



TO: Holders (“Shareholders”) of common shares (“Common Shares”) of Laricina Energy Ltd. (“Laricina” or the “Corporation”)

RE: EXEMPT *PRO RATA* OFFERING TO EXISTING SHAREHOLDERS

Laricina intends to conduct an exempt *pro rata* offering of entitlements to acquire Common Shares by way of private placement at a price of \$0.12 per Common Share to existing Shareholders (the “**Offering**”). The Offering will provide Shareholders with the opportunity to participate in the recapitalization of the Corporation and enable them to maintain their *pro rata* equity interests in Laricina. Proceeds from the Offering will be applied to reduce the outstanding indebtedness owing to CPP Credit Investments Inc. (“**CPP Credit**”). If the Offering is fully subscribed, such indebtedness will be significantly repaid. Laricina intends to continue very limited operations under a revised scaled-back business plan with a view to maximizing long-term value for its Shareholders.

Given that the Corporation is subject to creditor protection under the *Companies’ Creditors Arrangement Act* (Canada) and is undertaking certain activities with approval of the Court of Queen’s Bench of Alberta to raise sufficient proceeds to repay a portion of the indebtedness owing to CPP Credit, the timing and size of the Offering will not be determined for a number of weeks. Accordingly, once those details are known, Laricina will send to all Shareholders a notice: (i) setting out the record date for determining the Shareholders entitled to participate in the Offering together with certain other details relating thereto; (ii) providing any supplemental information that is appropriate for Shareholders to receive in respect of developments between the date of this letter and the sending of such notice; (iii) inviting Shareholders to acquire their *pro rata* portion of the number of Common Shares to be issued under the Offering; and (iv) providing the subscription form and related documentation to be completed by Shareholders if they wish to participate in the Offering. It is currently anticipated that such notice (the “**Subscription Details Notice**”) will be sent to Shareholders in late October or early November of 2015.

Once the Subscription Details Notice is sent to Shareholders, the Offering period will commence and will continue until the subscription deadline set forth in that notice. This letter contains important information for Shareholders regarding the Offering, background to the Offering and the Corporation’s plan for moving its business forward.

Dated October 21, 2015

(Signed) “Brian Lemke”

Brian Lemke,
Chairman of the Board of Directors

(Signed) “Glen Schmidt”

Glen Schmidt,
President and Chief Executive Officer

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GLOSSARY

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c.-B.9, together with any or all regulations promulgated thereunder, as amended from time to time;

“**AER**” means the Alberta Energy Regulator;

“**Additional Subscription Privilege**” means the entitlement of each Holder to purchase additional Common Shares in excess of such Holder’s Basic Subscription Privilege, that are available as a result of other Holders not purchasing all of the Common Shares available to them under their Basic Subscription Privilege;

“**Additional Notes**” means any Notes (other than the Initial Notes) issued pursuant to the Indenture;

“**Basic Subscription Privilege**” means the entitlement of each Eligible Shareholder to acquire its *pro rata* portion of the Offered Shares calculated by multiplying the number of Offered Shares by the fraction determined by dividing the number of Common Shares held by such Shareholder on the Record Date by the Total Shares Outstanding, which Basic Subscription Privilege will be evidenced by Subscription Entitlement Certificates;

“**Beneficial Shareholders**” has the meaning set forth under the heading “*Details of the Offering – Advice to Beneficial Shareholders*”;

“**Board**” means the board of directors of Laricina;

“**broker**” has the meaning set forth under the heading “*Details of the Offering – Advice to Beneficial Shareholders*”;

“**business day**” means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta, on which the principal commercial banks in Calgary are open for banking business during normal banking hours;

“**C-SAGD**” means cyclic steam-assisted gravity drainage;

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada), R.S.C., 1985, c. C-36;

“**CNRL**” means Canadian Natural Resources Limited;

“**COGE Handbook**” has the meaning set forth in Note (1) to the table found under the heading “*Laricina Energy Ltd. – Business of the Corporation*”;

“**Common Shares**” means the common shares in the capital of the Corporation;

“**Consent Fee Warrants**” has the meaning set forth under the heading “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit*” – *Consent Fee Warrants*;

“**Conversion Amount**” has the meaning set forth under the heading “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit – Satisfaction of Remaining CPP Debt*”;

“**Corporation**” or “**Laricina**” means Laricina Energy Ltd., a corporation incorporated under the ABCA;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**CPP Credit**” means CPPIB Credit Investments Inc., a wholly-owned subsidiary of CPPIB;

“**CPP Debt**” means, at any time, all outstanding indebtedness under the Notes or otherwise (including related expenses) owing to CPP Credit;

“**CPP Equity**” means CPP Investment Board (USRE II) Inc., a wholly owned subsidiary of CPPIB, which is Laricina’s largest Shareholder as of the date of this letter;

“**CPPIB**” means Canada Pension Plan Investment Board;

“**CSS**” means cyclic steam stimulation;

“**Effective Date**” means the effective date of the transactions contemplated by the Settlement Agreement, anticipated to be on or around November 30, 2015, but in any event not later than January 5, 2016, (or such later date as CPP Credit and Laricina may agree);

“**Eligible Jurisdiction**” means each of the Provinces and Territories of Canada, those States in the United States where an exemption from applicable state and federal securities laws is immediately available and in Offshore Jurisdictions, and they are, collectively, the “**Eligible Jurisdictions**”;

“**Eligible Shareholder**” means a Shareholder on the Record Date with an address in an Eligible Jurisdiction who is entitled to rely upon an exemption from the prospectus requirements under applicable securities laws in connection with participating under the Offering;

“**Financing Alternatives Process**” has the meaning set forth under the heading “*Background to the Offering – Laricina’s Financing Initiatives Update*”;

“**Germain CDP**” has the meaning set forth under the heading “*Future Business of Laricina – Revised Business Plan*”;

“**GHG**” means greenhouse gas;

“**GLJ**” means GLJ Petroleum Consultants Ltd., Laricina’s independent reserves and resources evaluator;

“**GLJ Reports**” means engineering reserves and resource assessments prepared by GLJ on Laricina’s net land base;

“**Holder**” means the holder of a Subscription Entitlement Certificate, being either the Eligible Shareholder who received the certificate or a transferee who has acquired the certificate pursuant to exemptions under applicable securities laws;

“**Indenture**” means the trust indenture between Laricina, Laricina GP Holdings Ltd., 1276158 Alberta Ltd. and Equity Financial Trust Company dated March 20, 2014 governing the Notes and pursuant to which they were issued;

“**Initial Notes**” means the \$150,000,000 of 11.50% Senior Secured Notes due March 20, 2018 issued on March 20, 2014 under the terms of the Indenture;

“**Marketing Process**” has the meaning set forth under the heading “*Background to the Offering – Structuring of the Marketing Process*”;

“**NI 51-101**” means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

“**Note Conversion**” has the meaning set forth under the heading “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit – Satisfaction of Remaining CPP Debt*”;

“**Note Repayment Transaction**” has the meaning set forth under the heading “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit – Go Shop, Fiduciary Out, and Note Repayment Transaction*”;

“**Note Repayment Warrants**” has the meaning set forth under the heading “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit – Go Shop, Fiduciary Out, and Note Repayment Transaction*”;

“**Notes**” means collectively, the Initial Notes and the Additional Notes;

“**Offered Shares**” means the maximum number of Common Shares to be issued in connection with the Offering, provided that Laricina, in its sole discretion, may reduce the number of Offered Shares if it is able to source funds to repay the CPP Debt from the Marketing Process or otherwise;

“**Offering**” means the offering of Subscription Entitlements and Common Shares by way of private placement contemplated in this letter;

“**Offshore Jurisdictions**” all jurisdictions outside Canada and the United States, excluding any jurisdiction that (A) does not provide a prospectus exemption substantially similar to the exemptions provided in Canada, or (B) otherwise requires obtaining approvals of a regulatory authority in such jurisdiction or the filing of any document by Laricina in such jurisdiction in connection with the Offering;

“**Osler**” means, Osler, Hoskin & Harcourt LLP;

“**Osum**” has the meaning set forth under the heading “*Future Business of Laricina – Revised Business Plan*”;

“**PIK Notes**” has the meaning set forth under the heading “*Background to the Transaction – Overview of CPP Debt Outstanding*”;

“**Qualified Person**” means an individual or body corporate that is not an Eligible Shareholder and includes any transferee of an Eligible Shareholder’s Basic Subscription Privilege;

“**Qualifying Jurisdictions**” has the meaning set forth under the heading “*Statement as to Resale Restrictions*”;

“**Record Date**” means the date that will be designated as the record date for determining Shareholders entitled to participate in the Offering as will be set forth in the Subscription Details Notice sent to Shareholders, which date is expected to be 7 to 10 days prior to the date the Subscription Details Notice is sent to Shareholders;

“**SAGD**” means steam-assisted gravity drainage;

“**Saleski Pilot**” has the meaning set forth under the heading “*Future Business of Laricina – Revised Business Plan*”;

“**SC-SAGD**” means solvent cyclic steam-assisted gravity drainage;

“**SCO**” means synthetic crude oil;

“**SEC**” means the United States Securities and Exchange Commission;

“**Settlement Agreement**” means the definitive settlement agreement dated July 20, 2015 between Laricina, Laricina GP Holdings Ltd., 1276158 Alberta Ltd. and CPP Credit approved by the Court on August 5, 2015;

“**Settlement Transaction**” means the transaction effecting the substantial repayment of the CPP Debt using proceeds of the Offering, if any, and through the Note Conversion, all as contemplated in the Settlement Agreement. The Settlement Transaction is described in detail under the heading “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit*”;

“**SGER**” means Specified Gas Emitters Regulation;

“**Shareholder**” means a holder of Common Shares;

“**Shell**” means Shell Canada Limited;

“**SOR**” means steam to oil ratio;

“**Subscription Deadline**” means 4:00 p.m. (Calgary time) on the final date set forth in the Subscription Details Notice for submitting the completed Subscription Entitlement Certificate, such day and time being the deadline for Holders to submit to Osler completed Subscription Entitlement Certificates and payment in full of the applicable Subscription Price in order to participate in the Offering;

“**Subscription Details Notice**” means the notification to be sent by the Corporation to Shareholders setting out or confirming the Record Date, the Offered Shares, the Total Shares Outstanding and the Subscription Deadline and providing the Subscription Entitlement Certificate, which notice is expected to be sent to Shareholders in October or early November 2015;

“**Subscription Entitlement**” means an entitlement to subscribe for Common Shares as outlined herein;

“**Subscription Price**” means \$0.12 for each Common Share purchased under the Offering;

“**Subscription Entitlement Certificate**” means the certificate (including the subscription and transfer forms incorporated therein, the attachments thereto and the instructions accompanying same) sent to each Shareholder with the Subscription Details Notice evidencing the Shareholder’s Subscription Entitlement under the Basic Subscription Privilege;

“**Total Shares Outstanding**” means 70,086,113 Common Shares issued and outstanding as at October 1, 2015 or, in the event of a change to such number following the date hereof but prior to the Record Date, the number of issued and outstanding Common Shares of the Corporation to be used to determine the Basic Subscription Privilege which will be communicated to Shareholders in the Subscription Details Notice; and

“**Unsecured Creditors**” has the meaning set forth under the heading “*Claims Process and Termination of CCAA Proceedings*”.

Words importing the singular number also include the plural, and vice versa, and words importing any gender include all genders.

In this letter, all references to “\$” are to Canadian dollars.

POTENTIAL DILUTION

Shareholders who do not participate in the Offering will have their ownership interest in the Corporation substantially diluted as a result of: (i) the acquisition of Common Shares by other Shareholders or their permitted assigns and the conversion of any portion of the CPP Debt into equity; and (ii) the issuance of Consent Fee Warrants to CPP Credit in connection with the Settlement Transaction. Shareholders are encouraged to carefully review this letter so that they understand the implications of failing to participate.

OFFERING SUMMARY

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this letter and the exhibits hereto.

Record Date:	The record date set forth in the Subscription Details Notice that will be sent to all Shareholders.
Entitlement to Common Shares:	Each Shareholder on the Record Date who is an Eligible Shareholder will be entitled to acquire at least its <i>pro rata</i> portion of the Offered Shares.
Subscription Price:	\$0.12 per Common Share.
Minimum Proceeds:	There is no minimum amount of proceeds, and completion of the Offering is not conditional upon the Corporation receiving any minimum amount of subscriptions from Shareholders.
Total Shares Outstanding:	The Total Shares Outstanding are 70,086,113 Common Shares, and in the event of any change to such number between the date of this letter and the Record Date, such updated Total Shares Outstanding figure will be communicated to Shareholders in the Subscription Details Notice.
Offered Shares:	The number of Offered Shares to be issued by the Corporation in connection with the Offering shall be determined by the Corporation and communicated to Shareholders in the Subscription Details Notice. See “ <i>Details of the Offering – Offered Shares</i> ”.
Basic Subscription Privilege:	Each Eligible Shareholder shall be entitled to exercise its Basic Subscription Privilege and purchase its <i>pro rata</i> portion of the Offered Shares calculated by multiplying the number of Offered Shares by the fraction determined by dividing the number of Common Shares held by such Shareholder on the Record Date by the Total Shares Outstanding. Such calculation shall be computed by the Corporation, in its discretion, and shall be final and binding. See “ <i>Details of the Offering – Basic Subscription Privilege Amount</i> ” and “ <i>Basic Subscription Privilege Pro Rata Determination</i> ”.
Additional Subscription Privilege:	<p>Each Holder of a Subscription Entitlement Certificate who subscribes for the maximum number of Common Shares under the Holder’s Basic Subscription Privilege may subscribe for additional Common Shares that are available, if any, as a result of other Holders not purchasing all of the Common Shares available to them under their Basic Subscription Privilege.</p> <p>If there are sufficient Common Shares to satisfy all subscriptions by Holders exercising the Additional Subscription Privilege, each such Holder will be allotted and issued the number of Common Shares for which the Holder has subscribed. If the aggregate</p>

number of Common Shares subscribed for by all Holders who exercise their Additional Subscription Privilege exceeds the number of Common Shares available, a Holder who exercises the Additional Subscription Privilege will receive the lesser of: (i) the number of Common Shares that such Holder subscribes for under the Additional Subscription Privilege; and (ii) the number of Common Shares that is equal to the aggregate number of Common Shares available as a result of unexercised Subscription Entitlements, multiplied by the quotient of the number of Common Shares subscribed for by the Holder under its Basic Subscription Privilege divided by the aggregate number of Common Shares subscribed for under the Basic Subscription Privilege by all Holders who have subscribed for Common Shares under the Additional Subscription Privilege. If any Holder has subscribed for fewer Common Shares than the number resulting from the application of the formula in (ii) above, the excess Common Shares will be allotted in a similar manner among the Holders who were allotted fewer Common Shares than they subscribed for under the Additional Subscription Privilege.

Closing:

The gross proceeds from the Offering will be held by Osler pending concurrent closing with the Settlement Transaction. Closing of the Settlement Transaction is expected to occur on the Effective Date, being on or around November 30, 2015, but may occur on another date not later than January 5, 2016 (unless extended by agreement of CPP Credit and Laricina).

If: (i) the Settlement Transaction does not occur by 5:00 p.m. (Calgary time) on January 5, 2016, or such later date as CPP Credit and Laricina may agree; or (ii) the Settlement Agreement is terminated in accordance with its terms at any earlier time, then the funds submitted for the purchase of Common Shares will be returned to the relevant subscribing Holders within 15 days of such event. No interest will be payable by the Corporation or Osler in respect of any such funds returned to Holders.

In the event that the Offering is not fully subscribed under both the Basic Subscription Privilege and the Additional Subscription Privilege, then the Corporation, in its sole discretion, may accept subscriptions from other Qualified Persons. See “*Details of the Offering – Additional Subscription Privilege*”.

Use of Proceeds:

All proceeds from the Offering shall be applied to reduce the CPP Debt which will reduce the Conversion Amount.

Subscription Deadline

Holders will have until the Subscription Deadline, being 4:00 p.m. (Calgary time) on the day that will be stipulated as the last date for

submission of subscriptions in the Subscription Details Notice to deliver to Osler a completed Subscription Entitlement Certificate, together with payment in full of the applicable Subscription Price.

Eligible Shareholders:

This Offering is made on a prospectus-exempt basis to Eligible Shareholders who are residents in an Eligible Jurisdiction. **The Subscription Entitlements evidenced by the Subscription Entitlement Certificate will be void and will not be exercisable or transferable by any Shareholder who is not an Eligible Shareholder on the Record Date with an address in an Eligible Jurisdiction.**

The Corporation believes that all Shareholders are currently Eligible Shareholders because they have either: (i) acquired their existing Common Shares directly from the Corporation relying upon an exemption from the prospectus requirements under applicable securities laws, and were residents of an Eligible Jurisdiction at the time; or (ii) have purchased their existing Common Shares in the grey market by representing to the vendor of such Common Shares and/or the intermediary broker that such Shareholder qualified under a particular exemption from the prospectus requirements under applicable securities laws as such transfers were only effected by the Corporation's transfer agent after first confirming that the transferees had provided such representations as to qualification under an exemption from the prospectus requirements at the time of transfer.

