down costs. The capital expenditures for the nine months ended September 30, 2015 primarily consisted of the 80.0 percent completion of detailed engineering and design for Saleski Phase 1. As determined in the first quarter of 2015, further development of Saleski Phase 1 has been deferred until financing is available. These expenditures were partially offset by the Company's recognition of the refundable portion of the Alberta tax credit for the 2010 and 2011 Scientific Research and Experimental Development (**SR&ED**) claims. Of the $0.8 million refundable portion, $0.6 million is applicable to capitalized amounts. Development activities during the nine month period ended September 30, 2014 consisted of drilling of an additional D-zone well at the Saleski pilot and the continued advancement of Saleski Phase 1.

Exploration expenditures at Saleski for the nine months ended 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

The Company suspended operations at the Germain CDP during the first quarter of 2015 and, as a result, there were no capital expenditures at Germain during the first nine months of 2015. For the nine months ended September 30, 2014, capital expenditures at Germain consisted of the construction of a solvent recovery unit at the Germain CDP and the continued ramp-up of the Germain facility through the continued conversion of well-pairs to production.

There were no exploration activities in 2015. In the first nine months of 2014, exploration activities at Germain consisted of the acquisition of 1.6 square-km of 4-D seismic at Germain and one exploration well drilled.

Other

The recovery in other E&E assets during the nine months ended September 30, 2015 is primarily a result of a $7.8 million claim filed with the Government of Alberta in relation to the UDSR during the second quarter of 2015, as previously described.

Other E&E capital expenditures during the first nine months of 2014 primarily consisted of work completed in relation to the continued planning and maintenance of Laricina’s oil sand leases.

Property, plant and equipment

Property, plant and equipment additions during the first nine 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 expenses consisted of costs directly related to project exploration and development activities. During the first quarter of 2015, the Company discontinued the capitalization of general and administrative costs due to the deferral of Saleski Phase 1 development.

Non-cash capital expenditures

Non-cash capital expenditures for the first nine months 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 nine months 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 relative to the Germain CDP on January 1, 2015 as the recoverable amount of the Germain cash generating unit approximates its carrying value. At the Saleski pilot, the Company ceased recapitalization on September 1, 2015 coinciding with the commencement of the suspension of operations. During the nine month period ended September 30, 2015, $5.5 million was recapitalized for certain components of the Saleski pilot. For the nine month period ended September 30, 2014, $17.6 million was recapitalized for certain components of the Saleski pilot and the Germain CDP. An impairment loss of $30.2 million of intangible assets (related to the recapitalization of certain components of the Saleski pilot) was recognized at September 30, 2015.

Selected quarterly information

(thousands of dollars, except per share amounts)	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Working capital (deficiency)	**(56,341)**	(30,414)	(27,370)	3,899	192,657	218,508	252,215	143,255
Cash capital expenditures (recovery)	**394**	(8,194)	2,880	7,824	9,143	12,253	16,573	28,713
Bitumen blend sales	**791**	1,952	1,797	5,702	7,713	6,880	3,777	1,235
Finance income	**273**	3,165	545	746	758	889	542	671
Other income	**2,699**	1,579	1,827	4,124	3,110	1,396	5,329	3,597
Net loss	**464,293**	15,453	37,692	284,353	25,236	27,339	22,938	12,267
Net loss per share - basic and diluted	**$ 6.65**	$ 0.22	$ 0.54	$ 4.08	$ 0.36	$ 0.40	$ 0.34	$ 0.18

As a result of the Company filing for creditor protection under the CCAA during the first quarter of 2015, a portion of the liabilities were classified as subject to compromise and are disclosed in note 1 to the interim financial statements. At December 31, 2014 and all fiscal quarters subsequent, the Company did not meet the minimum average daily bitumen production volume covenants. Due to the production volume covenant defaults, the Notes and the Acceleration Payment amount 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.

Cash capital expenditures were minimal during the third quarter of 2015 due to the Company's efforts to conserve capital. The net cash capital recovery for the second quarter of 2015 reflects the claim filed with the Government of Alberta for the reimbursement of costs for the Conn Creek and Poplar Creek areas affected by the UDSR and the refundable portion of the 2010 and 2011 Alberta SR&ED claims. Capital expenditures throughout 2014 and for the first quarter of 2015 for Saleski primarily consisted of the detailed engineering and design of the 10,700 barrels per day Phase 1 facility before further development activity was suspended. Throughout 2014, capital expenditures at Germain were primarily for the fabrication, construction and commissioning of the Germain CDP.

The Company suspended operations at the Germain CDP and at the Saleski pilot during the first and third quarter of 2015, respectively. As a result, bitumen blend sales revenue declined relative to previous periods. The decline in bitumen blend sales revenue began in the fourth quarter of 2014 resulting from a decrease in the average realized sales price per barrel of bitumen blend. The increase in the first quarter of 2014 was a result of the initial bitumen blend sales associated with 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 fluctuated when the facilities were operating.

Finance income has been decreasing since the third quarter of 2014 as a result of decreases in the average funds on deposit. In the second quarter of 2015, accrued interest associated with the UDSR claim was recorded.

Other income consisted 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 these facilities.

The net loss in the third quarter of 2015 increased primarily as a result of the impairment loss, loss on substantial modification of the Notes under the Settlement Agreement, increased finance expense associated with accretion of the Amended Notes, and the following activities which began in the first quarter of 2015: deferred income tax recoveries no longer being recognized, additional costs incurred relative to reorganization activities and a 200 basis points interest rate increase associated with the Notes. The net loss in the second quarter of 2015 was lower 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 expenses related to the reduction of employees and consulting services. The same explanations also partially offset the increases impacting the net loss in the third quarter of 2015. In the fourth quarter of 2014, the Company recorded an impairment loss of $195.2 million related to the Germain 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 September 30, 2015, Laricina had a capital resource deficiency of $56.3 million.

Cash, restricted cash and short-term investments	69,920
Non-cash working capital	(126,261)
Capital resources deficiency	**(56,341)**

The 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.

As previously described, the Company has been granted creditor protection under the CCAA, a Settlement Agreement with the Noteholder has been reached and a claims process for unsecured claims approved by the Court.

To date in 2015, the Company has suspended operations at the Germain CDP and the Saleski pilot, deferred further development of Saleski Phase 1, significantly reduced the number of field and head office employees and consulting services, recorded a non-cash impairment loss of $330.4 million and a loss on the substantial modification of the Notes of $118.4 million.

Laricina believes that subject to the pending settlement of a substantial portion of its indebtedness without compromise to the unsecured creditors, an agreement with the Noteholder in relation to any remaining Notes and the size of its cash and short-term investments will position the Company to have the ability to discharge its trade payables, accrued current liabilities and commitments for the remainder of 2015 and 2016.

As a result of the above analysis, Laricina believes the going concern assumption is valid but acknowledges there is material uncertainty which casts significant doubt upon the Company’s ability to continue as a going concern.

Cash and short-term investments

The Company’s cash is held in a business operating account with a major Canadian chartered 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 with interest rates ranging from 0.7 percent to 1.1 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 currently bears interest at 13.5 percent payable quarterly. The Notes are subject to certain financial and operational covenants which are described in note 7 of the accompanying notes to the financial statements as at and for the nine months ended September 30, 2015. As previously described, the Settlement Agreement establishes the basis for the substantial repayment of the Notes. 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

At September 30, 2015, Laricina had a demand credit facility of $10.0 million with a major Canadian chartered bank. 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 $6.6 million under this credit facility and no cash amount had been drawn.

The Company’s letters of credit are to suppliers of utilities to support the development and re-start at both Saleski and Germain. The letters of credit of $5.7 million, $0.3 million, $0.3 million and $0.3

million are expected to be renewed on July 31, 2016, August 31, 2016, 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.

Contractual obligations

At November 18, 2015, the Company had the following cash-settled contractual obligations:

	2015	2016	2017	2018	2019	Thereafter	Total
Interest payments on Notes [1]	-	3,848	3,848	1,162	-	-	8,858
Repayment of Notes [2] [3]	95,407	-	-	28,471	-	-	123,878
Repayment of payment-in-kind notes	3,964	-	-	-	-	-	3,964
Operating leases	305	631	233	21	-	-	1,190
Other contractual obligations	1,466	7,005	2,385	2,936	2,940	17,426	34,158
Total contractual obligations	**101,142**	**11,484**	**6,466**	**32,590**	**2,940**	**17,426**	**172,048**

[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 $28.5 million if the net proceeds of certain anticipated receivables or additional transactions are applied.

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

2015 Outlook

At November 18, 2015, the Company has cash, cash equivalents and short-term investments of $64.4 million which is sufficient liquidity for the extended stay period until and including December 11, 2015 under the Company's CCAA proceedings.

The Saleski pilot production wells were shut-in on August 31, 2015 and suspension and mothball activities were initiated immediately after production was stopped. Completion of the plant suspension occurred mid-September, well ahead of schedule and under budget by approximately $1.0 million. The plant equipment, vessels, tanks and piping have been cleaned and preserved to ensure the integrity and value of the plant are not compromised. The wells and infrastructure have also been suspended in a manner to enable a quick and effective re-start of the pilot. Concurrent with the suspension of the pilot further staff reductions occurred throughout September and October in both the field and head office resulting in a current staff level of 24 employees supported by additional third-party consultants.

The final well and plant suspension activities remaining for the Germain CDP were concluded concurrent with the Saleski pilot operations to take advantage of efficiencies and reduce cost.

Daily checks at the Saleski pilot and Germain CDP will be completed by a small team including third-party contractors to ensure the integrity of each plant is maintained. Laricina will continue to operate the Chip Lake road and other infrastructure in place.

In late October, Laricina mailed the exempt *pro rata* private placement offering information letter to shareholders and in early November 2015 mailed the subscription details notice in connection with the Offering of common shares to shareholders for gross proceeds of approximately $84.4 million. Shareholders have until 4:00 p.m. (Calgary time) on November 27, 2015 to exercise their subscription entitlements unless extended by Laricina. If the subscription deadline is extended, the Company will issue an information release, a copy of which will be available on Laricina's website at www.laricinaenergy.com. Shareholders should monitor the website for further communications in this regard.

Pursuant to the Settlement Agreement, the proceeds of the Offering will be used to repay any portion of the Notes prior to conversion of certain of any remaining Notes into common shares by the Noteholder. If the Offering is fully subscribed, the indebtedness owing to the Noteholder will be significantly repaid. Closing of the Settlement Agreement is expected to occur in late November but may be extended in certain circumstances as set out in the Settlement Agreement.

It is expected that the Company's remaining operations will continue in the ordinary course with obligations to employees and suppliers of goods and services that are not otherwise stayed until December 11, 2015 will continue to be met on an ongoing basis, subject to the oversight of the Monitor. Laricina does not intend to propose any plan of arrangement or compromise to its creditors. The Company is completing the process for determination of all unsecured claims against it so that all such claims will be paid or provided for, and no other claims will survive against the Company following termination of its CCAA proceedings. Laricina expects to request a short further stay extension to provide sufficient time to complete the Settlement Agreement and claims determination process at which time the Company expects to apply to the Court for termination of its CCAA proceedings before year-end and, to the extent that any proceedings regarding claims by or against Laricina are ongoing, they will continue on the timetables set by the Court until they are concluded.

The future business plan of the Company will essentially be to hibernate the assets with a small complement of employees and third-party consultants with a view to preserving value until the capital markets become receptive to junior oil sands investment and funding sources sufficient to allow the re-start of operations are secured. In accordance with the Settlement Agreement the ongoing business of Laricina will be overseen by a new board of directors and subject to revisions to that plan as may be made by the new board and management team.