The Subscription Entitlement Certificate will require that Eligible Shareholders indicate what exemption they are relying upon in order to receive the entitlement to purchase Common Shares under the Offering. **To the extent that any Shareholder is not an Eligible Shareholder, such Shareholder will not be entitled to acquire Common Shares under the Offering, and such Shareholder's Basic Subscription Privilege evidenced by the Subscription Entitlement Certificate will be void and of no effect and may not be transferred.**

Transfer of Subscription Entitlement:

Eligible Shareholders who do not wish to participate in the Offering may transfer their Subscription Entitlement, in whole or in part, to another Shareholder or other Qualified Person provided that such party is entitled to rely upon an exemption from the prospectus requirements under applicable securities laws in an Eligible Jurisdiction in connection with both the transfer of such Subscription Entitlements and the purchase of Common Shares under the Offering and such party provides to the Corporation a representation letter to that effect together with such additional information as the Corporation may reasonably request.

Eligible Jurisdictions:	This Offering is made to Eligible Shareholders, who are resident: (i) in any of the Provinces and Territories of Canada, (ii) in those States in the United States where an exemption from applicable state and federal securities laws is immediately available, and (iii) in all Offshore Jurisdictions.
How to Subscribe:	<p>To subscribe for Common Shares, a completed Subscription Entitlement Certificate (including the applicable exhibits thereto pursuant to which the Holder indicates the exemption it is relying upon in order to receive its Subscription Entitlements) and payment in full of the applicable Subscription Price must be received by Osler before the Subscription Deadline. If Osler does not receive a completed Subscription Entitlement Certificate and payment in full of the applicable Subscription Price from a Holder prior to the Subscription Deadline, such Holder risks forfeiting its entitlement to acquire Common Shares under the Offering. The Corporation, in its sole discretion, reserves the right to issue Common Shares to any Holder who does not meet the Subscription Deadline. See <i>“Details of the Offering”</i>.</p> <p>Completed Subscription Entitlement Certificates for the acquisition of Common Shares made in connection with the Offering will be irrevocable and Holders will be unable to withdraw their subscriptions once submitted.</p>
Dilution:	<p>If a Shareholder elects not to participate in the Offering, such Shareholder’s ownership interest will be diluted as a result of: (i) the acquisition of Common Shares by other Holders and the conversion of any portion of the CPP Debt into equity; and (ii) the issuance of the Consent Fee Warrants to CPP Credit in connection with the Settlement Transaction. See <i>“Details of the Offering – Dilution to Existing Shareholders”</i>.</p>

LARICINA ENERGY LTD.

General

Laricina was incorporated under the ABCA on November 11, 2005. Laricina is a private development-stage oil sands corporation focused on the acquisition, development and commercialization of *in situ* hydrocarbon resources in Canada's Athabasca oil sands region.

The Corporation's head office is located at East Tower, Fifth Avenue Place, Suite 800, 425 – 1st Street SW, Calgary, Alberta T2P 3L8 and its registered office is located at Suite 2500, 450 – 1st Street SW, Calgary, Alberta T2P 5H1.

Business of the Corporation

Laricina's primary business objective since incorporation has been to build value for Shareholders by selectively acquiring high quality oil sands leases and then seeking to optimize the economic return of those assets through the application of innovative resource recovery strategies in connection with developing commercial projects in respect thereof. Laricina uses its technical skills and thorough understanding of reservoir fundamentals to apply innovative development techniques, to enhance the value of its highly prospective oil sands leases in the development of its projects.

Laricina has accumulated, as of December 31, 2014, 489 million barrels of net probable undeveloped reserves and 3.9 billion barrels of net recoverable unrisksed contingent resources (best estimate)⁽⁴⁾ with management expected gross bitumen production potential of over 500,000 barrels per day.

The following table summarizes the Corporation's reserves and unrisksed resources since inception based on the independent engineering reserves and resource assessments prepared by GLJ contained in its various GLJ Reports as detailed below.

	GLJ Report as at	Reserves/Resources (mmbbls)			Valuation - 10% Before Tax (\$mm)		
		Probable Undeveloped Reserves ⁽¹⁾	Best Estimate Contingent Unrisksed Resources ⁽²⁾⁽⁴⁾	Best Estimate Prospective Unrisksed Resources ⁽³⁾⁽⁴⁾	Probable Undeveloped Reserves ⁽¹⁾	Best Estimate Contingent Unrisksed Resources ⁽²⁾⁽⁴⁾	Best Estimate Prospective Unrisksed Resources ⁽³⁾⁽⁴⁾
2006	September 30, 2006		1,215	28			
2007	October 1, 2007		2,109	175		1,499	230
2008	June 1, 2008		3,045	196		5,389	121
2009	July 1, 2009		3,871	263		8,334	188
2010	December 31, 2010	36	4,373	223	46	11,660	156
2011	December 31, 2011	387	4,171	300	796	9,948	176
2012	December 31, 2012	466	4,205	304	543	8,477	123

	GLJ Report as at	Reserves/Resources (mmbbls)			Valuation - 10% Before Tax (\$mm)		
		Probable Undeveloped Reserves ⁽¹⁾	Best Estimate Contingent Unrisked Resources ⁽²⁾⁽⁴⁾	Best Estimate Prospective Unrisked Resources ⁽³⁾⁽⁴⁾	Probable Undeveloped Reserves ⁽¹⁾	Best Estimate Contingent Unrisked Resources ⁽²⁾⁽⁴⁾	Best Estimate Prospective Unrisked Resources ⁽³⁾⁽⁴⁾
2013	December 31, 2013	489	3,921	299	305	7,088	83
2014⁽⁴⁾	December 31, 2014	489	3,902	224	262	6,735	100

Notes:

- (1) The Canadian Oil and Gas Evaluation Handbook (the “**COGE Handbook**”) defines “probable reserves” as those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved reserves plus probable reserves. The COGE Handbook defines possible reserves as those additional reserves that are less certain to be recovered than probable reserves. Reserves at Germain are based on SAGD and Saleski are based on C-SAGD, a variant of CSS.
- (2) The COGE Handbook defines “contingent resources” as quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated recoverable quantities associated with a project in early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status. There is no certainty that it will be commercially viable to produce any portion of the contingent resources. These volumes are arithmetic sums of the Corporation’s working interest share before royalties, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class.
- (3) The COGE Handbook defines “prospective resources” as quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.
- (4) The information presented for 2014 is based on GLJ Reports dated December 31, 2014 for Saleski, Germain Grand Rapids, Germain Winterburn, Burnt Lakes, Conn Creek, Poplar Creek and Portage which collectively represent approximately 70 percent of Laricina’s net land base and for Thornbury, Thornbury West, House River, Germain Wabiskaw and Boiler Rapids dated December 31, 2013. On July 17, 2014, the Guidelines for estimation and classification of resources other than reserves (the “**ROTR Guidelines**”) were published as section 2, volume 2 of the COGE Handbook. The ROTR Guidelines were effective upon publishing. The ROTR Guidelines recommends sub-classification but does not require it. Amendments to NI 51-101 were published on December 4, 2014 and were effective July 1, 2015. The amendments promote improved disclosure of resources other than reserves and also align NI 51-101 with the recently updated COGE Handbook. Historical volumes and values summarized in the table have not been sub-classified or risked.

BACKGROUND TO THE OFFERING

Laricina's Financing Initiatives Update

Similar to other oil sands exploration and development companies, which have acquired a critical mass of resource properties and conducted pilot and demonstration projects to establish commerciality, Laricina requires additional capital to commercially develop its properties and commence production. Since inception in 2005, Laricina has funded its activities and operations through equity investments; however, in 2012 and 2013, like today, the equity markets were not conducive to junior oil sands companies financing and Laricina was unable to source further equity investment in the amount necessary to fund its first commercial project at Saleski.

In March 2014, CPP Credit, a wholly-owned subsidiary of CPPIB and an affiliate of CPP Equity, the Corporation's then largest Shareholder (which had representation on the Laricina Board at the time), loaned Laricina \$150 million in the form of the Notes maturing March 20, 2018 which were issued pursuant to the Indenture. In conjunction with the issuance of the Notes, 3,750,000 warrants were granted to CPP Credit to purchase Common Shares at prices ranging from \$15.00 to \$20.00 per Common Share with an expiry date of March 20, 2019.

From Laricina's perspective, the purpose of the debt investment by CPP Credit was to provide bridge financing for Laricina to continue its operations over the term of the Notes (until March 2018) while it completed testing and evaluation activities at the Saleski Pilot and Germain CDP and looked to raise the necessary additional capital to finance commercial development of those projects and repay the Notes.

In July 2014, Laricina struck a committee of its Board to oversee a process to identify and pursue financing alternatives, including strategic alternatives, alternative debt or equity participation arrangements, a sale of assets, joint venture arrangements or an *en bloc* sale of Laricina (the "**Financing Alternatives Process**"). Laricina determined, after considering advice from its financial advisors, not to launch the Financing Alternatives Process before the fall of 2014 in order for Laricina to have its independent reservoir engineers update their prior December 31, 2013 reserves and resource evaluation on the Grosmont and Grand Rapids reservoirs following receipt of additional production information from Laricina's Saleski Pilot and Germain CDP over the months of July, August and September 2014. Laricina subsequently engaged its independent engineers to update their prior report on these reservoirs to incorporate the additional production information and an updated engineering report was received in mid-October 2014.

Following a period of strong crude oil prices during the first half of 2014, global crude oil prices began declining in July 2014 and fell sharply with the November 2014 announcement by OPEC that it would not cut its target production quota. This drop in oil prices resulted in very high market volatility and uncertainty generally in the industry, the effect of which was that the equity markets were essentially closed for oil sands companies and potential counterparties ceased consideration of acquisitions, joint venture or other forms of transaction that might provide an alternative form of financing for the Corporation.

The reaction by industry in late 2014 and into 2015 was significant reductions in capital budgets coupled with large staff reductions and other cost-saving measures. On January 2, 2015, Laricina issued an information release announcing that it was in default under the terms of the Indenture. This all occurred at a time when Laricina and its investment advisors were in the course of pursuing the Financing Alternatives Process.

Laricina's Default Under the Terms of the Indenture

Recognizing the market difficulties early on, Laricina prioritized the use of the funds received from CPP Credit upon the issuance of the Notes and did not undertake certain operations and expenditures that had been planned in 2014. Reducing spending had a direct impact upon a number of the Corporation's obligations under the Indenture. The Indenture which governs the Notes held by CPP Credit required, among other things, that the Corporation comply with certain covenants, including: (i) the application of the borrowed funds in accordance with a specific expenditure plan that was set out in the Indenture; (ii) that the Corporation achieve a minimum production volume; and (iii) that the Corporation have a minimum net working capital. Laricina's reduced spending resulted in fewer expenditures than contemplated in the expenditure plan, which, among other factors, contributed to slightly lower production from Saleski Pilot and Germain CDP on December 31, 2014 than the production covenant (and hence a breach of that covenant), and that resulting breach of the production covenant, in turn, resulted in a further default of the minimum net working capital covenant, due to accounting treatment requiring the CPP Debt be treated as a current liability as a result of the production default. Laricina communicated details of those defaults to Shareholders by an information release on January 2, 2015.

Thereafter, Laricina continued to pursue certain participants in the Financing Alternatives Process who had advised they would be making decisions in early March as to their interest in a transaction with Laricina. During that same time, Laricina attempted to negotiate a settlement arrangement with CPP Credit. Those participants in the Financing Alternatives Process advised Laricina in early March that they were not able to proceed with any form of transaction at that time, given the market conditions. The Corporation continued to work with CPP Credit toward a negotiated settlement arrangement into mid-March.

On March 16, 2015, CPP Credit, without notice to Laricina, caused the trustee under the Indenture to issue an acceleration notice and demand for payment of the CPP Debt based upon the outstanding defaults. CPP Credit also initiated an application with the Court seeking to put Laricina into receivership and have a receiver sell Laricina's assets.

As a result of these actions by CPP Credit, the Corporation applied to the Court in order to obtain protection under the CCAA in order to restructure its business and seek the capital required through a market solicitation process, or otherwise, in order to retire the CPP Debt and continue its operations. An initial Court order staying proceedings against Laricina under the CCAA, including the receivership initiative by CPP Credit, was granted effective March 26, 2015. Laricina notified the Shareholders of those actions by an information release on March 30, 2015.

As of the date of the initial Court order, the only creditors Laricina had were CPP Credit for the amount of the CPP Debt, Canadian Imperial Bank of Commerce for a \$15.0 million cash-secured

line of credit, against which letters of credit in the amount of \$6.82 million had been drawn, and a number of ordinary course trade creditors and other unsecured creditors totalling approximately \$3.7 million. Both CPP Credit and Canadian Imperial Bank of Commerce are secured.

As at March 26, 2015 the total amount of the CPP Debt, comprised of principal and accrued interest, was \$164.0 million. The Corporation has made certain repayments to CPP Credit since April 1, 2015. See “*Background to the Offering – Overview of CPP Debt Outstanding*”.

Alternatives Available to Laricina

Laricina was faced with limited options, including:

1. *Entering into Receivership* – As Laricina had been unable to raise additional equity or find alternative financing, it was not in a position to repay CPP Credit the amount of the CPP Debt which was demanded on March 16, 2015. Accordingly, without protection under the CCAA, CPP Credit would appoint a receiver and the receiver would sell Laricina’s assets to the highest bidder. If CPP Credit were to bid for those assets in the amount of the outstanding CPP Debt, it might end up owning all of the assets in satisfaction of the CPP Debt, which would eliminate any equity value for Shareholders.
2. *Raising funds or finding a transaction with a third party* – Raising equity or debt was expected to be, and it was, challenging for non-producing junior oil sands companies in this market, so the Corporation determined to pursue a focused Marketing Process under the CCAA which would provide certainty to potential counterparties as to the position of CPP Credit and stay its enforcement initiatives. Conducting this process under CCAA Court approval would provide additional time, in what was proving to be very unstable capital and mergers and acquisitions markets.
3. *Reaching a settlement with CPP Credit* – Reaching agreement with CPP Credit, if possible, would provide further certainty to prospective counterparties and a framework for satisfying the CPP Debt.

Terms of the Settlement Agreement with CPP Credit

Since the granting of the initial CCAA Court order, Laricina and CPP Credit have worked together to reach a mutually acceptable arrangement with respect to the CPP Debt, the terms of which are summarized below. As part of the arrangement, the Corporation has negotiated three important provisions, namely:

1. *Go Shop* – Laricina has negotiated 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 CPP Debt (see “*Go Shop, Fiduciary Out and Note Repayment Transaction*” below in this section);
2. *Fiduciary Out* – If Laricina can enter into such a transaction or transactions, the Board can terminate the Settlement Agreement and pursue such other transaction and repay the CPP Debt; and

3. *Shareholder Participation* – Shareholders are being provided the opportunity to acquire Common Shares under the Offering, at the same price as CPP Credit is entitled to convert the CPP Debt, thereby allowing them to continue to maintain their *pro rata* holdings in Laricina and participate in any upside associated with Laricina’s assets.

On June 28, 2015, Laricina and CPP Credit agreed upon a non-binding term sheet setting out the terms of settlement relating to the CPP Debt. That term sheet resulted in the parties entering into the binding Settlement Agreement on July 20, 2015, and the Court, in the Corporation’s CCAA proceedings, approved that Settlement Agreement on August 5, 2015. The Settlement Agreement establishes the basis for the repayment in full of the CPP Debt, subject to the results of the Marketing Process. In the case where repayment of the CPP Debt is not achieved, the Settlement Agreement provides for the recapitalization of the Corporation and provides important flexibility for Laricina and the Board. Details of the Settlement Agreement were communicated to Shareholders by an information release dated July 24, 2015 and a copy of the Settlement Agreement is available on the website of PricewaterhouseCoopers Inc., under the CCAA proceedings, at www.pwc.com/car-laricina.

In that regard, the Settlement Agreement contains a go shop provision and a fiduciary out enabling the Board to seek other transactions that will constitute a Note Repayment Transaction to fully repay the CPP Debt. If such a Note Repayment Transaction is not identified through the Marketing Process sanctioned by the Court, the Settlement Agreement provides the certainty of a transaction with CPP Credit. In those circumstances, Shareholders would have the right to participate by virtue of the Offering to maintain their investment to date by subscribing under the Basic Subscription Privilege and possibly increasing their interest in the Corporation by subscribing under the Additional Subscription Privilege.

Go Shop, Fiduciary Out, and Note Repayment Transaction

The Settlement Agreement provides that, at any time prior to the Effective Date, Laricina will be permitted to solicit alternate sources of capital or other transactions which may, on their own or in combination, result in a Note Repayment Transaction that provides for repayment of the CPP Debt in full.

The Settlement Agreement also contains a fiduciary out provision that may be exercised by the Board at any time prior to November 30, 2015 provided that:

- (a) it may only be exercised to enter into a binding agreement or agreements with a third party or parties that provide for a Court-approved (if necessary) transaction or transactions that collectively contemplate that the Notes will be repaid in full in cash no later than January 5, 2016, including a premium equal to 3% of the principal amount of the Notes then outstanding (no other prepayment amounts, make-whole payments or other acceleration payments of any kind shall apply) (a “**Note Repayment Transaction**”);
- (b) if a Note Repayment Transaction arises from a transaction that does not result in the sale of Laricina in its entirety then Laricina (or its successor on an economically equivalent basis if the interests of existing Laricina shareholders are

exchanged for interests in a successor) will issue to CPP Credit warrants equal to 2.5% of the common equity of Laricina *pro forma* such Note Repayment Transaction, each such warrant having an exercise price of \$0.25 per Common Share (as adjusted pursuant to customary anti-dilution provisions) and a term that expires on March 20, 2018 (the “**Note Repayment Warrants**”), the value of which will be capped at \$2.5 million; and

- (c) if such Note Repayment Transaction arises from a sale of Laricina in its entirety, then Laricina will pay to CPP Credit, upon completion of such Note Repayment Transaction, a cash fee equal to the implied intrinsic value of the Note Repayment Warrants had they been outstanding immediately prior to the Note Repayment Transaction (subject to the \$2.5 million cap noted in paragraph (b) above).