Outstanding Share Data

At November 18, 2015, share capital consisted of the following:

(thousands of shares)	
Common shares	70,122
Stock options	841
Performance share units	523
Warrants	3,750
Total	**75,236**

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

As part of the Settlement Agreement, the outstanding warrants will be cancelled and will be replaced with either the Consent Fee Warrants or the Note Repayment Warrants as described in note 1 to the interim financial statements.

Non-GAAP 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-GAAP 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, judgment and accounting policies are described in notes 3 and 4, respectively, of the Company's annual financial statements as at the year ended December 31, 2014. The Company has consistently applied the same estimates, judgment and policies throughout all periods presented, except for the estimates, judgment and policies used as at August 5, 2015 to measure and account for the fair value of the Amended Notes, Note Conversion feature and the Consent Fee Warrants or Note Repayment Warrants to be issued, as described in the interim financial statements for the nine month period ended September 30, 2015 in the note 3.

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 10.0 percent to 12.0 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 November 18, 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	**September 30 2015**	December 31 2014
Assets			
Current assets			
Cash	8	**57,993**	113,902
Restricted cash	1,8	**11,877**	15,000
Short-term investments		**50**	51,000
Trade and other receivables		**19,473**	8,299
Prepaid expenses and deposits	4	**2,681**	1,127
Inventories	5	**-**	5,300
		92,074	194,628
Non-current assets			
Exploration and evaluation assets	5,6	**553,753**	870,700
Property, plant and equipment	6	**72,686**	76,832
Intangible assets	6	**10,633**	35,765
		637,072	983,297
Total assets		**729,146**	1,177,925
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**7,584**	18,638
Senior secured notes and payment-in-kind notes	1,7	**-**	172,091
Liabilities subject to compromise	1,3,7	**140,831**	-
		148,415	190,729
Non-current liabilities			
Site restoration provision		**47,441**	45,755
Total liabilities		**195,856**	236,484
Shareholders' equity			
Share capital	10	**1,350,666**	1,342,679
Contributed surplus		**49,842**	57,926
Equity component of notes	3,7	**109,384**	-
Deficit		**(976,602)**	(459,164)
Total shareholders' equity		**533,290**	941,441
Total liabilities and shareholders' equity		**729,146**	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 per share amounts)*	Note	Three Months Ended September 30 **2015**	Three Months Ended September 30 2014	Nine Months Ended September 30 **2015**	Nine Months Ended September 30 2014
Revenue					
Bitumen blend sales		**791**	7,713	**4,540**	18,370
Royalties		**(15)**	(312)	**(49)**	(700)
Net operating revenue		**776**	7,401	**4,491**	17,670
Other income		**2,699**	3,110	**6,105**	9,835
		3,475	10,511	**10,596**	27,505
Expenses					
Transportation and blending		**586**	3,903	**3,365**	9,597
Operating	11	**2,373**	17,654	**19,982**	54,915
Pre-exploration		**50**	50	**143**	150
General and administrative		**5,595**	8,414	**19,075**	26,933
Depreciation and amortization	5	**3,298**	8,302	**15,986**	24,278
Impairment loss	6	**330,396**	-	**330,396**	-
		342,298	38,323	**388,947**	115,873
Loss from operating activities		**(338,823)**	(27,812)	**(378,351)**	(88,368)
Finance income		**273**	758	**3,983**	2,189
Finance expenses	9	**(5,587)**	(5,674)	**(16,341)**	(12,314)
Loss on substantial modification of notes	7	**(118,353)**	-	**(118,353)**	-
Net finance expenses		**(123,667)**	(4,916)	**(130,711)**	(10,125)
Reorganization expenses	4	**(1,803)**	-	**(8,376)**	-
Loss before income tax		**(464,293)**	(32,728)	**(517,438)**	(98,493)
Deferred income tax recovery		**-**	(7,492)	**-**	(22,980)
Total loss and comprehensive loss		**(464,293)**	(25,236)	**(517,438)**	(75,513)
Loss per common share	12				
Basic		**$ 6.65**	$ 0.36	**$ 7.42**	$ 1.10
Diluted		**$ 6.65**	$ 0.36	**$ 7.42**	$ 1.10

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**	**Equity Component of Notes**	**Deficit**	**Total Equity**
Balance at December 31, 2013	1,337,048	38,201	-	(99,298)	1,275,951
Loss and comprehensive loss	-	-	-	(75,513)	(75,513)
Share-based payments	-	7,896	-	-	7,896
Warrants issued on financing	-	14,249	-	-	14,249
Performance share units exercised	2,385	(2,384)	-	-	1
Replacement options exercised	2,830	(2,738)	-	-	92
Balance at September 30, 2014	1,342,263	55,224	-	(174,811)	1,222,676
Loss and comprehensive loss	-	-	-	(284,353)	(284,353)
Share-based payments	-	3,118	-	-	3,118
Performance share units exercised	416	(416)	-	-	-
Balance at December 31, 2014	1,342,679	57,926	-	(459,164)	941,441
Loss and comprehensive loss	-	-	-	(517,438)	(517,438)
Equity component of notes (notes 3 and 7)	-	-	109,384		109,384
Share-based net recoveries	-	(101)	-	-	(101)
Performance share units exercised	7,987	(7,983)	-	-	4
Balance at September 30, 2015	**1,350,666**	**49,842**	**109,384**	**(976,602)**	**533,290**

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

Condensed Consolidated Statements of Cash Flows

Unaudited

For the nine months ended September 30 *(thousands of Canadian dollars)*	Note	**2015**	2014
Cash flows from operating activities			
Loss and comprehensive loss		**(517,438)**	(75,513)
Adjustments for:			
Depreciation and amortization	5	**15,986**	24,278
Equity-settled share-based payments	10	**135**	6,392
Impairment loss on exploration and evaluation assets and intangible assets	6	**330,396**	-
Loss on substantial modification of notes	3	**118,353**	-
Accretion	9	**770**	1,509
Non-cash finance expenses	9	**2,753**	9,293
Deferred income tax recovery		**-**	(22,980)
		(49,045)	(57,021)
Net change in non-cash operating working capital	13	**(299)**	(3,805)
Net cash used in operating activities		**(49,344)**	(60,826)
Cash flows from investing activities			
Property, plant and equipment and exploration and evaluation assets:			
Expenditures		**(3,444)**	(38,930)
Recovery	5	**8,364**	-
Proceeds from the disposal of exploration and evaluation assets		**-**	961
Change in restricted cash	1,8	**3,123**	-
Short-term investments		**50,950**	(17,000)
Abandonment deposits		**-**	(7)
Net change in non-cash investing working capital	13	**(17,635)**	(3,810)
Net cash provided by (used in) investing activities		**41,358**	(58,786)
Cash flows from financing activities			
Payment on notes	1,7	**(47,927)**	-
Proceeds from the issuance of senior secured notes and warrants		**-**	143,853
Proceeds from the issuance of common shares		**4**	93
Finance lease obligation		**-**	(1,687)
Net change in non-cash financing working capital	13	**-**	7
Net cash provided by (used in) financing activities		**(47,923)**	142,266
Net increase (decrease) in cash		**(55,909)**	22,654
Cash, beginning of period		**113,902**	98,066
Cash, end of period		**57,993**	120,720

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 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 notes (the **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. For all fiscal quarters subsequent, the Company has not met the minimum average daily bitumen production volume and continues to be in breach of the minimum working capital covenant.

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 and have a receiver sell Laricina's assets. This application 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 were 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 the most recent Court order dated August 5, 2015.

In connection with the commencement of creditor protection under the CCAA, Laricina 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 September 30, 2015, the liabilities subject to compromise by the CCAA proceedings were comprised of the following:

Amended Notes (note 7)	116,341
Payment-in-kind notes (note 7)	1,620
Provision for acceleration payment (note 7)	9,741
Issuable warrants	8,185
Accounts payable and accrued liabilities	4,944
Total liabilities subject to compromise	**140,831**

Status

On April 1, 2015, the Company made a payment to the Noteholder of $20.0 million in accordance with the Initial Order.

On June 28, 2015, Laricina and the Noteholder agreed upon a non-binding term sheet setting out the terms of settlement relating to the repayment of the outstanding indebtedness to the Noteholder. That term sheet resulted in the parties entering into the binding settlement agreement (the **Settlement Agreement**) on July 20, 2015, and the Court, in the Company's CCAA proceedings, approved that Settlement Agreement on August 5, 2015. The June 28, 2015 non-binding term sheet also led to a hearing on July 22, 2015 to seek approval for a claims process, a second cash repayment to the Noteholder and commencement of a marketing process (the **Marketing Process**) designed to solicit a broad range of transaction alternatives. On July 24, 2015, Laricina paid the second cash payment of $31.4 million to the Noteholder which was applied first to accrued and unpaid interest, then to the reimbursement of reasonable expenses pursuant to the Indenture, and finally as a partial repayment of principal outstanding under the Notes.

The Settlement Agreement establishes the basis for the repayment in full of the Noteholder, (a **Note Repayment Transaction**), subject to the results of the Marketing Process. As part of the arrangement, the Company negotiated two important provisions, namely:

- *Go Shop* – Laricina has the right to market its assets with a view to identifying a transaction or transactions with third parties which would enable it to repay the Notes; and

- *Fiduciary Out* – If Laricina can enter into such a transaction or transactions at any time prior to or on the Effective Date, where the Notes shall be repaid in full no later than January 5, 2016 inclusive of a 3.0 percent premium of the principal amount then outstanding, the Company can terminate the Settlement Agreement and pursue such other transaction and repay the Notes.

In the case where repayment of the Notes in full is not achieved, the Settlement Agreement provides for the recapitalization of the Company (the **Settlement Transaction**). A third important provision negotiated by the Company in relation to shareholder participation then applies and is described further below.

The Settlement Transaction sets out the substantial repayment of the Notes and reasonable expenses owing to the Noteholder through a combination of existing cash and upon receipt of certain receivables (the **Anticipated Receivables**), proceeds from any potential transactions resulting from the Marketing Process (**Additional Transactions**), proceeds of a *pro rata* equity private placement (the **Offering**) to Laricina's shareholders (described further below) and approximately $30.0 million of the Notes continuing (the **Continuing Notes**) with any remaining Notes principal being converted to common shares by the Noteholder (the **Note Conversion**). The Offering and the Note Conversion are to 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. Furthermore, shareholders have an opportunity to subscribe for additional shares that are not subscribed by other shareholders. The Note Conversion backstops the Offering.