Upon the completion of a Note Repayment Transaction, the existing 3,750,000 warrants held by CPP Credit will be surrendered and cancelled.

Further Repayment of the CPP Debt

Under the Settlement Agreement, Laricina paid \$31.4 million to CPP Credit on July 24, 2015 in satisfaction of unpaid interest on the Notes up to July 23, 2015, reimbursable costs in respect of the Notes and a portion of the outstanding principal amount of the Notes. Following such \$31.4 million payment, the remaining CPP Debt was approximately \$115.6 million. A portion of that \$31.4 million payment included \$5.0 million, which Canadian Imperial Bank of Commerce returned to Laricina in connection with a reduction to the Corporation’s line of credit from \$15.0 million to \$10.0 million.

Satisfaction of Remaining CPP Debt

If Laricina is not successful in completing a Note Repayment Transaction, the Settlement Transaction contemplated under the Settlement Agreement will be effected, with closing expected to occur on or prior to the Effective Date. The amount of the CPP Debt will be repaid under the terms of the Settlement Agreement as follows:

- Laricina will make a principal payment of \$8.7 million (subject to adjustment) on the Effective Date;
- Laricina will make a principal payment of \$3.4 million (subject to adjustment) upon completion of certain events;
- A maximum of \$30 million of the principal amount of the Notes (less any amounts received by Laricina in repayment of certain outstanding receivables which will be paid to CPP Credit upon their receipt, and if completed, any funds from additional transactions) will remain outstanding and continue to be governed by the Indenture (which will be amended on closing – see “Indenture Amendments” below in this section) and will bear an interest rate of 13.50% per year, which interest will be paid in kind through the issuance of Additional Notes until the maturity date of such remaining Notes on March 20, 2018; and

- All of the remaining amount of the CPP Debt, currently estimated to be approximately \$80.9 million inclusive of payment assumptions above, accrued interest until the Effective Date and certain expenses less the aggregate proceeds of the Offering which will be paid to CPP Credit upon their receipt (the “Conversion Amount”), will be converted to preferred shares at a price of \$0.12 per preferred share, which preferred shares in turn will be immediately converted into Common Shares on a one-for-one basis (the “Note Conversion”).

As a result, approximately 674.7 million Common Shares may be issued pursuant to the Note Conversion and the Offering, resulting in a total issued and outstanding share capital of approximately 744.8 million Common Shares following completion of the Note Conversion and the Offering. The number of Common Shares that will be issued to CPP Credit pursuant to the Note Conversion will depend on the total subscriptions received pursuant to the Offering.

On closing of the Note Conversion and the Offering, CPP Credit will also be entitled to the Consent Fee Warrants, as described under the heading “*Consent Fee Warrants*” below in this section.

If all Shareholders subscribe for their Basic Subscription Privilege under the Offering, there will be no Note Conversion as the proceeds received from subscribing Shareholders will be used to repay the Conversion Amount.

Board Matters

Under the Settlement Agreement, Laricina has agreed that, on the Effective Date, the Board will consist of five directors. CPP Credit will be entitled to nominate for inclusion on any slate of directors recommended by the Board to Shareholders: (a) three directors, so long as CPP Credit and its affiliates hold more than 50% of the outstanding Common Shares; (b) two directors, so long as CPP Credit and its affiliates hold at least 25% but not more than 50% of the outstanding Common Shares; or (c) one director, so long as CPP Credit and its affiliates hold more than 10% but not more than 25% of the outstanding Common Shares. An affiliate of CPP Credit, CPPIB, currently holds a contractual right to appoint one director to the Board, but that position is vacant and this Board nomination right will terminate on the Effective Date.

Furthermore, so long as any of the Notes are outstanding and CPP Credit does not have a representative on the Board, CPP Credit in its capacity as lender will be entitled to a single observer to the Board and to the boards of Laricina’s subsidiaries, and all committees thereof.

If the Settlement Transaction closes and CPP Credit holds a significant equity interest by virtue of the Note Conversion, the newly-constituted Board may change management and/or the business plan at that time.

Indenture Amendments

Under the Settlement Agreement, CPP Credit has also agreed at closing to waive any entitlement it may have to any acceleration payment under the Indenture with respect to any event of default under the Indenture occurring on or prior to the Effective Date or the date on which CPP Credit

is paid in full pursuant to a Note Repayment Transaction, whichever is later. CPPIB has also agreed that no “Change of Control”, as defined in the Indenture, will arise or result from the Note Conversion or the Offering.

The Settlement Agreement also contemplates that the Indenture will be amended as of the Effective Date to remove covenants requiring Laricina to make certain levels of expenditures, achieve certain minimum production volumes and maintain a certain working capital level. Certain other amendments will also be made to the Indenture, including, without limitation, the addition of negative covenants pursuant to which Laricina will not, without the prior written consent of CPP Credit, among other things: (a) change its auditors or independent engineer, subject to certain exceptions; (b) liquidate, dissolve or wind-up or take any steps or proceedings in connection therewith; (c) enter into any agreement or arrangement limiting the ability of any of its subsidiaries to declare or pay dividends, or repay any debt owed to, or otherwise transfer assets to or make investments in, Laricina or any of its other subsidiaries; or (d) create or own, or permit any of its subsidiaries to create or own, a subsidiary, subject to certain exceptions.

As amended, the Indenture will provide that, among other things:

- Laricina will be allowed to raise certain permitted subordinated indebtedness and common equity, and to incur secured indebtedness in an amount not exceeding \$15 million (reduced from \$30 million in the Indenture as it is today), or the lesser amount of Laricina’s revolving credit facility (which is currently \$10 million);
- Laricina will no longer be subject to production or financial maintenance covenants and related reporting obligations as such covenants will be deleted from the Indenture and there will be no other financial maintenance or approval rights for business plans or financials; and
- Laricina will not be permitted to dispose of assets for aggregate gross proceeds exceeding \$100,000 (reduced from \$500,000 in the Indenture as it is today) in any given fiscal year without the prior written consent of CPP Credit.

Consent Fee Warrants

On the Effective Date, warrants exercisable in the aggregate for that number of Common Shares that will be equivalent to 5% 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 Common Share and expiring on March 20, 2018 (the “**Consent Fee Warrants**”), will be issued and delivered to CPP Credit. The existing 3,750,000 warrants held by CPP Credit will be surrendered and cancelled upon the Effective Date.

Termination

The Board may exercise its fiduciary out and terminate the Settlement Agreement upon Laricina entering into a binding agreement with a third party to provide for a Note Repayment Transaction provided that certain releases, warrants and fees will be provided as contemplated by

the Settlement Agreement (as summarized under “*Terms of the Settlement Agreement with CPP Credit and Marketing Process – Go Shop, Fiduciary Out, and Note Repayment Transaction*”).

CPP Credit may terminate the Settlement Agreement if either: (a) the transactions pursuant to the Settlement Agreement are not completed on or prior to November 30, 2015 or such later date as Laricina may request and to which CPP Credit may consent, which consent shall not be unreasonably withheld, provided that in no event shall such date be later than January 5, 2016; or (b) a material adverse change occurs with respect to Laricina after the date of the Settlement Agreement. Either Laricina or CPP Credit may terminate the Settlement Agreement if the conditions precedent in favour of such party have not been satisfied.

In the event that the Settlement Agreement is terminated, and Laricina has not at such time entered into a binding agreement or agreements to provide for a Note Repayment Transaction, Laricina has agreed that it will continue its Marketing Process under its CCAA proceedings and pay CPP Credit a further \$31.8 million as a partial repayment of the CPP Debt.

Overview of CPP Debt Outstanding

Since March 20, 2014, the initial date of issuance of the Notes, (a) interest payments, which CPP Credit agreed to receive in the form of payment-in-kind notes (“**PIK Notes**”) instead of cash until January 1, 2015, have increased the principal outstanding on the Notes, and (b) the Corporation has made certain payments to CPP Credit as repayment of principal outstanding on the Notes. Additionally, the Corporation has agreed to make additional payments of Note principal as referred to above under the Settlement Agreement and to issue additional PIK Notes to CPP Credit as compensation for further interest from July 24, 2015 to maturity and for expenses incurred by CPP Credit to December 31, 2015.

The following table sets forth a chronology of the changes in the CPP Debt since the initial issuance of Notes on March 20, 2014 and anticipated up to November 30, 2015 but assumes that no Note Repayment Transaction has been completed and that the transactions contemplated under the Settlement Agreement have not closed.

Outstanding CPP Debt		
Date	Event	Amount (\$ millions)
March 20, 2014	Initial Notes issued	150.0
May 31, 2014	PIK Note issued for interest	3.4
August 31, 2014	PIK Note issued for interest	4.4
November 30, 2014	PIK Note issued for interest	4.5
April 1, 2015	First repayment of Notes principal	(20.0)
July 24, 2015	Second repayment of Notes principal	(26.7)
August 20, 2015	Receivable applied as repayment of Notes principal	(1.2)
August 30, 2015	PIK Notes issued for interest	1.6
October 1, 2015	Receivable applied as repayment of Notes principal	(1.9)
Balance Outstanding at October 1, 2015		114.1
August 31, 2015 to November 29, 2015	PIK Notes to be issued for interest	3.9 ⁽¹⁾
July 24, 2015 to November 30, 2015	Costs reimbursable to CPP Credit	3.5 ⁽²⁾
Anticipated Balance Outstanding at November 30, 2015		121.5 ⁽³⁾

Notes:

- (1) Interest will be accruing from August 31, 2015 onward and this amount represents that estimated interest amount payable by the issuance of PIK Notes.
- (2) Amount includes management's estimate of future CPP Credit reimbursable costs.
- (3) Balance may be further reduced upon receipt by Laricina of certain significant anticipated receivables.

Interim Operations before Effective Date

Between the date of this letter and the Effective Date under the Settlement Agreement, Laricina will focus its activity as follows:

1. Pursuing the Marketing Process in order to identify a Note Repayment Transaction;
2. Complying with the requirements of the Court in Laricina's CCAA proceedings, including pursuing the claims process which identifies and provides for a process for determination of all claims against the Corporation so that all such claims will be paid or provided for and no other claims will survive against Laricina following termination of its CCAA proceedings; and

3. As at October 1, 2015 Laricina had proven unsecured claims of approximately \$5 million which amount is included in its cash flow forecast. Four unsecured claims remain in dispute. See “*Termination of CCAA Proceedings and Claims Process*”.

Structure of the Marketing Process

On July 22, 2015, a marketing process to seek alternative transactions with which to raise funds to repay the CPP Debt was approved by the Court under the CCAA (the “**Marketing Process**”).

BMO Capital Markets, Peters & Co. Limited and Morgan Stanley Canada Limited have been engaged as financial advisors to assist the Corporation with the Marketing Process. Laricina and its advisors have prepared an asset and corporate sales process information memorandum and a virtual data room for access to due diligence materials concerning the Corporation and its assets. Laricina and its financial advisors have been soliciting interest from potential parties and inviting interested parties to sign confidentiality agreements. Upon entering into confidentiality agreements with the Corporation, interested parties in the Marketing Process will be given access to the virtual data room.

It is expected that any potential binding transaction proposals will be negotiated sometime in October with a view to securing a binding Note Repayment Transaction prior to the Effective Date.

If a Note Repayment Transaction is completed, CPP Credit will be repaid in full and the Settlement Transaction will not proceed. It is impossible to provide any certainty to Shareholders at this point as to what Laricina may look like going forward, as that will depend upon the terms of any such Note Repayment Transaction negotiated with the counterparty or counterparties thereto. Suffice it to say, as noted above, the CPP Debt will be eliminated and the Board and Management will, in the course of negotiation of any such Note Repayment Transaction, be striving to preserve the existing value of the Corporation for the benefit of Shareholders.

Pro Forma Capitalization Assuming Completion of the Settlement Transaction

Given the various transactions that could take place between the date of this letter and the date of the Offering, it is not possible to determine exactly what the capitalization of Laricina would be upon closing of the Offering without making certain assumptions. The following table sets forth the capitalization of the Corporation as at the dates indicated, and assumes that: (i) no Note Repayment Transaction occurred or other transaction proceeds were received; (ii) the CPP Debt outstanding immediately prior to closing of the Offering is \$109.4 million; (iii) CPP Credit continues to hold \$28.5 million of Notes (being \$30 million less a portion of certain anticipated receivables that have already been received and paid to CPP Credit); and (iv) \$80.9 million in CPP Debt was repaid either through the Note Conversion, the proceeds of the Offering, or a combination thereof:

	Outstanding as at October 1, 2015	Outstanding Immediately Prior to Closing under the Settlement Agreement	Outstanding following Closing under the Settlement Agreement
Long-Term Debt ⁽¹⁾ (\$ millions)	\$114.1 ⁽²⁾	\$109.4 ⁽³⁾⁽⁴⁾	\$28.5 ⁽⁴⁾
Common Shares	70,086,113	70,086,113	744,792,768

Notes:

- (1) Amounts are rounded and therefore approximate.
- (2) Amount represents CPP Debt outstanding after principal repayment of approximately \$26.7 million, being a portion of the \$31.4 million paid by Laricina to CPP Credit under the terms of the Settlement Agreement, \$1.2 million and \$1.9 million receivables applied on August 20, 2015 and October 1, 2015, respectively and \$1.6 million PIK Notes issued for interest up to and including August 30, 2015 (accrued interest since August 30, 2015 is not included).
- (3) Amount represents CPP Debt of \$114.1 million plus an estimated \$7.4 million payable to CPP Credit in interest from August 30, 2015 and reimbursable costs to November 30, 2015, less \$8.7 million principal repayment due to CPP Credit on November 30, 2015, less a further \$3.4 million due to CPP Credit upon completion of certain events (assumed to occur on November 30, 2015 for the purposes of this calculation).
- (4) Amount will be reduced further under the terms of the Settlement Agreement upon receipt of certain anticipated receivables.

INVESTMENT CONSIDERATION FOR LARICINA SHAREHOLDERS

Under the Offering, Eligible Shareholders are being afforded the opportunity to maintain or increase their equity interest in Laricina. By subscribing under the Offering, Eligible Shareholders are investing in the long-term prospects of Laricina. The Offering provides an opportunity for Shareholders to buy additional Common Shares at a reduced price, thereby decreasing their acquisition costs on a per-share basis. The future development of Laricina's business will require significant capital funding and investors should carefully consider that fact and all of the other risks set forth under the heading "*Risk Factors*" herein before investing.

FUTURE BUSINESS OF LARICINA

Revised Business Plan

The Corporation has been reducing expenses since mid-2014 given the unavailability of additional funding sources to continue its original business plan. Laricina has suspended operations at its 100% owned Germain Commercial Demonstration Project (the "**Germain CDP**"). Suspension operations were begun in February of 2015 with the majority of activity completed in late March 2015. Approximately 88 employees in the office and the field were terminated with the suspension of the Germain CDP. The Germain CDP was suspended in accordance with usual industry practices and all regulatory requirements and is being maintained by a small group of individuals, including third-party contractors.

In connection with the pilot facility at Saleski (the “**Saleski Pilot**”), the decision to suspend operations required the input from the Corporation’s 40% working interest partner, Osum Oil Sands Corporation (“**Osum**”). Osum has concurred with Laricina’s plans to suspend the Saleski Pilot which commenced at the beginning of September 2015, and was essentially completed by mid-October 2015. Further staff reductions occurred throughout September in conjunction with the wind down of the suspension work and that facility will be maintained by the same small group of individuals managing the Germain CDP, including third-party contractors.

The Corporation is also terminating or settling obligations under a number of contracts and leases in order to continue to preserve capital. The revised business plan of the Corporation will essentially be to hibernate the Corporation’s assets with a small complement of employees and third-party consultants of less than fifteen individuals with a view to preserving the value of the Corporation’s assets until the capital markets become receptive to junior oil sands investment and funding sources sufficient to allow the Corporation to move forward with commercial operations become available.

The Board and management believe in the long-term value of the Corporation’s assets and that suspending operations and positioning the Corporation to preserve capital with a small staff is the most cost-effective way to maintain and preserve shareholder value.

This revised business plan is consistent in either: (i) the scenario where a Note Repayment Transaction is achieved, subject to revisions to that plan as may be modified by the terms of, and parties to, any such transactions; and (ii) the scenario where the Settlement Transaction is completed, subject as well to revisions to that plan as may be made by the new Board and management team. In either case, overseeing the remaining employees and the business plan and making adjustments thereto will be determined by the Board, as it will then be constituted, subject to financing availability.

Shareholders who decide to subscribe for the Basic Subscription Privilege and the Additional Subscription Privilege should recognize that the Corporation requires significant additional capital in order to reinitiate operations and to move forward with the commercialization of its assets. There are numerous risk factors applicable to these scenarios and shareholders should carefully review the risk factors set forth herein. See “*Risk Factors*”.

Cash Flow Forecast

The following is Laricina’s forecast of cash flows for the period from January 1, 2016 to March 31, 2018 prepared by management of the Corporation.

This forecast is subject to a number of assumptions, including that: (i) the Offered Shares are subscribed for under the Offering; (ii) the proceeds of the Offering are used to repay all but \$28.5 million of the CPP Debt (or lesser amount for receivables received and paid to CPP Credit in accordance with the terms of the Settlement Agreement); and (iii) none of the CPP Debt is converted to Common Shares pursuant to the Note Conversion. The actual number of Common Shares subscribed for and issued under the Offering could vary between zero and the Offered Shares. The aggregate net proceeds of the issuance of any such Common Shares pursuant to the Offering will be used to repay the CPP Debt, and thereby reduce the Conversion Amount.