The balance of the Settlement Transaction contemplated under the Settlement Agreement will be effected as follows with closing to occur on or prior to November 30, 2015 or such later date as Laricina may request and to which the Noteholder may consent, which consent shall not be unreasonably withheld, provided that in no event shall such date be later than January 5, 2016 (the **Effective Date**):

- Net proceeds of remaining Anticipated Receivables and any funds from any Additional Transactionswill be paid to the Noteholder, as received, and allocated to principal repayment. In that regard, on August 20, 2015, the Company forwarded $1.2 million of Anticipated Receivables proceeds that had been received and were then due to the Noteholder under the terms of the Settlement Agreement to further reduce the Initial Notes principal. Of the restricted cash at September 30, 2015, $1.9 million reflects proceeds received in respect of certain other Anticipated Receivables. This amount was remitted to the Noteholder on October 1, 2015 in accordance with the terms of the Settlement Agreement in full repayment of the PIK Notes then outstanding of $1.6 million with the residual balance applied to the Initial Notes principal;
- A principal repayment of $8.7 million (subject to certain adjustments) on the Effective Date;
- A principal repayment of $3.4 million (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;
- Approximately $30.0 million of the principal amount of the Continuing Notes (less 50.0 percent of net proceeds of certain outstanding receivables if they are received before the mailing date of the Offering subscription notice or 100.0 percent of net proceeds if received thereafter which are to be paid to the Noteholder upon their receipt, and if completed, any funds from certain Additional Transactions) will remain outstanding and continue to be governed by the Indenture which will be amended on closing (the **First Supplemental Indenture**) and will bear an interest rate of 13.5

percent per year, of which interest will be paid through the issuance of PIK Notes until the maturity date of such remaining Notes on March 20, 2018; and

- All of the remaining amount of the Notes, accrued interest until the Effective Date and certain expenses, less the aggregate proceeds of the Offering which will be paid to the Noteholder upon their receipt, will be converted to preferred shares at a price of $0.12 per preferred share, which in turn will immediately convert into common shares on a one-for-one basis. Under the terms of the Settlement Agreement, the Noteholder, together with its affiliates, may not hold in excess of 89.0 percent of the common shares of Laricina on a fully diluted basis. If upon conversion the Noteholder and its affiliates would hold more than 89.0 percent of the equity of Laricina on a fully diluted basis, the portion of the Notes to be converted that would result in equity holdings in excess of that percentage will remain outstanding post-closing and be added to the Continuing Notes.

The number of common shares issued to the Noteholder pursuant to the Note Conversion will depend upon: (i) whether any transaction is completed under the Marketing Process and the proceeds thereto; (ii) the total proceeds received pursuant to the Offering; and (iii) be subject to the aforementioned 89.0 percent restriction on ownership. 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 will be highly dilutive to existing shareholders. If the Settlement Transaction closes and the Noteholder holds a significant equity interest by virtue of the Note Conversion, the newly-constituted board of directors of Laricina may change management and/or the business plan at that time. Details in respect of the Offering were mailed to shareholders on October 23, 2015 in an Information Letter dated October 21, 2015 and the Offering subscription notice and related documentation on November 9, 2015.

Under the Settlement Agreement, Laricina agreed that on the Effective Date, the new board of directors would consist of five directors. The Noteholder will be entitled to nominate for inclusion on any slate of directors recommended to shareholders: (a) three directors, so long as the Noteholder and its affiliates hold more than 50.0 percent of the outstanding common shares; (b) two directors, so long as the Noteholder and its affiliates hold at least 25.0 percent but not more than 50.0 percent of the outstanding common shares; or (c) one director, so long as the Noteholder and its affiliates hold more than 10.0 percent but not more than 25.0 percent of the outstanding common shares. The Noteholder currently holds a contractual right to nominate one director to the existing board of directors (the **Board**); however, this position is currently vacant and this nomination right will terminate on the Effective Date. Furthermore, 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.

Warrants under the Settlement Agreement

On closing of the Note Conversion and the Offering, the Noteholder is also entitled to warrants exercisable in the aggregate for that number of common shares that are equivalent to 5.0 percent of the common shares outstanding upon completion of the Offering and the Note Conversion, each such

warrant having an exercise price of $0.25 per warrant (as such exercise price would be adjusted pursuant to the anti-dilution provisions contained in the warrant certificate) and expiring on March 20, 2018 (the **Consent Fee Warrants**). For each warrant exercised, the Noteholder will receive one common share. The existing 3,750,000 warrants issued in March 2014 and held by the Noteholder will be surrendered and cancelled.

If a Note Repayment Transaction occurs where the Company is not sold in its entirety, Laricina shall issue warrants exercisable in the aggregate for that number of common shares that are equivalent to 2.5 percent of the outstanding common shares upon completion of a Note Repayment Transaction (the **Note Repayment Warrants**). Each such warrant shall have an exercise price of $0.25 per warrant (as such exercise price would be adjusted pursuant to the anti-dilution provisions contained in the warrant certificate) and the total in-the-money value of warrants issued shall not exceed $2.5 million. For each warrant exercised, the Noteholder will receive one common share. The existing 3,750,000 warrants held by the Noteholder will be then surrendered and cancelled.

If a Note Repayment Transaction occurs where the Company is sold in its entirety, Laricina is then required to pay a cash fee equal to the in-the-money value of the Note Repayment Warrants had such warrants been issued and outstanding immediately prior to entering the transaction (the **Note Repayment Warrant Fee**), such that it does not exceed $2.5 million. The existing 3,750,000 warrants held by the Noteholder will be then surrendered and cancelled.

Acceleration Payment Waiver
As a result of the demand for repayment of the Notes by the Noteholder on March 16, 2015, an acceleration payment amount (the **Acceleration Payment**) equivalent to 6.0 percent of the principal amount of the Notes then outstanding became immediately payable. A provision of $9.7 million was 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 the Company from its claim to the Acceleration Payment and withdraw its application to put Laricina into receivership.

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.

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 private development-stage oil sands company focused on the acquisition, development and commercialization of *in situ* hydrocarbon resources in Canada's Athabasca oil sands. The

Company's current focus is on completing a restructuring plan and obtaining financing to resume development of its oil sands properties and other activities. Two core development areas have been identified, Saleski and Germain. The Company has a 60.0 percent working interest in Saleski and a 100.0 percent working interest in Germain. As such, the Company earns limited bitumen blend sales revenue when its facilities are operating and is dependent upon equity issuances, debt financing, asset dispositions or joint arrangements with third parties to fund future operating and investing activities.