This cash flow forecast is intended to provide Shareholders with additional detail with respect to the Corporation's operations based on certain assumptions and Shareholders are cautioned that this information may not be appropriate for other purposes.

Cash Flow Forecast – for the period from January 1, 2016 to March 31, 2018

in \$ thousands	January 1, 2016 to December 31, 2016	January 1, 2017 to December 31, 2017	January 1, 2018 to March 31, 2018
Net change in cash from operations			
Chip Lake Road	1,785	1,785	639
Saleski Pilot	(1,465)	(1,301)	(331)
Germain CDP	(7,374)	(3,269)	(896)
Other operating costs and capital expenditures ⁽¹⁾	(3,322)	62	12
Cash general and administrative expenses ⁽²⁾	(4,388)	(3,977)	(1,017)
Total	(14,765)	(6,700)	(1,592)
Cumulative net change in cash from operations	(14,765)	(21,465)	(23,057)
Opening Cash	25,439⁽³⁾	10,674	3,974
Net change in cash from operations	(14,765)	(6,700)	(1,592)
Closing Cash⁽⁴⁾	10,674	3,974	2,382

Notes:

- (1) Includes interest income.
- (2) Assumes a small complement of employees and third party contractors are retained to maintain and operate the business through the period shown with a view to preserving the value of the Corporation's assets until the capital markets become more receptive to junior oil sands investment or other funding sources are secured.
- (3) January 1, 2016 opening cash is an estimate based on certain assumptions including Laricina's claims process under its CCAA Proceedings and is subject to amendment including the variance adjustment under the terms of the Settlement Agreement, which adjustment may materially reduce such opening cash amount.
- (4) Columns and rows may not add due to rounding.

Laricina intends to finalize its third quarter unaudited financial statements within 10 business days following the closing of the Settlement Transaction, in order to reflect transactions set out in this letter and provide the appropriate subsequent events disclosure.

DETAILS OF THE OFFERING

Basic Subscription Privilege

Each Eligible Shareholder on the Record Date will be entitled to purchase its *pro rata* portion of the Offered Shares. The Corporation will determine the number of Offered Shares and certain other details in respect of the Offering which will be set forth in the Subscription Details Notice. Using this information, Laricina will calculate the number of Common Shares which each Eligible Shareholder is entitled to acquire under its Basic Subscription Privilege, rounded down to the nearest whole Subscription Entitlement, which will be evidenced by the Subscription Entitlement Certificate sent to Shareholders with the Subscription Details Notice. Such calculation shall be computed by the Corporation, in its discretion, and shall be final and binding. A holder of a Subscription Entitlement Certificate is not, by virtue of such certificate, a Shareholder of the Corporation and does not have any of the rights of a Shareholder of the Corporation. See “*Details of the Offering – Offered Shares*” and “*Basic Subscription Privilege – Pro Rata Determination*”.

A copy of this letter is being mailed to Shareholders resident in the Eligible Jurisdictions. The Corporation believes that all Shareholders are currently Eligible Shareholders because they have either: (a) acquired their existing Common Shares directly from the Corporation relying upon an exemption from the prospectus requirements under applicable securities laws, and were residents of an Eligible Jurisdiction at the time; or (b) have purchased their existing Common Shares in the grey market by representing to the vendor of such Common Shares and/or the intermediary broker that such Shareholder qualified under a particular exemption from the prospectus requirements under applicable securities laws and such transfers were only effected by the Corporation’s transfer agent after first confirming that the transferees had provided such representations as to qualification under an exemption from the prospectus requirements at the time of transfer. **To the extent that any Shareholder is not an Eligible Shareholder, such Shareholder will not be entitled to acquire Common Shares under the Offering, and such Shareholder’s Basic Subscription Privilege evidenced by the Subscription Entitlement Certificate will be void and of no effect and may not be transferred.**

The Subscription Entitlement Certificate requires that Holders indicate what exemption they are relying upon in order to receive the entitlement to purchase Common Shares under the Offering and make certain representations to Laricina in that regard.

Holders will also be entitled to subscribe for additional Common Shares, if available, at the Subscription Price under the Additional Subscription Privilege. See “*Details of the Offering – Additional Subscription Privilege*”.

Unless the Corporation is instructed otherwise in a Subscription Entitlement Certificate by a Holder, share certificates representing the Common Shares will be registered in the name of the subscribing Holder and will be sent to that person at the address specified in the completed Subscription Entitlement Certificate. Share certificates representing Common Shares will not be issued or sent to any Holder with an address that is not in an Eligible Jurisdiction.

The Subscription Price was determined by the Corporation in negotiation with CPP Credit having regard to issues such as dilution, market forces and the capital requirements of the Corporation. **The acquisition of Common Shares under the Offering is voluntary. Holders should consult with their own advisors with respect to the Offering.**

A completed Subscription Entitlement Certificate and payment in full of the applicable Subscription Price must be received by Osler on or before the Subscription Deadline.

The acquisition of Common Shares made in connection with the Offering will be irrevocable and Holders will be unable to withdraw subscriptions once submitted.

Additional Subscription Privilege

Each Holder of a Subscription Entitlement Certificate who subscribes for the maximum number of Common Shares under the Holder's Basic Subscription Privilege may subscribe for additional Common Shares that are available, if any, as a result of other Holders not purchasing all of the Common Shares available to them under their Basic Subscription Privilege.

If there are sufficient additional Common Shares to satisfy all subscriptions by Holders exercising the Additional Subscription Privilege, each such Holder will be allotted and issued the number of Common Shares for which the Holder has subscribed. If the aggregate number of Common Shares subscribed for by all Holders who exercise their Additional Subscription Privilege exceeds the number of Common Shares available, a Holder who subscribes for Common Shares under the Additional Subscription Privilege will receive the lesser of: (i) the number of Common Shares that such Holder subscribes for under the Additional Subscription Privilege; and (ii) the number of Common Shares that is equal to the aggregate number of Common Shares available as a result of unexercised Subscription Entitlements, multiplied by the quotient of the number of Common Shares subscribed for by the Holder under its Basic Subscription Privilege divided by the aggregate number of Common Shares subscribed for under the Basic Subscription Privilege by all Holders who have subscribed for Common Shares under the Additional Subscription Privilege. If any Holder has subscribed for fewer Common Shares than the number resulting from the application of the formula in (ii) above, the excess Common Shares will be allotted in a similar manner among the Holders who were allotted fewer Common Shares than they subscribed for under the Additional Subscription Privilege.

A Holder may exercise the Additional Subscription Privilege by: (i) completing the appropriate sections of the Subscription Entitlement Certificate; and (ii) delivering the completed Subscription Entitlement Certificate, together with payment for those additional Common Shares, to Osler at or before the Subscription Deadline. If payment for all additional Common Shares subscribed for pursuant to the Additional Subscription Privilege does not accompany the Subscription Entitlement Certificate, the additional subscription will be invalid.

The gross proceeds from the Offering will be held by Osler, pending concurrent closing with the Settlement Transaction. Closing of the Settlement Transaction, which is expected to occur on the Effective Date.

If: (i) the Settlement Transaction does not occur by 5:00 p.m. (Calgary time) on January 5, 2016 (or such later date as CPP Credit and Laricina may agree); or (ii) the Settlement Agreement is terminated in accordance with its terms at any earlier time, then the funds submitted for the purchase of Common Shares will be returned to the relevant subscribing Holders within 15 days of such event.

If this Offering is fully subscribed under the Basic Subscription Privilege or the Holder does not receive its full Additional Subscription Privilege, then the excess funds submitted to Osler in connection with the Additional Subscription Privilege for Common Shares where the number of additional Common Shares available to that Holder is less than the number of additional Common Shares subscribed for will be returned by the Corporation to the relevant Holders within 15 days of the Subscription Deadline.

No interest will be payable by the Corporation or Osler in respect of any funds returned to Holders. Certificates representing Common Shares purchased by Holders as a result of subscriptions under both the Basic Subscription Privilege and the Additional Subscription Privilege will be delivered by the Corporation as soon as practicable following the Effective Date.

In the event that the Offering is not fully subscribed under both the Basic Subscription Privilege and the Additional Subscription Privilege, then the Corporation, in its sole discretion, may accept subscriptions from other Qualified Persons.

Offered Shares

The number of Offered Shares is dependent upon (a) the Corporation's ability to raise funds through alternative transactions to that contemplated under the Settlement Agreement, such as a Note Repayment Transaction or other acceptable transaction thereunder, and (b) the amount of the CPP Debt at the time the Subscription Details Notice is sent to Shareholders. See "*Background to the Offering – Terms of the Settlement Agreement with CPP Credit*". As such, the Offered Shares, once known, will be communicated to Shareholders in the Subscription Details Notice.

Basic Subscription Privilege *Pro Rata* Determination

The Subscription Details Notice will provide the number of Common Shares which each Eligible Shareholder is entitled to acquire under the Basic Subscription Privilege. The calculation will be determined by multiplying the number of Offered Shares by the fraction determined by dividing the number of Common Shares held by a Shareholder by the number of Total Shares Outstanding, as provided in the Subscription Details Notice. The number of Common Shares to which a Shareholder is entitled to acquire shall be rounded down to the nearest whole Common Share. Such calculation shall be computed by the Corporation, in its discretion, and shall be final and binding. The foregoing calculation is represented by the following formula:

$$\text{Number of Offered Shares} \times \left(\frac{\text{Number of Common Shares held on Record Date}}{\text{Total Shares Outstanding}} \right) = \text{Basic Subscription Privilege}$$

Sample Calculation for Shareholders of Basic Subscription Privilege

Assuming (i) that the Total Shares Outstanding will be the same number as at October 1, 2015 namely 70,086,113 Common Shares; (ii) no Note Repayment Transaction is completed; and (iii) the Conversion Amount is \$80,900,000 of CPP Debt (this amount is derived from the capitalization table herein under “*Background to the Offering – Pro Forma Capitalization Assuming Completion of the Settlement Transaction*”), then the number of Offered Shares will be 674,166,667 Common Shares (\$80,900,000 divided by \$0.12) and a Shareholder who owns 10,000 Common Shares on the Record Date will be entitled, under the Basic Subscription Privilege to acquire the following number of Common Shares:

$$674,166,667 \times (10,000 \div 70,086,113) = 96,191$$

That Shareholder will therefore be entitled to acquire 96,191 Common Shares at \$0.12 per Common Share for a total of \$11,542.92. Acquiring those Common Shares will maintain such Shareholder’s *pro rata* share of the total number of Common Shares of the Corporation following the completion of the Settlement Transaction.

Transfer of Basic Subscription Privilege

Eligible Shareholders who do not wish to participate in the Offering may transfer their Subscription Entitlements, in whole or in part, to another Shareholder or other Qualified Person provided that such party is entitled to rely upon an exemption from the prospectus requirements under applicable securities laws in an Eligible Jurisdiction in connection with both the transfer of such Subscription Entitlements and the purchase of Common Shares under the Offering and such party provides to the Corporation a representation letter to that effect together with such additional information as the Corporation may reasonably request.

Subscription Deadline

The Offering will become effective on the date of the Subscription Details Notice and will expire at the Subscription Deadline. The Subscription Deadline will be 4:00 p.m. (Calgary time) on the day that is stipulated as such in the Subscription Details Notice. The Corporation reserves the right to extend the period of the Offering, in its sole discretion. Shareholders who subscribe for Common Shares pursuant to the terms and conditions contained herein will not become shareholders of record until shortly following the Subscription Deadline. **A subscription for Common Shares will not be accepted if a Subscription Entitlement Certificate is not properly completed and received with payment in full for the Common Shares subscribed for at the office of Osler on or before the Subscription Deadline.**

Dilution to Existing Shareholders

The Offering and the issuance of preferred shares to CPP Credit, pursuant to the Note Conversion, if required, to CPP Credit which will be immediately converted into Common Shares on a one-for-one basis, to satisfy the Conversion Amount will result in a significant increase to the total issued and outstanding Common Shares of the Corporation. If an Eligible Shareholder does not subscribe for the full number of Common Shares available pursuant to its *pro rata* entitlement under the Basic Subscription Privilege, such Shareholder's ownership interest in the Corporation will be diluted.

If an Eligible Shareholder wishes to retain such Shareholder's current percentage ownership in the Corporation, such Shareholder should purchase all of the Common Shares for which the Shareholder may subscribe under the Basic Subscription Privilege. If an Eligible Shareholder does not do so, such Shareholder's current percentage ownership in the Corporation will be diluted by the issuance of Common Shares under the Offering and/or the Note Conversion. A Shareholder's ownership interest in the Corporation may also be diluted as a result of the issuance of the Consent Fee Warrants to CPP Credit in connection with the Settlement Transaction.

Registration and Delivery of Share Certificates

Unless the Corporation is instructed otherwise in writing by a Holder, share certificates representing the Common Shares subscribed for in the Offering, including Common Shares purchased through both the Basic Subscription Privilege and the Additional Subscription Privilege, will be registered in the name of the Holder and mailed to the Holder at the address appearing in the applicable Subscription Entitlement Certificate. Once mailed or delivered in accordance with the instructions of the Holder, the Corporation assumes no further responsibility for the Common Share certificates.

Determinations as to Validity of Subscription

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription or request for transfer in connection with the Offering will be determined by the Corporation, in its sole discretion, whose determination shall be final and binding. All completed Subscription Entitlement Certificates are irrevocable. The Corporation reserves the absolute right to reject any exercise of Subscription Entitlements under the Offering if such Subscription Entitlement Certificate is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be deemed unlawful. The Corporation also reserves the right to waive any defect with regard to any particular Subscription Entitlement Certificate. The Corporation will not be under any duty to give any notification of any defect or irregularity in such subscriptions nor shall it incur any liability for failure to give such notification.

Advice for Beneficial Shareholders

This section applies to beneficial holders of Common Shares only. **The information set forth in this section is of significant importance to many holders of Common Shares as a significant number of holders of Common Shares do not hold their Common Shares directly in their**

own name. Holders of Common Shares who do not hold their Common Shares in their own name (referred to in this letter as “**Beneficial Shareholders**”) should note that only holders of Common Shares whose names appear on the records of the Corporation as the registered holders of Common Shares will receive this letter. If the Common Shares of a Beneficial Shareholder are listed in an account statement provided to such holder of Common Shares by a broker or other intermediary or their agents or nominees (collectively, “**brokers**”), then in almost all cases those Common Shares will not be registered in such Beneficial Shareholder’s name in the records of the Corporation. Such Common Shares will more likely be registered under the name of the Beneficial Shareholder’s broker. Without specific instructions brokers cannot participate in the Offering on the Beneficial Shareholder’s behalf. **Therefore, Beneficial Shareholders should ensure that instructions respecting their interest in subscribing for Common Shares under the Offering are communicated to the appropriate representatives at their brokers well in advance of the Subscription Deadline.** If a Beneficial Shareholder wishes to participate under the Offering, such Shareholder should take the initiative to obtain from their broker a copy of the Subscription Details Notice and Subscription Entitlement Certificate and complete that Subscription Entitlement Certificate accordingly. To assist Beneficial Shareholders who are Eligible Shareholders, the Corporation will post on its website at www.laricinaenergy.com a copy of the Subscription Details Notice and the Subscription Entitlement Certificate on the date that they are mailed to Shareholders.

Every broker has its own mailing procedures and provides its own return instructions to its clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their interests in subscribing for Common Shares under the Offering and the requisite Subscription Entitlement Certificate are communicated and delivered to the Corporation.

Indicative Timetable for Closing of Offering

The table below illustrates the Corporation’s current expectations regarding timing of the various steps in connection with the Offering assuming closing of the Settlement Transaction on November 30, 2015.

Date	Event
On or around October 21, 2015	This information letter is sent to all Shareholders and posted on Laricina’s website
On or around October 27, 2015	Record Date for Shareholders entitled to participate in the Offering (approximately 7-10 days before the Subscription Details Notice is mailed)
On or around November 5, 2015	Subscription Details Notice and Subscription Entitlement Certificate mailed to all Shareholders as of the Record Date
On or around November 27, 2015	Subscription Deadline

On or around November 30, 2015	Closing of the Offering and the Settlement Transaction
On or around December 15, 2015	Return of any excess funds and mailing of Common Share Certificates

CLAIMS PROCESS AND TERMINATION OF CCAA PROCEEDINGS

Laricina does not intend to propose any plan of arrangement or compromise to its creditors. It is expected that all creditors with proven claims as at March 26, 2015, being the effective date Laricina initially was granted protection under the CCAA, with the exception of CPP Credit, which has agreed to the terms of the Settlement Transaction, plus creditors with any additional proven claims against Laricina under its CCAA proceeding since that date (collectively, the “**Unsecured Creditors**”) will be paid in full those amounts owing to them.

The “claims process” under Laricina’s CCAA proceedings is a process whereby claims that are brought against Laricina and disputed by it are heard by the Court on an expedited basis in order to provide certainty regarding amounts owing to Laricina’s creditors. There are 185 Unsecured Creditors, of which all but four claims against Laricina are undisputed.

Currently, there are only six claims being litigated by Laricina, two for recovery of receivables and four that are disputed within the CCAA claims process. They are:

1. Alberta Government – Laricina claims approximately \$10.6 million (including an interest calculation) is owed to it for compensation relating to the cancellation of certain of its leases within the Urban Development Sub-Region around the City of Fort McMurray for urban expansion of that city. 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*. A portion of the amounts claimed by Laricina have been audited by the government and Laricina has agreed to the audited amount. Laricina is not aware of any valid reason for the delay in payment of its claim and has initiated this action to expedite recovery.
2. Osum – Laricina claims approximately \$3.9 million is owed to it by Osum for expenses incurred by Laricina as operator, a portion of which Osum disputes. The parties undertook a mediation with a view to resolving the disputed amount prior to taking the matter to the Court, but were unsuccessful. Laricina is pursuing this claim before the Court to recover the amounts owing to it.
3. Osum also filed a claim against Laricina for an unspecified amount in respect of its current audit of the joint account under the Saleski project joint venture agreement. The claim was apparently filed to protect Osum’s right to payment of any amount which may be determined by the audit to be payable to Osum. Laricina views the audit as an ordinary course of business activity, and anticipates that any amounts payable to or by Osum for the audit period will be resolved and paid under the terms of the joint agreement.

4. CNRL – CNRL filed a claim against Laricina for approximately \$4.955 million in connection with alleged overpayments made by it over the past several years under a road use agreement governing the Chip Lake Road. The amount claimed net to Laricina’s interest in the Chip Lake Road is approximately \$2.8 million, subject to certain adjustments under the road use agreement. The Corporation disputes that any amount is owing to CNRL.
5. Former Employee – A former employee has filed a claim against Laricina for approximately \$79,000 which Laricina disputes.
6. Shell – Shell filed a claim against Laricina for approximately \$1.7 million in respect of the joint account under the Chip Lake Road joint ownership and operations agreement. Laricina agrees with \$1.3 million of the claim and is disputing the remaining \$0.4 million.

Under the terms of the Settlement Agreement, CPP Credit and Laricina agreed to a cash flow forecast as at June 28, 2015. As at September 28, 2015, management of Laricina prepared an updated cash flow forecast (disclosed in this letter under “*Future Business of Laricina – Cash Flow Forecast*”) which includes provision for payment in full of all of the undisputed and proven claims by Unsecured Creditors. The updated cash flow forecast will be further updated as appropriate, from time to time, including for the variance adjustment under the terms of the Settlement Agreement. (See Note 3 under “*Future Business of Laricina – Cash Flow Forecast*”).

At the closing of the Settlement Transaction, expected to be on or around November 30, 2015 (but in any event not later than January 5, 2016 unless otherwise agreed by CPP Credit and Laricina), Laricina proposes to satisfy in full all proven amounts owing to Unsecured Creditors. Laricina expects to thereafter apply to the Court for termination of its CCAA proceedings 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 Corporation anticipates termination of its CCAA proceedings before the end of 2015 and the ongoing business of Laricina will be overseen by a new board of directors established as of the Effective Date in accordance with the Settlement Agreement. See “*Background to the Offering – Terms of the Settlement Agreement with CPP Credit - Board Matters*”.

OFFSHORE JURISDICTIONS

Subscription Entitlements will be issued and Common Shares will be being offered pursuant to Eligible Shareholders. Shareholders of record will be presumed to be resident in the place of their address of record, unless the contrary is shown to the satisfaction of the Corporation.

The Offering will be being made only in the Eligible Jurisdictions, which includes Offshore Jurisdictions. Subscription Entitlements will not be issued and Common Shares will not be offered to persons who are not or appear not to be, or whom the Corporation has reason to believe are not, residents of an Eligible Jurisdiction, nor will the Corporation accept completed Subscription Entitlement Certificates from any person who is or appears to be, or who the Corporation has reason to believe is not a resident of an Offshore Jurisdiction, unless such person

satisfies the Corporation that such offering to and exercise by such person is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person is resident and does not require approval of a regulatory authority in such Offshore Jurisdiction or the filing of any document by Laricina in such jurisdiction in connection with the Offering.

The Offering does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offering is not being made to, nor will subscriptions be accepted from or on behalf of, holders of Common Shares in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. **Any person resident in an Offshore Jurisdiction, who is subject to the laws of a jurisdiction where the Offering may be lawful, should seek advice from a lawyer or other qualified securities authority to satisfy himself, herself or itself with respect to the availability and applicability of any exemption or other provision of the applicable securities legislation that would make the Offering to him, her or it lawful.**

A person resident in an Offshore Jurisdiction who wishes to exercise Subscription Entitlements to acquire Common Shares, and who is resident of a jurisdiction where the Offering and the distribution of Subscription Entitlements and Common Shares is lawful and exempt from any prospectus or similar filing requirement, must complete and deliver a request for exempt purchaser status in a form provided to it by the Corporation. Among other things, a person resident in an Offshore Jurisdiction requesting exempt purchaser status must:

- (a) represent and warrant to the Corporation, its directors and officers that,
 - (i) under the laws of such person's place of residence, such person is entitled to receive and own Subscription Entitlements and Common Shares, and
 - (ii) the distribution to such person of such Subscription Entitlements and Common Shares is not unlawful and is exempt from any prospectus or similar filing requirement under the laws applicable to such person or the laws of such person's place of residence and does not require obtaining any approvals of a regulatory authority in such person's place of residence; and
- (b) acknowledge that the Corporation, its directors and officers are relying on such representations and warranties and are entitled and requested to do so in accepting such subscription and in issuing and distributing the Subscription Entitlements and Common Shares.

The Corporation may, in its sole discretion, determine such person's eligibility and may deliver a copy of this letter the Subscription Details Notice and a Subscription Entitlement Certificate to such person.

An Eligible Shareholder whose address is outside the Eligible Jurisdictions but who is eligible or who holds Common Shares on behalf of a Beneficial Shareholder who is eligible to participate in the Offering must notify the Corporation, in writing (at the address listed in the *Inquiries* section below), on or before the 3rd calendar day before the Subscription Deadline if such Shareholder or

Beneficial Shareholder wishes to participate in the Offering. In that case, such Shareholder or Beneficial Shareholder must provide evidence, satisfactory to the Corporation, as to the eligibility of the Shareholder or Beneficial Shareholder to such Common Shares. This evidence must include a request for exempt purchaser status as detailed above. If no such written notice is provided on or before the Subscription Deadline or such evidence satisfactory to the Corporation has not been produced, such Eligible Shareholder will not be able to participate in the Offering.

TRANSFER AGENT

Equity Financial Trust Company, through its offices in Calgary, Alberta, is the transfer agent and registrar for the Common Shares.

DESCRIPTION OF THE CORPORATION'S SECURITIES

Laricina is authorized to issue an unlimited number of Common Shares, an unlimited number of preferred shares, issuable in series. As at October 1, 2015, 70,086,113 Common Shares and no preferred shares are issued and outstanding. The capitalization table above provides a summary of how many Common Shares will be outstanding following the Offering and/or the Note Conversion, subject to certain assumptions given the uncertainties surrounding the determination of the number of Offered Shares. See *"Background to the Offering – Pro Forma Capitalization – Assuming Completion of the Settlement Transaction"*.

Common Shares

The holders of Common Shares are, subject to the prior rights and privileges attaching to any other class of shares of the Corporation, entitled to receive dividends if, as and when declared by the Board, in such amounts as the Board may determine. The holders of Common Shares are entitled to receive notice of, and to attend, all meetings of the shareholders of the Corporation and to one vote in respect of each Common Share at all such meetings, except meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series at such meeting. In the event of liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of Common Shares are, subject to the prior rights and privileges attaching to any other class of shares of the Corporation, entitled to receive the remaining property and assets of the Corporation.

Preferred Shares

The Board may determine the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares before the issue of such series. The preferred shares are entitled to a preference over Common Shares and any other shares ranking junior to the preferred shares with respect to the payment of dividends and the distribution of assets of the Corporation in the event of liquidation, dissolution or winding-up of the Corporation.

INCOME TAX CONSEQUENCES

Generally, the value of a right to acquire additional shares of a company is not a taxable benefit includable in income under the *Income Tax Act* (Canada) (the “Act”) and is not subject to non-resident withholding tax under the Act if the right is conferred on all shareholders. While the Corporation believes that all Shareholders are currently Eligible Shareholders and therefore the Subscription Entitlements are being granted to all Shareholders, there can be no assurance in this regard and, consequently, whether or not the issuance of the Subscription Entitlements is a taxable event for recipient Shareholders is not entirely free from doubt. If the issuance of the Subscription Entitlements is a taxable event, such issuance will give rise to a taxable benefit for recipient Shareholders and will be subject to non-resident withholding tax. In addition, a holder of Subscription Entitlements may be subject to tax in respect of the proceeds of disposition of Subscription Entitlements or Common Shares issued upon the exercise of Subscription Entitlements.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular Shareholder. The income tax consequences of acquiring, holding or disposing of Subscription Entitlements and Common Shares may vary according to the status of the investor, the jurisdiction in which he, she or it resides or carries on business, and his, her or its own particular circumstances. Each Holder should seek independent advice regarding such tax consequences based on his, her or its own particular circumstances and any applicable foreign, federal, provincial or territorial legislation.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Corporation, no person beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares as at October 1, 2015 except as set out below:

<u>Name and Jurisdiction</u>	<u>Type of Ownership</u>	<u>Number of Common Shares ⁽⁴⁾</u>	<u>Percentage of Common Shares</u>
CPP Investment Board (USRE II) Inc. Ontario, Canada ⁽¹⁾⁽³⁾	Legal and Beneficial	10,686,274	15.2%
LRP III & IV Luxembourg Holdings SARL Luxembourg ⁽²⁾	Legal and Beneficial	8,610,995	12.3%
The Hamilton Group Inc.	Legal and Beneficial	7,686,331	11.0%

Notes:

- (1) CPP Equity is a subsidiary of CPPIB and CPPIB is entitled, pursuant to a Board Participation Agreement dated July 5, 2010, to have one representative on the Board. Mr. Vigna, Vice President – Head of Private Debt of CPP Credit, acted as such representative until his resignation from the Board, effective February 18, 2015. CPPIB retains the contractual right to nominate one representative for election by Shareholders to

the Board, as long as CPPIB owns at least 10% of the Common Shares issued and outstanding on a non-diluted basis. Any securities of the Corporation and any compensation which were received by Mr. Vigna in his capacity as a director are held by Mr. Vigna for the benefit of CPPIB Equity.

- (2) This investment in the Corporation is managed by Lime Rock Management LP, of which Mr. Farber, one of the directors of the Corporation, is a managing director and a limited partner. Mr. Farber holds an indirect interest in the subject shares.
- (3) In conjunction with the issuance of the Notes by Laricina on March 20, 2014, 3,750,000 warrants were issued to the holder of the Notes, CPP Credit, which is also an affiliate of CPPIB. Each warrant is exercisable into one Common Share, subject to adjustment in accordance with their terms. Of the warrants, 1,000,000 are exercisable into Common Shares at a price of \$15.00 per share, 1,000,000 are exercisable at a price of \$17.50 per share, and 1,750,000 are exercisable at a price of \$20.00 per share. The warrants have an expiry date of March 20, 2019 and vested immediately upon issuance.
- (4) The information as to the number of Common Shares beneficially owned or controlled, not being within the knowledge of the Corporation, has been furnished by the respective Shareholders.

USE OF PROCEEDS

The completion of the Offering is not conditional upon Laricina receiving any minimum amount of subscriptions from Holders or Qualified Persons. The aggregate proceeds of the Offering will be paid by the Corporation to CPP Credit in repayment of the CPP Debt to reduce the Conversion Amount. See “*Background to the Offering – Terms of the Settlement Agreement with CPP*”.

STATEMENT AS TO RESALE RESTRICTIONS

The Subscription Entitlements and Common Shares issuable in connection with the Offering are being distributed by the Corporation pursuant to exemptions from the registration and prospectus requirements under securities legislation of the Eligible Jurisdictions in Canada (the “**Qualifying Jurisdictions**”).

Transfer of the Subscription Entitlements and Common Shares may be subject to restrictions pursuant to applicable securities legislation then in force. Set out below is a general summary of the restrictions governing first trades in the securities in the Qualifying Jurisdictions. Additional restrictions apply to “insiders” of the Corporation and holders of Common Shares who are “control persons” or the equivalent or who are deemed to be part of what is commonly referred to as a “control block” in respect of the Corporation for purposes of securities legislation. **Each Shareholder is urged to consult his, her or its professional advisors to determine the exact conditions and restrictions applicable to trades of Common Shares.**

Generally, the first trade in Subscription Entitlements and Common Shares will be exempt from the prospectus requirements of securities legislation in the Qualifying Jurisdictions, if:

- (a) the Corporation is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade;
- (b) the trade is not a control distribution;

- (c) no unusual effort is made to prepare the market or create a demand for the Common Shares;
- (d) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
- (e) if the selling securityholder is an insider or officer of the Corporation, the selling securityholder has no reasonable grounds to believe that the Corporation is in default of securities legislation.

Unless such conditions have been met, the Subscription Entitlements and Common Shares may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances. Such conditions will not be met during the period of the Offering. As of the date hereof, the Corporation is not a reporting issuer in any jurisdiction of Canada and it is not anticipated that Laricina will become a reporting issuer in the foreseeable future.

The foregoing is a summary only and is not intended to be exhaustive. Holders of Subscription Entitlements and Common Shares should consult with their advisors concerning restrictions on transfer and resale, and should not transfer or resell their Subscription Entitlements and Common Shares until they have determined that any such transfer or resale is in compliance with the requirements of applicable legislation.

RISK FACTORS

Investors should consider carefully the following risks and other information included in the Corporation's historical financial statements and related notes. An investment in the Common Shares involves a significant degree of risk and should be considered speculative due to the nature of the Corporation's business and its present stage of development. The following is a summary of certain risk factors relating to the business of the Corporation. Shareholders should consider carefully the information contained herein and, in particular, the following risk factors. The risks below are not the only ones facing the Corporation. Additional risks not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the Corporation's operations. If any of the following risks actually occur, the Corporation's business, financial condition and operating results could be adversely affected. As a result, the trading price of the Corporation's Common Shares could decline and investors could lose part or all of their investment.

Risks Relating to the Offering

Subscription Price not an Indication of Value.

The Subscription Price is \$0.12 for each Common Share purchased under the Offering. The Subscription Price was determined by the Corporation in negotiation with CPP Credit and does not necessarily bear any relationship to the book value of the Corporation's assets, past operations, cash flows, losses, financial condition or any other established criteria for value. Holders who purchase Common Shares under the Offering should not consider the Subscription

Price as an indication of the Corporation's intrinsic value. After the date of this letter, the Common Shares may trade in the grey market at prices above or below the Subscription Price.

No Interest on Subscription Funds.

If the Corporation cancels the Offering, the Corporation will not have any obligation with respect to the issuance of Common Shares, except to return, without interest, the Subscription Price to Holders.

Participation in the Offering is not Assured.

A Holder may not revoke its Subscription Entitlement Certificate for any reason unless the Corporation amends the Offering. If the Corporation decides to terminate the Offering, the Corporation will not have any obligation with respect to the issuance of Common Shares except to return the Subscription Price, without interest.

Holdings Need to Act Promptly and Follow Instructions.

Holdings who desire to purchase Common Shares in the Offering must act promptly to ensure that complete Subscription Entitlement Certificates and payment of the applicable Subscription Price pursuant thereto are actually received by Osler prior to the Subscription Deadline, and any permitted extension of the Subscription Deadline. If Holdings fail to complete and sign the Subscription Entitlement Certificate, send an incorrect payment amount, or otherwise fail to follow the procedures that apply to their acquisition of Common Shares, the Corporation may, depending on the circumstances, reject the completed Subscription Entitlement Certificates or accept it to the extent of the payment received. The Corporation makes no undertaking to Holdings concerning, nor will the Corporation attempt to correct, an incomplete or incorrect Subscription Entitlement Certificates or payment. The Corporation has the sole discretion to determine whether a subscription for Common Shares properly follows the subscription procedures.

Immediate Dilutive Effect of the Offering.

If an Eligible Shareholder does not exercise Subscription Entitlements to acquire Common Shares, the ownership interest in the Corporation and number of Common Shares currently held by such Shareholder will be significantly diluted as a result of: (i) the acquisition of Common Shares by other Holdings; and (ii) the issuance of preferred shares (which will be immediately converted into Common Shares) to CPP Credit pursuant to the Note Conversion, if any; and (iii) the issuance of the Consent Fee Warrants or Note Repayment Warrants to CPP Credit.

In the past, the Corporation has issued options to acquire Common Shares. To the extent these outstanding options are ultimately exercised, investors in the Offering may incur further dilution.

No Market for Securities.

There is currently no market through which the Common Shares may be sold as the Common Shares are not listed on any stock exchange and Holdings may not be able to resell the Common

Shares purchased under the Offering. There can be no assurance that an active trading market for the Common Shares will ever develop or, if developed, that such market will be sustained.

Loss of Entire Investment.

An investment in the Common Shares is highly speculative and may result in the loss of a Holder's entire investment. Only Eligible Shareholders and other Qualified Persons who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Corporation by participating in the Offering.

Risks Relating to the Settlement Transaction

Completion of the Settlement Transaction may not Occur.

The Corporation will not complete the Settlement Transaction unless and until all conditions precedent to the Settlement Transaction are satisfied or waived. Even if the Settlement Transaction is completed, it may not be completed on the schedule described in this letter. In addition, if the Settlement Transaction is not completed on the schedule described in this letter, the Corporation may incur additional expenses.

Potential Effect of the Settlement Transaction.

There can be no assurance as to the effect of the Settlement Transaction on Laricina's relationships with its suppliers, customers, purchasers or contractors, nor can there be any assurance as to the effect on such relationships of any delay in the completion of the Settlement Transaction. To the extent that any of these events result in the tightening of payment or credit terms, increases in the price of supplied goods, or the loss of a major supplier, customer, purchaser or contractor, this could have a material adverse effect on Laricina's business, financial condition, liquidity and results of operations in the future.