During 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 the third quarter of 2015, Laricina suspended operations at the Saleski pilot and recorded a non-cash impairment loss of $330.4 million. Concurrent with these events, staff and consulting services reductions occurred in an effort to reduce costs, safeguard Laricina's financial position and to protect the long-term value of its assets.

Laricina believes that subject to the pending settlement of a substantial portion of its indebtedness without compromise to the unsecured creditors, an agreement with the Noteholder in relation to any remaining Notes and the size of its cash and short-term investments will position the Company to have the ability to discharge its trade payables, accrued current liabilities and commitments for the remainder of 2015 and 2016.

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 Company has two wholly-owned subsidiaries, Laricina GP Holding Ltd. and 1276158 Alberta Inc.

3. Basis of Preparation

Statement of compliance

The condensed consolidated interim financial statements of the Company (and its wholly owned subsidiaries) as at September 30, 2015 and for the three and nine month periods ended September 30, 2015 and 2014 (**interim financial statements**) have been prepared by management in accordance with International Accounting Standards (**IAS**) 34 *Interim Financial Reporting* and International Financial Reporting Standards (**IFRS**). The interim financial statements should be read in conjunction with the audited consolidated annual financial statements (**annual financial statements**) as at and for the year ended December 31, 2014 which were prepared in accordance with IFRS and are included in the Company's annual report for 2014.

Certain comparative figures have been reclassified to comply with the presentation adopted in the current period.

On November 18, 2015, these interim financial statements were approved for release to shareholders by the Board.

Significant accounting policies

Except as described below, the accounting policies applied by the Company in the interim financial statements are the same as those applied by the Company in the annual financial statements as at and for the year ended December 31, 2014.

The Company classified the Amended Notes (as defined in note 7 of these interim financial statements) arising from the Settlement Agreement as a liability with a portion of the total fair value allocated to equity representing the Note Conversion feature. If conversion occurs, a portion of debt and conversion feature components will be transferred to share capital. The liability component of the Amended Notes is carried at amortized cost and accretes over time using the effective interest method to the amount owing on maturity and such increases in the liability component are reflected as finance expense in the condensed consolidated statements of comprehensive loss.

Basis of measurement

The interim financial statements have been prepared on the historical basis, except for the liability classified Consent Fee Warrants and Note Repayment Warrants that are measured at fair value at the end of each reporting period with changes in fair value recognized as finance expense. Pursuant to the anti-dilution provisions contained in the warrant certificate, the warrant exercise price is subject to adjustment and as such entitles the Noteholder to a variable number of warrants. The inherent variability as to the number of warrants gives rise to the liability classification. Except as discussed below, the methods used to measure fair value are included in the Company's annual financial statements.

Cash is comprised of cash balances 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. Cash, restricted cash, short-term investments and trade and other receivables are classified as loans and receivables carried at amortized costs, while trade and other payables, PIK Notes and Acceleration Payment are classified as other financial liabilities carried at amortized costs. The fair values approximate their carrying value due to the short-term nature of these instruments.

The carrying value of the liability component of the Amended Notes approximates its fair value as at September 30, 2015 as the effective interest has not changed since August 5, 2015.

Functional and presentation currency

The 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 judgment for Laricina remains unchanged from those described in the Company's annual report for 2014, except for the estimates and judgment used to measure the fair value of the Amended Notes, Note Conversion feature, Consent Fee Warrants and Note Repayment Warrants as at August 5, 2015. The fair values of the Amended Notes, Note Conversion feature, Consent Fee Warrants and Note Repayment Warrants were measured at the present value of the expected payments discounted using a risk adjusted discount rate. The expected payments were determined by considering the possible scenarios of amounts to be paid under each scenario and the possibility of each scenario. The expected payments related to the Consent Fee Warrants and Note Repayment Warrants are also dependent on an estimate of the fair value of the Company's share price at the respective measurement date. The estimated timing, amounts and value of these payments are subject to judgment and they may differ from the actual payment.

4. Retainers and Reorganization Expenses

As at September 30, 2015, prepaid expenses and deposits included $0.4 million of retainers to professional advisors relating to the creditor protection proceedings as described in note 1.

Reorganization expenses of $1.8 million and $8.4 million incurred during the three and nine month periods ended September 30, 2015, respectively, were comprised of legal fees, monitoring costs, and professional advisory fees associated with the CCAA proceedings. The reorganization expenses include the Noteholder's costs pursuant to a requirement in the Indenture to reimburse the reasonable costs of the Noteholder.

5. Exploration and Evaluation Assets

Cost	
Balance at December 31, 2014	1,127,157
Additions	4,032
Transfer of inventory on September 30, 2015	4,398
Recoveries	(8,364)
Balance, September 30, 2015	**1,127,223**
Depreciation	
Balance, December 31, 2014	(256,457)
Depreciation	(16,823)
Impairment loss (note 6)	(300,190)
Balance, September 30, 2015	**(573,470)**
Carrying amounts	
As at December 31, 2014	870,700
As at September 30, 2015	**553,753**

At September 30, 2015, the Company evaluated the intended use of the inventory and determined it unlikely the inventory would be deployed within the next twelve months. Consequently, inventory critical to the re-start of operations at the Saleski pilot and Germain CDP were transferred from current assets to exploration and evaluation (**E&E**) assets.

On July 25, 2013, the Government of Alberta announced an Urban Development Sub-region (the **UDSR**) 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 Government of Alberta's intention to cancel these leases. The recoveries during the period ended September 30, 2015 included $7.8 million in claims the Government of Alberta has determined compensates for expenditures associated with acquisition and development of these mineral leases which are to be cancelled under the *Mines and Minerals Act*. In conjunction with the UDSR claims, the Company recorded $2.9 million of interest income related to these claims as at September 30, 2015. The cash payment for the claims and associated interest has not yet been received. Laricina is not aware of any valid reason for the delay in payment of its claim and has initiated legal action to expedite recovery.