The Settlement Transaction may not Improve the Financial Condition of Laricina's Business.

Management believes that the Settlement Transaction will provide Laricina with continued flexibility to pursue long term value for shareholders. However, such belief is based on certain assumptions, including, without limitation that Laricina's relations with suppliers, customers and competitors will not be materially adversely affected following completion of the Settlement Transaction and that general economic conditions and the markets will improve, as well as Laricina's continued ability to manage costs. Should any of those assumptions prove incorrect, the financial position of Laricina may be materially adversely affected and Laricina may not be able to pay its debts as they become due.

The Corporation will not be a Going Concern.

If the Settlement Transaction is not implemented, the Corporation will not be able to meet its obligations and as such the Corporation will not be a going concern. The significant decline in oil prices has, among other things, severely constrained Laricina's ability to raise additional capital. There can be no assurance that the Corporation will be able to obtain additional capital to

repay CPP Credit. The inability to secure additional capital required to meet Laricina's financial obligations under the Notes would have a material adverse effect on Laricina's financial condition and its ability to avoid receivership.

Risks Relating to the Equity Securities

Shareholders are Subject to Potential Further Dilution.

Management continually evaluates acquisition opportunities and recapitalization transactions, and although Laricina is not currently party to any definitive agreements in respect of such transactions, it may engage in transactions that result in the issuance of Common Shares, which issuances may be dilutive. A Shareholder's percentage interest in Laricina will be substantially diluted upon conversion of the Notes. Other issuances of additional Common Shares may also result in dilution of the holders of Common Shares.

Exchange of CPP Debt for Equity.

By converting part of the Notes for preferred shares (which will be immediately converted into Common Shares) pursuant to the Note Conversion under the Settlement Agreement, CPP Credit will be changing the nature part of its investment from debt to equity. Equity carries certain risks that are not applicable to debt. The Indenture governing the Notes provides a variety of contractual rights and remedies to holders of Notes, including the right to receive interest and repayment of the Notes in certain circumstances. These rights will not be available to CPP Credit in its capacity as a holder of Common Shares. Further, following closing of the Settlement Transaction, claims of Shareholders will be subordinated in priority to the claims of creditors in the event of insolvency, winding up, or other distribution of the assets of Laricina. However, CPP Credit will continue to hold up to \$28.5 million of Notes following such closing which will have priority over the claims of Shareholders.

Risks Relating to the Notes

The Corporation may not be able to Service all of its Obligations.

The Corporation's ability to make payments on its indebtedness, including the Notes and to fund its operations, working capital and capital expenditures, depends on its ability to generate cash in the future. The Corporation's ability to secure cash is subject to general economic, industry, financial, competitive, operating, regulatory and other factors that are beyond its control. Laricina's business will not generate cash flow in an amount sufficient to enable it to repay its indebtedness, including the Notes continued to be held by CPP Credit, or to fund its other liquidity needs. The Corporation will need to refinance all or a portion of its indebtedness, including the continuing Notes, on or before March 2018. The Corporation's ability to refinance its indebtedness or obtain additional financing will depend on, among other things:

- its financial condition at the time;
- restrictions in its Indentures and credit agreement; and

- other factors, including the condition of the financial markets or the oil and gas industry.

As a result, Laricina may not be able to refinance any of its indebtedness, including the continuing Notes, on commercially reasonable terms, or at all. If the Corporation does not generate sufficient additional borrowings or refinancing or proceeds of assets sales are not available, the Corporation may not have sufficient cash to enable Laricina to meet all of its obligations, including payments on the Corporation's continuing Notes held by CPP Credit.

The Instruments Governing the Corporation's Indebtedness Contain Significant Restrictions that Limit Operating and Financial Flexibility.

The instruments governing the Corporation's indebtedness contain covenants that, among other things, limit its ability to:

- incur additional indebtedness;
- pay dividends and make distribution;
- repurchase shares;
- make certain investments;
- transfer or sell assets;
- enter into transactions with affiliates; and
- merge, consolidate, amalgamate or sell all or substantially all of its assets.

All of these restrictions may limit the Corporation's ability execute its business plan.

Risks Relating to the Corporation and its Business

Laricina may not be able to Fund the Substantial Capital Requirements Required for the Future Development of its Business.

The Corporation anticipates making substantial capital expenditures to fund its share of the costs to develop its oil sands projects and the future acquisition, exploration, development and production of its oil sands resources and reserves. The sources of funding potentially available to the Corporation include proceeds from equity offerings, the incurrence of additional indebtedness, joint arrangements or the sale of assets. There can be no assurance that debt or equity financing, joint arrangements or cash, if any, that may be generated by future operations will be available or sufficient to meet these capital requirements or for other corporate purposes or, if debt or equity financing or joint arrangements are available, that it will be available on terms acceptable to the Corporation. The inability to access sufficient capital to fund its capital requirements and operations could result in, among other things, the inability of the Corporation to conduct exploration and development programs on its assets. Any of these results could have a

material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Laricina has a History of Net Losses and it may Never Achieve Profitability.

The Corporation has had reported losses since inception, with a cumulative deficit of \$512.3 million as at June 30, 2015. The Corporation does not expect to generate revenues sufficient to cover its overall activities in the immediate future and potentially thereafter and there can be no assurance that it will achieve profitability in the future. In addition, should the Corporation be unable to continue as a going concern, realization of assets and settlement of liabilities other than in the normal course of business may be at amounts significantly different from those in the financial statements.

Laricina has Historically Incurred Significant Negative Cash Flows from Operations.

The Corporation's cash flows from operations (including net change in non-cash operating working capital items) for the three months ended June 30, 2015 and the year ended December 31, 2014 was negative \$13.4 million and \$73.5 million, respectively, and there can be no assurance that the Corporation will be able to generate sufficient cash flows from operations in the future to fund its operations and business needs. The inability of the Corporation to generate positive operating cash flows in the future could have a material adverse effect on its business, financial condition, results of operations and prospects.

Laricina's Undeveloped Reserves and Contingent and Prospective Resources may not be Commercially Viable.

The substantial majority of the Corporation's total reserves, contingent resources and prospective resources are undeveloped. These reserves and contingent resources may not ultimately be developed or produced, either because it may not be commercially viable to do so or for other reasons. Furthermore, not all of the Corporation's undeveloped reserves or contingent resources and prospective resources may be ultimately produced at the time periods Laricina has planned, at the costs Laricina has budgeted or at all.

Estimating oil sands reserves and resources is inherently uncertain and no assurance can be given that the currently estimated level of reserves and resources or recovery of bitumen will be realized. Reservoir engineering is a partially subjective process of estimating and is highly dependent on the accuracy of the assumptions on which it is based. Assumptions such as historical production from similar properties, the effects of regulation by government agencies, estimated future capital and operating costs, and potential enhanced recovery techniques are used in estimates of economically recoverable bitumen and actual results may vary considerably. Estimates of the economically recoverable bitumen and the classification of such reserves and resources are based on probability of recovery, and the estimates of future net revenue expected from those reserves, prepared by different engineers or by the same engineers at different times, may vary substantially. Some of the formations from which Laricina intends to produce bitumen and to which GLJ has assigned probable or possible reserves and resources have not yet produced commercial quantities of bitumen.

Laricina's Profitability and Operations could be Materially and Adversely Affected by Fluctuations in Market Prices of Bitumen Blend, Crude Oil and Natural Gas.

The Corporation's results of operations and financial condition will be dependent upon, among other things, the prices that it may receive for the bitumen, bitumen blend and other bitumen products that it may sell in the future, and the prices that it may receive for such products will be closely correlated to the price of crude oil, specifically West Texas Intermediate (WTI). Historically, crude oil markets have been volatile and are likely to continue to be volatile in the future. Crude oil and natural gas prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond Laricina's control. These factors include, but are not limited to: global energy policy, including the ability of the Organization of the Petroleum Exporting Countries to set and maintain production levels and influence prices for crude oil; political instability and hostilities and the risk of hostilities; domestic and foreign supplies of crude oil; weather conditions; the overall level of energy demand; government regulations and taxes; currency exchange rates; the availability of refining capacity and transportation infrastructure; the effect of worldwide environmental and/or energy conservation measures; the price and availability of alternative energy supplies; and the overall economic environment.

Any prolonged period of low crude oil and/or high natural gas prices could result in a decision by the Corporation to further: (i) suspend or slow development activities; (ii) suspend or slow the construction or expansion of bitumen recovery projects; or (iii) suspend or reduce production levels. Any of these actions could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

There is no generally recognized approach to determine the constant price for bitumen because the bitumen market is not yet mature and there are no published reference prices for bitumen. Typically, producers in the oil sands sell bitumen blend, a mixture of bitumen and lighter hydrocarbons (diluent). Diluents are added to aid in the treating process as well as to meet pipeline transportation specifications. To price bitumen blend, marketers apply formulas that take as a reference point the prices published for crude oil of particular qualities such as Western Canadian Select (WCS) or WTI. The price of bitumen blend fluctuates widely during the course of a year, with the lowest prices typically occurring at the end of the calendar year because of decreased seasonal demand for asphalt and other bitumen-derived products.

Future price differentials are uncertain and any increase in the heavy oil differentials could have an adverse effect on the Corporation's results of operations and financial condition.

The Corporation conducts an assessment of the carrying value of its assets to the extent required by International Financial Reporting Standards. As at December 31, 2014, the Corporation had indications of impairment on all its cash generating units ("CGU") due to declining commodity prices. During the year ended December 31, 2014, the Company recorded a loss on impairment of \$195.2 million. The impairment was comprised of \$136.8 million, \$57.2 million and \$1.2 million related to Germain CGU, Burnt Lakes CGU and other long-term assets, respectively. No additional loss on impairment was recorded during the six months period ended June 30, 2015.

General Economic Conditions, Business Environment and Other Risks Could Delay or Impede Development of Laricina's Oil Sand Properties.

The business of the Corporation is subject to general economic conditions. Adverse changes in general economic and market conditions could negatively impact demand for crude oil, bitumen and bitumen blend and will affect revenue, operating costs, results of financing efforts, timing and extent of capital expenditures or credit risk and counterparty risk. Volatility in crude oil, bitumen blend, natural gas, SCO and other diluent prices, fluctuations in interest rates, product supply and demand fundamentals, market competition, labour market supplies, risks associated with technology, the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations, the Corporation's ability to access external sources of debt and equity capital, general economic and business conditions, the Corporation's ability to make capital investments and the amounts of capital investments, risks associated with potential future lawsuits and regulations, assessments and audits (including income tax) against the Corporation and its subsidiaries, political and economic conditions in the geographic regions in which the Corporation and its subsidiaries operate, difficulty in obtaining any necessary regulatory approvals, a significant decline in the Corporation's reputation, and such other risks and uncertainties, could individually or in the aggregate have a material adverse impact on the Corporation's business, financial condition, results of operation and prospects. Challenging market conditions and the health of the economy as a whole may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. There can be no assurance that any risk management steps taken by the Corporation with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Laricina's Projects are Currently Suspended.

Historically, oil sands projects have experienced capital cost over-runs due to a variety of factors. Strong crude oil and natural gas prices may result in increased competition for, and shortages of, the labour, goods and services that are required to complete and operate bitumen recovery projects.

Laricina's projects are currently suspended and there can be no assurance that the Corporation will be able to raise the capital required for these projects to resume. If the Corporation is able to raise capital in the future to develop its oil sands resources, there is no assurance that the development and project schedules will proceed as planned. Any delays in the development and project schedules could be material and could adversely affect the Corporation's business, financial condition, results of operations and prospects.

Project delays may negatively affect the receipt of expected future revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects, and the performance of such projects, depends upon numerous factors beyond the Corporation's control, including but not limited to:

- shortages of, or delays in obtaining qualified labour, equipment, materials or services;
- labour disputes, disruptions or declines in productivity;

- changes in the project scope or increases in the amount or cost of materials or labour;
- contractor or operator errors in design or construction and non-performance by, or financial failure of, third party contractors;
- breakdown or failure of equipment or processes including engineering, procurement and/or facility performance falling below expected levels of output or efficiency;
- denial of or delays in, or conditions or non-compliance with conditions imposed by, regulatory approvals and changes in government regulations;
- reservoir performance;
- an inability to obtain adequate financing on terms satisfactory to the Corporation or at all;
- challenges to the Corporation's proprietary technology and/or that of the Corporation's suppliers or licensors;
- transportation or construction accidents, disruption or delays in availability of transportation services or adverse weather conditions affecting construction or transportation;
- unforeseen site surface or subsurface conditions;
- the availability of, and the ability to acquire water supplies needed for drilling or to make steam in SAGD or C-SAGD operations, or the Corporation's ability to dispose of water used or removed from strata at reasonable costs and within applicable environmental regulations;
- availability or disruption in the supply of natural gas and / or electricity;
- catastrophic events such as fires, earthquakes, storms or explosions;
- the availability of processing capacity and storage capacity;
- the availability of alternative fuel sources;
- the availability of drilling and related equipment;
- unexpected cost increases; and
- currency fluctuations.

Because of these and other factors, the Corporation may be unable to execute projects on time, on budget or at all, or the projects may not perform to the Corporation's expectations or as required by regulatory approvals. If any of the aforementioned risks occur, the Corporation's business, financial condition, results of operations and prospects could be adversely affected.

Potential Influence of CPP Credit.

If the Settlement Transaction closes, and Holders do not participate in the Offering, CPP Credit is expected to hold a significant equity interest by virtue of the Note Conversion. The terms of the Settlement Agreement provide that on the Effective Date, the Board will consist of five directors and CPP Credit will be entitled to nominate for inclusion on any slate of directors recommended by the Board to Shareholders: (a) three directors, so long as CPP Credit and its affiliates hold more than 50% of the outstanding Common Shares; (b) two directors, so long as CPP Credit and its affiliates hold at least 25% but not more than 50% of the outstanding Common Shares; or (c) one director, so long as CPP Credit and its affiliates hold more than 10% but not more than 25% of the outstanding Common Shares.

CPP Credit's potential shareholding upon completion of the Note Conversion gives it significant influence on decisions to be made by Shareholders and its right to nominate directors may give CPP Credit influence on decisions made by the Board. CPP Credit's interests may differ from those of other Shareholders and it may exercise its rights relating to Laricina in a manner which conflicts with the interests of other Shareholders.

Variations in Foreign Exchange Rates and Interest Rates could Adversely Affect Laricina's Business.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian dollar/U.S. dollar exchange rate, which will fluctuate over time. Generally, material increases in the value of the Canadian dollar negatively impact commodity prices valued in United States dollars thereby reducing the Corporation's future production revenues. Accordingly, future Canadian/U.S. dollar exchange rates could impact the future value of the Corporation's resources as determined by independent evaluators.

The Corporation may in the future incur indebtedness at variable rates of interest that expose the Corporation to additional interest rate risk. If interest rates increase, the Corporation's debt service obligations on such variable rate indebtedness would increase even though the amount borrowed remains the same, and the Corporation's net income and cash flows would decrease.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates or interest rates, there is a credit risk associated with counterparties with whom the Corporation may contract.

Future Acquisitions and Joint Venture Activities could Present Unforeseen Integration Obstacles or Costs and may Adversely Affect Laricina's Business and its Operating Results.

The Corporation may acquire additional companies (through merger or otherwise) or assets in the oil sands industry or enter into joint venture arrangements to develop its core areas. The

Corporation may also in the future pursue potential strategic alliances and partnerships in infrastructure development, and the development and application of new technologies. There can be no assurance that suitable acquisition candidates or joint venture partners can be identified and agreements entered into on acceptable terms or at all.

The acquisition of oil and natural gas companies and assets is subject to substantial risks, including but not limited to the failure to identify material problems during due diligence, the risk of over-paying for assets, and the inability to arrange financing for an acquisition as may be required or desired. Further, the integration and consolidation of acquisitions and joint venture arrangements requires substantial human, financial and other resources and, ultimately, the Corporation's acquisitions and joint venture arrangements may not be successfully integrated. In addition, the Corporation may be exposed to additional liabilities of the acquired businesses or joint ventures and any indemnities provided by the seller may be inadequate to cover any losses. Any of these could materially and adversely affect the Corporation's business, financial condition, results of operations and prospects. There can be no assurances that any future acquisitions or joint venture arrangements will perform as expected or that the returns from such acquisitions or joint venture arrangements will support the indebtedness incurred to acquire them or the capital expenditures needed to develop them.

Reliance on, Competition for, Loss of, and Failure to Attract Key Personnel may Impact Laricina's Business.

The design, development and construction of, and commencement of operations at, each of the Corporation's oil sands projects will require experienced executive, management and technical personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees with the necessary expertise will be available. It is likely that other oil sands projects or expansions will proceed in the same time frame as the Corporation's projects and the Corporation's projects will compete with these other projects for experienced employees and such competition may result in increases to compensation paid to such personnel or a lack of qualified personnel.

The Corporation's inability to attract and retain qualified personnel, may delay or interrupt the design, development and construction of, and commencement of operations of, such projects. Sustained delays or interruptions could have a material adverse effect on the Corporation's projects, and on the financial condition and results of operation of the Corporation. In addition, rising labour costs would adversely impact the overall costs associated with the design, development and construction of, and commencement of operations which could be significant and material.