In the second quarter of 2015, the Canada Revenue Agency approved the majority of the 2010 and 2011 Scientific Research and Experimental Development tax claims and, as a result, the Company recognized as a reduction to the exploration and evaluation assets the balance of the refundable portion of the Alberta tax credit of $0.6 million out of the total $0.8 million associated with these claims.

6. Impairment Loss

During the three and nine month periods ended September 30, 2015, the Company identified indications of impairment for all cash generating units (**CGUs**) due to declining commodity prices, reduced availability of financing, and the expectation that such availability may not improve in the near term. As a result, Laricina recorded an impairment loss of $330.4 million in third quarter 2015. The impairment loss is comprised of the following amounts related to each respective CGU:

CGU	E&E assets	Intangible assets	Total
Saleski	28,194	30,206	**58,400**
Germain	250,996	-	**250,996**
Burnt Lakes	6,000	-	**6,000**
Other	15,000	-	**15,000**
Impairment loss	**300,190**	**30,206**	**330,396**

For purposes of determining whether impairment of E&E assets, property, plant and pquipment and intangible assets exists, management exercises their judgement in estimating the fair value less costs to dispose.

The fair values less costs to dispose (**FVLCD**) were determined using transaction values related to prior land and resource sales of similar assets, stage of development and corporate liquidity and capital resources. Such transaction values with respect to resources sales were multiplied by the independently evaluated probable and best estimate of contingent resources for the CGUs. Fair value measurements are classified as one of three levels, which are described in note 4 of the annual financial statements. These FVLCD determinations are level 3 measures.

7. Initial Notes, Payment-in-Kind Notes and Amended Notes

	September 30 2015	December 31 2014
Initial notes	**-**	150,000
Initial notes re-measured at fair value (Amended Notes)	**116,341**	-
Payment-in-kind notes	**1,620**	12,350
Provision for acceleration payment	**9,741**	9,741
	127,702	172,091

Initial Notes and Payment-In-Kind Notes

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 Company is 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 and all fiscal quarters subsequent, the Company did not meet the minimum average daily bitumen production volume and the minimum working capital covenants. Upon an event of default, the Notes then 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. The Company was able to resume issuing PIK Notes effective July 23, 2015 due to a provision in the Settlement Agreement. At September 30, 2015, the Company has issued PIK Notes totaling $1.6 million.

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 an 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 was 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, will release the Company from the Acceleration Payment liability and will withdraw its application to put Laricina into receivership.

Amended Notes

As a result of the Court approval of the Settlement Agreement on August 5, 2015, the terms of the Indenture were substantially modified as discussed earlier in note 1 including the addition of the Note Conversion feature. The substantial modification of the terms resulted in the application of extinguishment accounting causing the derecognition of the existing Notes and recognition of the fair value of compound financial instrument comprising both a liability component of $113.8 million and an equity component of $109.4 million (collectively, the **Amended Notes**) as well as the liability classified Consent Fee Warrants and Note Repayment Warrants of $10.7 million.

Upon recognition of the fair value of the compound financial instrument, the Company determined the fair value of the liability component of the Notes on the basis of a similar stand-alone debt instrument without the Note Conversion feature. The amount allocated to the equity component was the residual amount after deducting the fair value of the liability component from the fair value of the entire Amended Notes. The equity component was recognized as the equity component of notes on the condensed consolidated statements of changes in equity.

The difference between the carrying amount of the Notes compared to the fair value of the liability and equity components of the Amended Notes and Consent Fee Warrants and Note Repayment Warrants was recognized as a loss on substantial modification of the Notes of $118.4 million on the condensed consolidated statements of comprehensive loss.

The Indenture will be amended by the First Supplemental Indenture on the Effective Date of the Settlement Agreement as described in note 1.

Determination of fair values

The fair values of the entire Amended Notes, Consent Fee Warrants and Repayment Fee Warrants were classified as *Level 3* under the fair value hierarchy.

A 10 percent change in the fair value of the Company's share price would not have a material impact on the balance of liabilities subject to compromise as at September 30, 2015 or total loss and comprehensive loss for the three and nine-month periods ending September 30, 2015.

The Company recognizes transfers into and transfers out of the fair value hierarchy level as of the date of the event or change in circumstances that causes the transfer. There were no transfers between levels of the fair value hierarchy during the nine months period ended September 30, 2015 and the corresponding period in 2014.

8. Credit Facility

During the period ended September 30, 2015, Laricina reduced its demand credit facility held with a major Canadian chartered bank from $15.0 million to $10.0 million.

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 September 30, 2015, the Company had issued letters of credit totalling $6.6 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 November 18, 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 which has been reclassified as restricted cash on the condensed consolidated statements of financial position.

9. Finance Expenses

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

	Three Months Ended		**Nine Months Ended**	
	2015	2014	**2015**	2014
Interest on the notes	**4,193**	4,425	**14,438**	9,325
Accretion of site restoration obligation	**261**	500	**770**	1,509
Accretion of the Amended Notes	**3,684**	-	**3,684**	-
Re-measurement of warrants	**(2,551)**	-	**(2,551)**	-
Amortization of debt issuance costs	**-**	226	**-**	446
Amortization of equity-settled debt costs	**-**	523	**-**	1,034
	5,587	5,674	**16,341**	12,314

10. 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	354	7,987
Balance, September 30, 2015	**70,086**	**1,350,666**

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
Forfeited	(475)		28.29
Expired	(188)		32.50
Outstanding, September 30, 2015	**979**	**$**	**27.20**
Exercisable, September 30, 2015	**729**	**$**	**27.61**

For the three month period ended September 30, 2015, a compensation cost recovery of $0.4 million, comprised of $0.2 million of general and administrative expense reduction and $0.2 million net reversal of amounts previously capitalized to exploration and evaluation assets, has been recorded for stock options. Compensation cost recovery is due to a reversal of expense or capital cost amounts associated with previously granted but unvested options that have been forfeited during the period, net of compensation costs related to the vesting grants. For the corresponding period in 2014, a compensation cost of $0.1 million has been recorded for stock options that had been granted, net of forfeitures, comprised of $0.1 million of general and administrative expense and a nominal amount capitalized as part of exploration and evaluation assets.