The Corporation's success depends in large measure on certain key personnel. The loss of such key personnel may have a material adverse effect on its business, financial condition, results of operations and prospects. The Corporation does not have any key person insurance in effect. The contributions of the existing management team to the Corporation's immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise,

judgment, discretion, integrity and good faith of management of the Corporation. The future management of the corporation may change with the determination of the composition of the Board post the conclusion of the marketing process and debt conversion. The Corporation will necessarily require additional staff for future development and there is no certainty the required personnel may be available.

The Impact of Global Financial Uncertainty on Commodity Prices may Adversely Affect Laricina.

The market events and conditions that have transpired in recent years, including disruptions in the international credit markets and other financial systems and the levels of American and European sovereign debt, have caused significant volatility in commodity prices. These conditions caused a decrease in confidence in the global credit and financial markets and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Any future market volatility may affect the Corporation's ability to obtain equity or debt financing on acceptable terms or at all.

Petroleum prices are expected to remain volatile in the near future as a result of market uncertainties regarding the supply and demand fundamentals for petroleum products due to the current state of the world's economies, actions taken by the Organization of the Petroleum Exporting Countries, and the ongoing risks facing the North American and global economies.

Laricina Follows Canadian Standards for Reporting Reserves and Production, which Differ from U.S. Standards. Consequently Laricina's Reserves Information may not be Comparable to Companies that Report using U.S. Reporting Standards. In addition, Laricina Reports Resources in Accordance with Canadian Practices; U.S. Practice Precludes Disclosure of Resources.

The Corporation's production volumes and reserve estimates are not directly comparable to those made in filings subject to SEC standards, as the Corporation reports production and reserve quantities in accordance with Canadian standards. The SEC permits U.S. oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves and production, net of royalties and interests of others, that a Corporation has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The Corporation uses certain terms in this offering circular, such as resources (including contingent and prospective resources) that the SEC's guidelines would strictly prohibit us from including in filings with the SEC. Canadian securities laws permit oil and gas companies, in their filings with Canadian securities regulators, to disclose risked resources (including contingent and prospective resources) and to disclose production on a gross basis before deducting royalties. On July 17, 2014, the ROTR Guidelines for estimation and classification of resources other than reserves were published as section 2, volume 2 of the COGE Handbook. The ROTR Guidelines were effective upon publishing. The ROTR Guidelines recommend sub-classification but does not require it. Amendments to NI 51-101 were published on December 4, 2014 and were effective July 1, 2015. The amendments promote improved disclosure of resources other than reserves and also align NI 51-101 with the recently updated COGE Handbook. Laricina's historical volumes and values have not been sub-classified or risked.

When Resources and Reserves have been Extracted from Projects, Abandonment and Reclamation Costs will be Incurred.

Estimates of the Corporation's abandonment and reclamation costs will be a function of regulatory requirements existing at the time that the estimates are made, which are subject to change in the future. A breach of such approvals, laws or regulations may result in the issuance of remedial orders, the suspension of approvals, or the imposition of fines and penalties. In addition, the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. Consequently, the estimates may or may not accurately reflect these future costs. In addition, in the future the Corporation or the operator of the Corporation's projects may determine it prudent, or be required by applicable laws or regulations, to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs, which could result in a material increase in the cost of the Corporation's projects.

Reservoir Characteristics may Vary from Analogues.

The reservoir characteristics of the Corporation's properties vary among the different properties and in comparison to other producing projects in McMurray, Grand Rapids or other formations. The Grand Rapids and Grosmont formations that the Corporation is initially proposing to produce have had little thermally stimulated production to date including the Corporation's existing Saleski Pilot and Germain CDP; there are several commercial projects announced or in early stage of development. There is no guarantee that the Corporation's steam oil ratio will be equivalent to those ratios in the other formations which are currently producing. There is a risk that the recovery of bitumen will be lower in the Corporation's projects than in projects in other reservoirs that have been used as analogues to assign the reserves and resource estimates in the GLJ Reports, because the reservoir characteristics are different although management believes that these differences have been taken into account.

In addition, should the Corporation encounter the existence of adverse reservoir conditions during the development of its oil sands or carbonates projects, ultimate bitumen recovery levels achieved by the Corporation utilizing the SAGD, CSS, C-SAGD and/or SC-SAGD recovery processes may be negatively affected. Such adverse reservoir conditions could include, but are not limited to, the following: regional poor quality geological features; depleted or partially depleted associated gas caps due to prior gas production; the existence of bottom or top water, inter-formation water, or other thief zones; or the absence of an overlying cap rock.

The quality and performance of the reservoir can also impact the timing, cost and levels of production using any technology. *In situ* exploration and production operations are also subject to risks such as encountering unexpected formations or pressures and invasion of water into producing formations. With additional data and knowledge of a reservoir, the Corporation may realize that the reservoir does not show the same level of porosity and permeability as shown from the previous data set. Moreover, the actual production performance, including recovery rate and SOR, may not meet what has been predicted. In that case, the production plan may be changed or adjusted significantly.

Any of these events could have a material adverse impact on future operating activities and the economic performance of the Corporation's projects, which in turn could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Operations could be Adversely Affected by Facilities and Facility Designs.

The performance of SAGD, CSS, C-SAGD or SC-SAGD facilities may differ from the Corporation's expectations. The variances from expectations may include, without limitation:

- the ability to operate at the expected level of production;
- the reliability or availability of the SAGD, CSS, C-SAGD or SC-SAGD facilities; and
- the amount of steam required to produce bitumen resources.

If the SAGD, CSS, C-SAGD or SC-SAGD facilities do not perform to expectation levels or as required by regulatory approvals, the Corporation may be required to invest additional capital to correct deficiencies or the Corporation may not be able to meet its expected level of production. If these expectations are not met, the Corporation's revenue, cash flow and relationships with customers could be materially and adversely affected.

Current *in situ* technologies requires a significant amount of natural gas and other fuels in the production of steam that is used in the recovery process. The amount of steam required in the recovery process can also vary and affect costs. Should the actual average operating SOR in commercial operations be higher than the Corporation's estimates, it may result in some or all of the following: an increase in operating costs; lower bitumen production; or, the requirement for additional facilities. If one or more of these events occurs it is possible that the affected project could become uneconomic, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The Expiry of Leases or Permits may Impact Laricina's Operations.

The Corporation's properties are held in the form of leases, permits and working interests in leases and permits. If the Corporation or the holder of the lease or permit fails to meet the specific requirement of such lease or permit, the lease or permit may terminate or expire. There can be no assurance that any of the obligations required to maintain each lease or permit will be met. The termination or expiration of the Corporation's leases or permits or the working interests relating to a lease or permit may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The *Mines and Minerals Act* (Alberta) requires that exploration or development activities be undertaken according to prescribed levels of evaluation or production. Permits may generally be converted into leases provided certain minimum levels of exploration have been achieved and all lease rentals have been timely paid. Although an oil sands lease may generally be continued after the initial term as to all or any portion which the Minister of Energy may determine, if the minimum levels of exploration or production have not been achieved and all lease rentals have

been timely paid, the Corporation cannot provide assurance that it will be able to renew all of its oil sands leases as they expire.

Drilling and Other Equipment for Exploration and Development Activities may not be Available When Needed.

Oil and gas exploration and development activities (including those for bitumen from oil sands) are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the Corporation's proposed exploration, development and sales activities. If the demand for, and wage rates of, qualified rig crews rise then the oil industry may experience shortages of qualified personnel to operate drilling rigs. This could delay and increase the costs of the Corporation's drilling operations. One or more of these events could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Shortages in Electricity and Natural Gas, or Increases in Electricity and Natural Gas Prices may Adversely Affect Laricina's Business, Results of Operations and Financial Position.

The Corporation expects to consume substantial amounts of electricity and natural gas in connection with its bitumen recovery techniques, and its demand will increase as its production capabilities increase and its projects are developed. Any shortages or disruptions in the Corporation's electricity or natural gas supplies could lead to increased costs. Severe and/or prolonged disruptions in the supply of electricity and/or natural gas could, in fact, result in operational disruptions or outages.

Shortages in Water Supply may Adversely Affect Laricina's Business, Results of Operations and Financial Position.

In the *in situ* recovery process and operations the Corporation expects to use water to create steam. In order to use or divert water, the Corporation must first obtain a water licence. Any shortages in its water supply could lead to increased costs, and any delays or difficulties in obtaining or maintaining a water licence could adversely affect the Corporation's operations.

Diluent, Natural Gas and Utility Supply and Costs.

Extracting bitumen using SAGD, CSS, C-SAGD and/or SC-SAGD technologies in order to sell bitumen blend requires considerable quantities of natural gas and diluent. Natural gas is used as an energy input, primarily to produce steam from water at the *in situ* extraction site. The amount of steam required to extract one barrel of oil is commonly referred to as the SOR. A higher SOR indicates that more steam is required, and therefore more natural gas is used. Natural gas is currently plentiful in the Athabasca region. Diluent is used to separate water and solids from produced emulsion within the oil treating process as well as to create a bitumen blend, which has a lower viscosity than bitumen and is able to transport by tanker trucks or flow in a pipeline to markets. Condensate is currently the diluent preferred by many bitumen producers. However, the

current demand for condensate in the Athabasca region for use as diluent exceeds regional supply. An alternative diluent to condensate is SCO. SCO is currently plentiful in the Athabasca region, but under typical market conditions the operating netback realized for a SCO bitumen blend is less than for a condensate bitumen blend.

The Corporation's ability to sell bitumen blend profitably in the future will be dependent on, among other things, the cost of natural gas and the cost of diluent. As production of non-upgraded bitumen increases in the regions the Corporation operates, so will the demand for natural gas and diluent. As the demand for natural gas and diluent increases, the availability of these products may decrease and cost of these products may increase. If the Corporation is unable to source a stable supply of natural gas and/or diluent at economic prices, one or more of the Corporation's projects may become uneconomic, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Regulatory Approvals and Compliance and Changes in Government Regulations could Delay or Impede Future Development of Laricina's Oil Sand Properties.

The construction, operation and decommissioning of the Corporation's oil sands projects are and will be conditional upon various environmental and regulatory approvals issued by governmental authorities, including but not limited to the approval of the AER. There is no assurance that such approvals will be issued at all or in a timely manner, or, once issued or renewed, that they will not contain terms and conditions which make such projects, uneconomic, or cause the Corporation to significantly alter such projects. Further, the construction, operation and decommissioning of the Corporation's projects will be subject to regulatory approvals and statutes and regulations relating to environmental protection and operational safety. Risks of substantial costs and liabilities are inherent in the Corporation's operations and there can be no assurance that substantial costs and liabilities will not be incurred or that its projects will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the Corporation's projects, could result in substantial costs and liabilities to the Corporation or delays to or abandonment of its projects.

Laricina's Operations are Subject to Environmental Regulation which Could Delay or Impede Development.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and

liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact the Corporation's ability to develop and operate its oil sands or achieve production or will not increase unit costs of production, or to realize other business opportunities from its exploration leases and permits. Equipment from suppliers which can meet future emission standards may not be available on an economic or timely basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. Federal and/or provincial governments could pass legislation that would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, which the Corporation may be unable to mitigate and that would have a negative impact on the Corporation's business and results of operations.

Oil sands leases are subject to provincial stewardship and conservation guidelines, and as such, there is a risk that surface and subsurface access and activities could be altered to conserve and protect the diversity of ecological regions, migratory species and support the efficient use of lands. The Alberta *Land Stewardship Act* defines regional outcomes (economic, environmental and social) and includes a broad plan for land and natural resource use for public and private lands.

Additionally, although the Corporation is currently not a party to any material environmental litigation, there is no assurance that the Corporation will not become subject to such legal proceedings in the future, which may have a material adverse effect on its business, financial position, results of operations, prospects and reputation.

Operations Could be Adversely Affected by Climate Change Legislation.

As is the case for all producers, the Corporation's exploration activities and production facilities emit GHG emissions which directly subjects it to statutory regulation. No assurance can be given that the current or future environmental laws and regulations will not have an adverse effect on the Company's financial condition.

On July 1, 2007, SGER came into force under the Climate Change and Emissions Management Act requiring Alberta facilities which emit or have emitted more than 100,000 tonnes of GHGs in 2003 or any subsequent year to reduce their GHG emissions intensity by 12% (from emission baseline levels). If a facility is not able to abate GHG emissions sufficiently to meet the reduction target, it may utilize the following compliance mechanisms: (a) emissions performance credits obtained from other regulated facilities; (b) emissions offsets obtained from non-regulated facilities or projects which reduce or remove GHG emissions; or (c) credits for contributions to the Climate Change and Emissions Management Fund. Regulated facilities may

choose any combination of these compliance mechanisms to comply with their target. At present, the Corporation does not operate any facilities regulated by SGER. Presently, the Germain CDP emissions are slightly below the 100,000 tonnes of GHGs, as such target reductions specific to SGER are not required. Once Saleski Phase 1 is built, the Corporation will be subject to the regulations. There is no assurance that the Corporation will not incur material costs in the future if the relevant provisions contained in SGER are amended. The Government of Alberta also published a new climate change action plan in January 2008 wherein it set an objective to deliver a 50% reduction in GHG emissions by 2050 compared to business as usual, by employing: (a) mandatory carbon capture and storage for certain facilities and development across all industrial sectors; (b) energy efficiency and conservation; and (iii) research and investment in clean energy technologies, including carbon separation technologies to assist carbon capture and storage.

The SGER was recently amended in June 2015, increasing carbon reduction levels and the per-tonne cost of emission credits. The SGER is presently set to expire at the end of 2017. An advisory panel is currently reviewing Alberta's climate strategy and is expected to make a recommendation on the pricing of carbon and related matters to the Minister of Environment and Parks by the end of 2015. It is unclear when such recommendations may be implemented by the Government.

Changes in the regulatory environment such as increasingly strict carbon dioxide emission laws could result in significant cost increases.

The Saleski pilot and Germain CDP are mandated under the Canadian Environmental Protection Act to report releases, disposals and transfers of substances to the National Pollutant Release Inventory (NPRI). The Saleski pilot has been reporting to the NPRI since 2011 and the Germain CDP submitted its first report on June 1, 2014. At this time, there is no additional financial liability created by the federal regulations but there is an agreement in principle that there will be harmonization with provincial regulations and a suite of flexible compliance mechanisms designed to ensure that the sector's competitiveness is maintained.

The Canadian government has stated on several occasions that it would like to align its GHG emissions regime with that of the United States. It is currently unclear when such legislation will be enacted in the United States or what it will entail. The President of the United States has endorsed the US Environmental Protection Agency to regulate GHG emissions under the *Clean Air Act*. The impact of this regulation and the timing of the regulations remain unknown. It is therefore unclear whether or when the Canadian federal government will implement a GHG emissions regime or what obligations might be imposed thereunder. Any Canadian federal legislation, once enacted, could have a material effect on the Corporation's operations.

Future federal industrial air pollutant and GHG emission reduction targets, together with provincial emission reduction requirements contemplated in the *Climate Change and Emissions Management Act*, or emission reduction requirements in future regulatory approvals, may require the reduction of emissions or emissions intensity from the Corporation's operations and facilities, payments to a technology fund or purchase of emission performance or off-set credits. The required emission reductions may not be technically or economically feasible for the Corporation's projects and the failure to meet such emission reduction requirements or other

compliance mechanisms may materially adversely affect the Corporation's business and result in fines, penalties and the suspension of operations.

Proposed Export Restrictions may Restrict the Markets in Which Laricina Operates.

The Government of Canada previously announced that it will review and may restrict exports from Canada of bitumen and bitumen blend products to countries with less stringent GHG emissions limits than those which apply in Canada. Any export restrictions imposed with respect to bitumen or bitumen blend products may restrict the markets in which the Corporation may sell its bitumen and bitumen blend products in the future, which may result in the Corporation receiving a lower price for its production.

Laricina's Cash Flows and Future Profitability could be Affected by Changes in Alberta's Royalty Regime and by Increased Taxes.

The development of the Corporation's resource assets will be directly affected by the applicable fiscal regime. The economic benefit of future capital expenditures for the Corporation's projects is, in many cases, dependent on the fiscal regime. The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. These royalties are linked to commodity prices and production levels and will apply to both new and existing oil sands projects and conventional oil and gas activities. A government-appointed advisory panel is currently reviewing the province's royalty regime and will provide recommendations to the Government with respect to the establishment of an optimal regime. The advisory panel's work is expected to conclude by the end of 2015. Any consequent increases in royalty rates can have a negative effect on the Corporation's profitability by increasing production costs.

In addition, the property taxes associated with the Corporation's facilities are a material cost which may fluctuate with changing tax rates within the applicable municipal districts. Future increases in property tax rates may result in significant cost increases to the Corporation.

The Oil and Gas Industry is Subject to Regulatory and Political Risks.

The Corporation will be responsible for compliance with the terms and conditions of environmental and regulatory approvals it receives and all the laws and regulations regarding the abandonment of its exploration and delineation wells, its projects and the reclamation of its lands at the end of their economic lives. These abandonment and reclamation costs may be substantial.

The marketability and price of bitumen is and will continue to be affected by political events that cause disruptions in the supply of oil. Conflicts arising in the Middle East, or other areas of the world, have a significant impact on the price of oil. Any particular event could result in a material decline in prices and could have a material adverse effect on the Corporation's business, results of operations, financial condition and prospects.

In addition, the long-term impact of previous terrorist attacks and the threat of future terrorist attacks on the oil and gas industry in general, and on facilities for the transportation and refinement of oil and gas in particular, is not known at this time. The possibility that

infrastructure and other facilities, such as pipelines, terminals and refineries, may be direct targets of, or indirect casualties of, an act of terror and the implementation of security measures which may be taken as a precaution against possible terrorist attacks have resulted in, and are expected to continue to result in, increased costs to the Corporation's business. Furthermore, any interruption in the services provided by infrastructure on which the Corporation relies as a result of a terrorist attack would have a material adverse effect on the Corporation's results of operations, financial condition and prospects.