For the nine month period ended September 30, 2015, a compensation cost recovery of $0.8 million, comprised of $0.2 million of general and administrative expense reduction and $0.6 million net reversal of amounts previously capitalized to exploration and evaluation assets, has been recorded for stock options. Compensation cost recovery is due to a reversal of expense or capital cost amounts

associated with previously granted but unvested options that have been forfeited during the period, net of compensation costs related to the vesting grants. For the corresponding period in 2014, a compensation cost of $0.8 million has been recorded for stock options that had been granted, net of forfeitures, comprised of $0.7 million of general and administrative expense and $0.1 million capitalized as part of exploration and evaluation assets.

The compensation cost recoveries, for the three and nine month period ended September 30, 2015, was partially offset by the compensation cost of $2.5 million, comprised of $1.7 million capitalized as part of exploration and evaluation assets and $0.8 million of general and administrative expense for expired options that were previously reversed in the prior year.

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	(354)		0.01
Forfeited	(555)		0.01
Expired	(1)		0.01
Outstanding, September 30, 2015	**748**	**$**	**0.01**
Exercisable, September 30, 2015	**274**	**$**	**0.01**

For the three month period ended September 30, 2015, a compensation cost recovery of $1.0 million, comprised of $0.8 million of general and administrative expense reduction and a $0.2 million net reversal of amounts previously capitalized to exploration and evaluation assets, has been recorded for PSUs. Compensation cost recovery is due to a reversal of expense or capital cost amounts associated with previously granted but unvested PSUs that have been forfeited during the period, net of compensation expense related to the vesting grants. For the corresponding period in 2014, a compensation cost of $2.5 million has been recorded for PSUs that had been granted, net of forfeitures, comprised of $2.4 million of general and administrative expense and $0.1 million capitalized as part of exploration and evaluation assets.

For the nine month period ended September 30, 2015, a compensation cost recovery of $1.9 million, comprised of $0.6 million of general and administrative expense reduction and a $1.3 million net reversal of amounts previously capitalized to exploration and evaluation assets, has been recorded. Compensation cost recovery is due to a reversal of expense or capital cost amounts associated with

previously granted but unvested PSUs that have been forfeited during the period, net of compensation expense related to the vesting grants. For the corresponding period in 2014, a compensation cost of $6.7 million has been recorded for PSUs that had been granted, net of forfeitures, comprised of $5.7 million of general and administrative expense and $1.0 million capitalized as part of exploration and evaluation assets.

Warrants

In conjunction with the issuance of the Initial Notes, the Company issued warrants 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, September 30, 2015	**3,750**	**$**	**18.00**
Exercisable, September 30, 2015	**3,750**	**$**	**18.00**

As described in note 1, upon the issuance of the Consent Fee Warrants or the Note Repayment Warrants, the existing 3,750,000 warrants held by the Noteholder will be surrendered and cancelled.

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, September 30, 2015	**-**	**$**	**-**

All SARs were granted to employees directly involved in field operations activities. For the three and nine month periods ended September 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 cost of $0.1 million and a recovery of $0.4 million, respectively, were recorded.

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

11. Operating Expenses

During the three month and nine month periods ended September 30, 2015, the Company received payments from insurers of $3.1 million and $5.1 million, respectively, which was offset against operating expenses. The Company was compensated for certain costs incurred and losses sustained in relation to a third-party natural gas pipeline break at the Germain CDP during fourth quarter of 2013.

12. Loss per Share

Basic loss and comprehensive loss per share

The calculation of basic loss and comprehensive loss per share for the three and nine month periods ended September 30, 2015 was based on the loss attributable to common shares of $464.3 million and $517.4 million ($25.2 million and $75.5 million in 2014), respectively, and the weighted average number of common shares outstanding during the corresponding periods. The weighted average number of common shares outstanding was calculated as follows:

	Three Months Ended September 30		**Nine Months Ended September 30**	
(thousands)	**2015**	2014	**2015**	2014
Issued number of common shares, beginning of period	**69,738**	69,695	**69,732**	67,762
Effect of performance share units exercised	**122**	2	**46**	59
Effect of replacement options exercised	**-**	-	**-**	1,037
Weighted average number of common shares, end of period (basic)	**69,860**	69,697	**69,778**	68,858

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 $6.65 and $7.42 for the three and nine month periods ended September 30, 2015, respectively, compared to a basic and diluted loss per share of $0.36 and $1.10 for the three and nine month periods ended September 30, 2014, respectively.

13. Supplemental Cash Flow Information

The following table reconciles the net changes in non-cash working capital as at September 30:

	2015	2014
Operating activities		
Trade and other receivables	**(1,768)**	(4,896)
Prepaid expenses and deposits	**(1,564)**	(1,616)
Inventories	**825**	(1,195)
Trade and other payables	**2,208**	3,902
Net change in non-cash working capital used in operating activities	**(299)**	(3,805)

Investing activities		
Trade and other receivables	**(9,405)**	3,366
Prepaid expenses and deposits	**110**	446
Inventories	**78**	(320)
Trade and other payables	**(8,418)**	(7,302)
Net change in non-cash working capital used in investing activities	**(17,635)**	(3,810)

Financing activities		
Trade and other payables	**-**	7
Net change in non-cash working capital provided by financing activities	**-**	7

The following table discloses the cash interest paid and cash interest received for the nine months ended September 30:

	2015	2014
Interest paid	**13,043**	-
Interest received	**1,024**	1,631

Corporate Information

Senior Management

Glen C. Schmidt
President and CEO

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

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