Laricina's Operations are Dependent in Part on Infrastructure Owned and Operated by Third Parties and on Services Provided by Third Parties.

The Corporation has entered into (or may in the future from time to time enter into) contractual relationships with third parties in order to construct and operate the Saleski Pilot, the Germain CDP, and any other bitumen recovery development project or supporting infrastructure that it may propose to undertake. Such arrangements may include engineering, equipment procurement and construction contracts, long term maintenance contracts for key equipment, contracts for shipping bitumen, bitumen products, crude oil to market as well as supply and transportation of diluent, electricity or natural gas, and contracts for services of a constant or recurring nature. The Corporation will be dependent on the ability of these third parties to perform their obligations in a timely, cost efficient, reliable and effective manner. The Corporation is subject to the risk that such counterparties may default on their obligations under such agreements or arrangements, including as a result of liquidity requirements or insolvency, particularly in light of the current economic situation. There is no assurance that such arrangements can be made on a cost-effective basis or at all or that Laricina will not be obliged to fund the creation of necessary resources, which could increase the Corporation's operating costs and thereby could have a material adverse effect on its business, liquidity, results of operations and financial condition.

Claims may be made by Aboriginal Peoples against Laricina or its Assets.

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada based on historic use and occupations of lands, historic customs and treaties with governments. Such rights may include rights to access the surface of the lands, as well as hunting, harvesting and fishing rights.

Prior to making decisions that may adversely affect existing or claimed aboriginal rights and interests, the government has a duty to consult with potentially affected aboriginal peoples. The majority of these consultation efforts fall to industry to conduct with the First Nations and is stewarded by the government through the regulatory process. The time required for the completion of aboriginal consultations may affect the timing of regulatory authorizations. Furthermore, any agreements or arrangements reached pursuant to such consultation may materially affect the Corporation's business, financial condition, results of operations and prospects.

The Canadian Oil Sands Industry could Experience Disruptions due to Unfavourable or Seasonal Weather Conditions.

The level of activity in the Canadian oil sands industry is influenced by seasonal weather patterns and could be affected by unfavourable weather conditions. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil producing areas (including many of the areas in which the Corporation operates) are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. During the summer months, forest fires are common and can directly and adversely impact oil sands projects. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activities which could have a material adverse effect on the business, financial condition or results of operations.

Laricina may enter into Hedging Arrangements and such Arrangements are Subject to Risks.

The nature of the Corporation's operations will result in exposure to fluctuations in commodity prices. The Corporation may use financial instruments and physical delivery contracts to hedge its exposure to these risks. If the Corporation engages in hedging it will be exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. In addition, if product prices increase above those levels specified in any future hedging agreements, the Corporation could lose the cost of floors or a fixed price could limit it from receiving the full benefit of commodity price increases. If the Corporation enters into hedging arrangements, it may suffer financial loss if it is unable to commence operations on schedule or is unable to produce sufficient quantities of bitumen to fulfill its obligations. A long term market for hedging bitumen does not currently exist. As a result, the Corporation may enter into hedging contracts that have basis risk.

The Corporation may also hedge its exposure to the costs of inputs to a project, such as natural gas, electricity or diluent. If the prices of these inputs fall below the levels specified in any future hedging agreements, Laricina could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of commodity price decreases.

Laricina may not have Adequate Insurance for its Operations.

The Corporation does not carry insurance with respect to all potential casualty occurrences and disruptions. The Corporation's property, business interruption and liability insurance is subject to deductibles, limits and exclusions, and may not provide sufficient coverage for these and other insurable risks. There can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance (net of applicable deductibles) will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Corporation. The Corporation's operations could be interrupted by natural disasters or other events beyond its control. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

There could be Claims Related to Infringement of Oil and Gas Development Rights and Litigation in the Ordinary Course of Business.

It is possible for the Crown to grant different mineral rights over a given parcel of land in separate geological horizons. It is not uncommon for different parties to have different rights to specific geological horizons granted on different dates. As a result, different rights of different parties on the same parcel of land can result in conflicts due to their competing interests. Where this occurs, the parties may work together to negotiate a compromise that maximizes recovery for all parties involved. Where such a compromise is unattainable, the authority of one of a number of administrative bodies, such as the AER or the Surface Rights Board, will be determinative while the ultimate result will be affected by the nature and particular characteristics of the conflict. The ultimate result of such conflicts cannot therefore be predicted accurately in advance and could include the temporary suspension of Laricina's ability to explore, develop and exploit its mineral rights.

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the Corporation's business operations, which could adversely affect its financial condition.

The Oil Sands and the Oil Industry in General are Highly Competitive.

The Canadian and international petroleum industry is highly competitive in all aspects, including in attracting and retaining experienced and skilled management personnel and oil and gas professionals, the procurement of equipment for the extraction of bitumen, access to capital markets, the exploration for, and the development of, new sources of supply, the acquisition of resource interests, access to third party infrastructure, the distribution and marketing of petroleum products, and the obtainability of sufficient pipeline and other means of transportation. The Corporation will compete with other bitumen, crude oil and natural gas producers, other producers of SCO blends and other producers of conventional crude oil. Some of the conventional producers have lower operating costs than the Corporation is anticipated to have and many of them have substantially greater resources than the Corporation. Certain of the Corporation's competitors may have greater resources to source, attract, and retain the personnel, materials and services that the Corporation will require to conduct its operations. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than the Corporation have announced plans to enter the oil sands business and begin production of bitumen, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of bitumen or synthetic crude oil and other competing crude oil products in the marketplace and could

materially increase the costs of inputs such as natural gas, diluent, labour, equipment, materials or services. Depending on the levels of future demand, increased supplies could have a negative impact on prices of bitumen and, accordingly, the Corporation's results of operations.

There is no Guarantee that Laricina has Good Title to its Assets.

Although title reviews may be conducted according to industry standards prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation has not obtained title opinions in respect of the oil sands leases that it intends to develop and, while all leases are Crown lands, the Corporation's ownership of the leases could be subject to prior unregistered agreements or interests, or claims or interests of which the Corporation is currently unaware. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties the Corporation controls that, if successful or made into law, could impair the Corporation's activities on them and result in a reduction of the revenue received by the Corporation.

There are Potential Conflicts of Interest to Which Some of Laricina's Directors and Officers will be Subject in Connection with its Operations.

Some of the Corporation's directors and/or officers are engaged and will continue to be engaged in the oil and gas business on their own behalf and on behalf of others, and situations may arise where the directors and officers will be in direct or indirect competition with the Corporation's. For example, these directors or officers could pursue acquisition opportunities that may be complementary to the Corporation's business and, as a result, those acquisition opportunities may not be available to Laricina. From time to time, the Corporation may jointly participate in exploration and development activities with one or more entities with which directors or officers may be involved. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is party to a material contract or proposed material contract with the Corporation to disclose such director's or officer's interest and, with respect to a director, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

There is no Assurance that Laricina's Income Tax Returns will not be Re-assessed by Taxation Authorities.

Although the Corporation files all required income tax returns and expects to be in compliance with the provisions of the Income Tax Act (Canada) and applicable provincial tax legislation, there is no assurance that these returns will not be reassessed by taxation authorities in a way that would have an impact on current and future income taxes payable.

FORWARD-LOOKING STATEMENTS

This letter contains certain forward-looking information and statements, including statements relating to matters that are not historical facts and statements of the Corporation's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, which constitute "forward-looking information" within the meaning of applicable securities legislation in Canada (collectively the "**forward-looking information and statements**"). Forward-looking information and statements are typically identified by words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "plan", "estimate", "believe" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking information and statements are included throughout this document and include, but are not limited to, statements with respect to: the timing and delivery of the Subscription Details Notice, the timing of and other procedural matters associated with the CCAA proceedings, the Offering and the Settlement Transaction, the successful completion of the Offering and the use of proceeds therefrom; repayment if any of the CPP Debt; the conversion of the CPP Debt to equity, the Corporation's revised business plan; the Corporation's interim and ongoing operations, the Corporation's cash flow forecast; the Corporation's ability to access capital markets to fund its operations; capital expenditures to be made by the Corporation on its properties and the timing and method of financing thereof; the Corporation's outlook for its business; and other such matters.

All such forward-looking information and statements are based on assumptions and analyses made by the Corporation (including that the terms of the Settlement Agreement will be complied with) and certain other assumptions made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Corporation believes are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking information and statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information and statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others: the Corporation's future capital requirements and access to that capital; volatility in market prices for oil and natural gas; lack of transportation and inability to produce oil and natural gas reserves and resources; liabilities inherent in oil and natural gas operations; adverse regulatory rulings, orders and decisions; uncertainties associated with estimating oil and natural gas reserves and resources; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and access to services; fluctuation in foreign exchange or interest rates; incorrect assessments of the value of acquisitions and exploration and development programs; stock market volatility and market valuations; geological, technical, drilling and processing problems and other difficulties in producing reserves and resources; actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; failure to realize the anticipated benefits of acquisitions; and other factors, many of which are beyond the control of the Corporation.

Although management of the Corporation believes that the expectations reflected in such forward-looking information and statements are reasonable, it can give no assurance that such expectations will prove to be correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information and statements set out in this letter. All of the forward-looking information and statements of the Corporation contained in this letter are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Corporation is exposed are described in additional detail in this document under the heading “*Risk Factors*”. The forward looking information and statements are made as of the date of this document, and the Corporation assumes no obligation to update or revise them except as required pursuant to applicable securities laws.

NO SECURITIES COMMISSION REVIEW

No securities commission or similar authority in Canada has in any way passed upon the merits of the Subscription Entitlements and Common Shares to be issued by way of private placement under the Offering and any representation to the contrary is an offence. The Offering will be made in each of the Provinces and Territories of Canada, in those States in the United States where an exemption from applicable state and federal securities laws is immediately available and in the Offshore Jurisdictions. The Offering is not, and under no circumstances is to be construed as, an offering for any securities for sale in, or to any resident of, any other jurisdiction or a solicitation therein of any offer to buy any securities of the Corporation.

RIGHTS OF ACTION

Ontario Purchasers

OSC Rule 45-501 provides that when an offering memorandum is delivered to an investor to whom securities are distributed in reliance upon the “accredited investor” prospectus exemption in Section 2.3 of NI 45-106, the right of action referred to in Section 130.1 of the *Securities Act* (Ontario) (“Section 130.1”) is applicable unless the prospective purchaser is:

- (a) Canadian financial institution, meaning either:
 - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada; or
 - (iii) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

- (b) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1 provides purchasers who purchase securities offered under an offering memorandum with a statutory right of action against the issuer of securities and any selling securityholder for rescission or damages in the event that an offering memorandum or any supplement or amendment to it contains a “misrepresentation”, without regard to whether the purchaser relied on the “misrepresentation”. “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made.

In the event that an offering memorandum, together with any supplement or amendment to it, is delivered to a prospective purchaser of Common Shares in connection with a trade made in reliance on Section 2.3 of NI 45-106, and an offering memorandum, together with any supplement or amendment to it, contains a misrepresentation which was a misrepresentation at the time of purchase of the Common Shares, the purchaser will have a statutory right of action against Laricina and the selling securityholder(s), if any, for damages or, while still the owner of the Securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that:

- (a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or in the case of any other action, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
- (b) the defendant will not be liable if it proves that the purchaser purchased the Common Shares with knowledge of the misrepresentation;
- (c) the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Common Shares as a result of the misrepresentation relied upon;
- (d) in no case will the amount recoverable exceed the price at which the Securities were offered to the purchaser; and
- (e) the statutory right of action for rescission or damages is in addition to and does not derogate from any other rights or remedies the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and you should refer to the complete text of those provisions.

Saskatchewan Purchasers

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “**Saskatchewan Act**”), provides that where an offering memorandum or any supplement or amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any supplement or amendment to it is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any supplement or amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or

statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) an offering memorandum or any supplement or amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of an offering memorandum or any supplement or amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of an offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Purchasers Resident in Manitoba

In the event that an offering memorandum, together with any amendment thereto delivered to purchasers of the Common Shares resident in Manitoba, contains a misrepresentation and it is a misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the misrepresentation and shall have, in addition to any other rights it may have at law,

- (a) a right of action for damages against
 - (i) the issuer,
 - (ii) every director of the issuer at the date of the offering memorandum (collectively, the "Directors") and
 - (iii) every person or company who signed the offering memorandum (collectively, the "Signatories"), and
- (b) a right of rescission against the issuer.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into an offering memorandum, the misrepresentation is deemed to be contained in that offering memorandum.

A purchaser of Common Shares may elect to exercise a right of rescission against the issuer, in which case the purchaser will have no right of action for damages against the issuer, Directors or Signatories.

The issuer, the Directors and Signatories will not be liable if they prove that the purchaser purchased Common Shares with knowledge of the misrepresentation.

All persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A person or company who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

Directors or Signatories will not be liable:

- (a) if they prove an offering memorandum was sent or delivered to the purchaser without their knowledge or consent and, on becoming aware of its delivery, promptly gave reasonable notice to the issuer that it was delivered without their knowledge and consent;
- (b) if they prove that, after becoming aware of a misrepresentation in an offering memorandum they withdrew their consent to that offering memorandum and gave reasonable notice to the issuer of their withdrawal and the reasons therefore;
- (c) if, with respect to any part of an offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert ("Expert Opinion"), if such person proves they did not have any reasonable grounds to believe and did not believe that there was a misrepresentation or that the relevant part of that offering memorandum did not fairly represent the Expert Opinion or was not a fair copy of, or an extract from, such Expert Opinion; or
- (d) with respect to any part of an offering memorandum not purporting to be made on an expert's authority, or not purporting to be a copy of, or an extract from an Expert Opinion, unless the Director or Signatory (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

In an action for damages, the issuer, the Directors and Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Common Shares as a result of the misrepresentation relied upon. The amount recoverable under the right of action shall not exceed the price at which the Common Shares were offered for sale.

A purchaser of Common Shares to whom an offering memorandum was not delivered prior to such purchase in circumstances where such offering memorandum was required to be delivered, has a right of rescission or a right of action for damages against the issuer or any dealer who failed to deliver that offering memorandum within the prescribed time.

A purchaser to whom an offering memorandum is required to be sent may rescind the contract to purchase the Common Shares by sending a written notice of rescission to the issuer not later than midnight on the second day, excluding Saturdays, Sundays and holidays, after the purchaser signs the agreement to purchase the Common Shares.

Unless otherwise provided under applicable securities legislation, no action shall be commenced to enforce a right of action unless the right is exercised:

- (a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the cause of action; and (ii) two years from the day of the transaction that gave rise to the cause of action.

The rights discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of *The Securities Act* (Manitoba) and are subject to the defences contained therein.

Purchasers in New Brunswick

The Securities Act (New Brunswick) provides that, subject to certain limitations, where any information relating to an offering that is provided to a purchaser of Common Shares contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (a “misrepresentation”), a purchaser who purchases Common Shares shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has, subject to certain defences, a right of action for damages or may elect to exercise a right of rescission, in which case he shall have no right of action for damages, provided that:

- (a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the Common Shares with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Common Shares as a result of the misrepresentation relied upon;
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Common Shares were offered.

Pursuant to section 161 of the *Securities Act* (New Brunswick), no action shall be commenced to enforce a right of rescission unless such action is commenced not later than 180 days after the date of the transaction that gave rise to the cause of action and in the case of any action, other than an action for rescission, such action shall be commenced before the earlier of (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.

The right of action for rescission or damages described herein is conferred by section 150 of the *Securities Act* (New Brunswick) and is in addition to and without derogation from any right the purchaser may have at law and is subject to the express provisions of the *Securities Act* (New Brunswick), and the rules, regulations and other instruments thereunder.

Purchasers in Nova Scotia

Where an offering memorandum or any amendment thereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a misrepresentation, a purchaser to whom the offering memorandum has been delivered and who purchases a security referred to therein shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has a right of action for damages against the issuer or other seller and, subject to certain additional defenses, against directors of the seller and persons who have signed an offering memorandum, but may elect to exercise a right of rescission against the seller, in which case he shall have no right of action for damages against the seller, directors of the seller or persons who have signed an offering memorandum, provided that, among other limitations:

- (a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

In addition no person or company other than the issuer is liable if the person or company proves that:

- (a) an offering memorandum or the amendment to that offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of an offering memorandum or the amendment to that offering memorandum and before the purchase of the securities by the purchaser, on

becoming aware of any misrepresentation in that offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to that offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

- (c) with respect to any part of an offering memorandum or amendment to that offering memorandum purporting: (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (iii) there had been a misrepresentation, or (iv) the relevant part of an offering memorandum or amendment to that offering memorandum (A) did not fairly represent the report, opinion or statement of the expert, or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company other than the issuer is liable with respect to any part of an offering memorandum or amendment to that offering memorandum not purporting: (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (c) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (d) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, an offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in that offering memorandum or amendment to that offering memorandum.

Pursuant to section 146 of the *Securities Act* (Nova Scotia), no action shall be commenced to enforce the right of action conferred by section 138 thereof unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the security or after the date on which the initial payment for the security was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) and is in addition to and without derogation from any right the purchaser may have at law.

For the purposes of the *Securities Act* (Nova Scotia) "misrepresentation" means:

- (a) an untrue statement of material fact; or
- (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

INQUIRIES

Inquiries relating to this Offering should be directed to the Corporation at:

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