Q1

2012 Interim Report

LARICINA
ENERGY LTD.

Two-thousand twelve is a big year for Laricina, one in which we will execute our largest capital program to date, move towards and pass several milestones in establishing the commerciality of the Grosmont carbonates at our Saleski pilot, and progress the Germain commercial demonstration project (CDP) towards its start-up goal of the second quarter of 2013. During the first quarter of 2012, Laricina advanced each of these priorities as well as the development of infrastructure critical to the construction and operation of our projects.

First Quarter 2012 Highlights

- At Saleski:
  - Achieved greatest monthly volume and steady rate of production from the C1 well-pair to date, reaching a peak rate over 800 barrels per day of bitumen and averaging 543 barrels per day from March 5th – 31st;
  - Completed a 4-D seismic program;
  - Drilled, cased and completed an additional well-pair at the pilot;
  - Completed the winter development drilling and completion of 3 observation wells for Phase 1;
  - Generated $0.7 million in blended bitumen sales revenue;
- At Germain:
  - Began installation of pilings in January;
  - Delivered first modules to site in March;
  - Completed 6 horizontal well-pairs;
  - Key progress to quarter-end;
    - 90 percent engineering completed;
    - 45 of 77 modules in fabrication or completed;
    - 20 percent of modules delivered to site;
  - Drilled and completed one observation well for Phase 2;
- Advanced construction on road upgrades and power substation;
- Released project description public disclosure document for the Stony Mountain Pipeline (SMP);
- Completed our winter exploration drilling and geophysical program of two wells and 20.7 square-km of 3-D at Saleski and three wells and 25 km of 2-D seismic at Germain; and
- Made capital expenditures of $68.4 million, with exit working capital of $554.3 million.

Saleski

In 2011 a series of tests in the C and D zones provided critical performance information that laid the foundation for more advanced testing this year. An injection and production test in the C1 well-pair in December was followed by a second injection and production test during the quarter. The purpose was to replicate the favourable production performance demonstrated in December and advance the steam chamber development along the well bore.

The C1 well-pair returned to production on March 5th. Monthly bitumen production totalled 14,648 barrels, hitting a day-rate production peak of 807 barrels and average production of 543 barrels per production day. The well continued to produce through the month of April. This compares to 8,108 barrels of bitumen produced in December with peak day-rate production of 812 barrels and average production of 280 barrels per production day.

The March production test results are encouraging, particularly the peak rate achieved and the higher steady rates over the production cycle. It reflects Laricina's systematic work to optimize the Grosmont start-up and recovery process. The peak rates observed in December have been repeated and the high effective permeability of the Grosmont as well as the efficient interaction of the dual permeability system has been confirmed. Further cycles of injection and production testing will continue throughout 2012.

During the quarter, the D1 well-pair went through a number of pump system work-overs and operations resumed with steam injection. Production testing will be completed in the second quarter.

Laricina acquired a 4-D seismic program over the pilot wells in the first quarter. The term "4-D" indicates the addition of time to a standard 3-D survey thereby adding the fourth dimension. The purpose of such a survey is to examine changes in the reservoir resulting from the behaviour of injected steam, and to obtain a volumetric picture of the region of influence of steam injection and bitumen production. The new seismic data has confirmed observation-well pressure and temperature measurements, indicating good near-well-bore conformance, as expected in this early period of horizontal thermal operations.

During the quarter the Company also drilled a new well-pair to test the application of a balanced-pressure mud system and open hole completion to enhance early thermal start-up and steam chamber development, which we expect to use in the 10,700 barrel-per-day Phase 1 commercial expansion. Steam injection and production testing on the new C2 well-pair, intended to demonstrate the impact of the modified mud system and confirm results from the C1 well-pair, will begin later in the second quarter.

We have continued to advance the regulatory review for Saleski Phase 1 and anticipate project approval by the middle of 2012.

Germain

The Germain CDP continued to advance on schedule in the first quarter. The installation of piles began in January, to prepare for the receipt and assembly of modules, and the initial modules were delivered to site in March with currently 16 modules being tied-in. The first six of 10 well-pair completions were also finished within the quarter. Engineering and fabrication advanced to 90 percent and 20 percent completion, respectively, in the quarter.

The Germain CDP remains on schedule for start-up in the second quarter of 2013 with an estimated cost of $435 million.

We also continued to advance the engineering, environmental and regulatory work on the 150,000 barrel-per-day Germain expansion and regulatory application. We expect to receive supplemental information requests over the next two quarters, with Laricina responding to regulatory questions and continuing stakeholder consultation. We anticipate receiving regulatory approval of the Germain expansion in late 2013.

The recent disclosure of additional information from a number of other operators' with Grand Rapids projects has been very useful. The production performance at these projects continues to advance along the production type curves expected for the Grand Rapids. Learning from parallel projects, as we are doing, offers many advantages, from drilling practices to well operations and performance curves supporting economic modelling and capital planning. These developments provide ongoing benchmarking and performance data for the optimization of Germain.

Infrastructure

Infrastructure required for Saleski and Germain that is currently under development includes the upgrading of the Al-Pac forestry service road and bridges, which connect to Laricina's road system, installation of the fuel gas pipeline, construction of the electrical substation and electrical distribution network to Germain, and planning for the SMP.

Currently 5 bridge upgrades along the Al-Pac road required for the delivery of current and future project phases modules are underway and proceeding as planned. We initiated the field portion of the road alignment project in January and expect to complete this work later in the second quarter of 2012.

The 22-km fuel gas pipeline connecting the gas transmission system was laid in 2011 and the metering station at the tie-in point is to be installed by the third quarter of 2012, with the system to be operational in September.

Regulatory approval was received in April 2011 for the ATCO Livock to Germain 144 kV transmission line. The power line right-of-way was cleared over the winter, the required two new substations are under construction, and electricity from the Alberta grid is expected to be available at Germain by July 2012.

In February Laricina released the project description public disclosure document for the SMP. This strategic bitumen transportation system is planned to run 184 km from Saleski to a connection point at the Enbridge Pipelines Inc. Cheecham terminal south of Fort McMurray. The planned project includes a 200,000 barrel-per-day 24-inch bitumen blend line and a 70,000 barrel-per-day 12-inch diluent return line. Laricina intends to file regulatory applications by mid-year, with construction beginning in late 2013 and the pipeline entering service in mid-2015. Laricina is considering a range of commercial structures and financing sources.

Exploration Program

During the first quarter we completed our planned five core-hole exploration drilling program at Saleski and Germain, as well as a geophysical program of 9.7 square-km of 3-D and 25 km of 2-D seismic to continue to advance our future development areas resource delineation and support our project development plans. We are pleased to see continued cost improvements at Saleski due to coring efficiency in both drill time and core recovery as we further advance our knowledge and understanding of drilling this extensive fractured and high permeability reservoir.

Organizational Development

Laricina has the drive and skill to adapt to the many changes and technological advancements that continually arise in our industry – and a clear track record of doing so. Ongoing investment in technology innovations was a founding principle and is a competitive advantage. We have strengthened that focus with the addition of Mark Montemurro as VP Innovation and Technology on May 1st. Mark has a strong background in technology development and I am pleased to be working with him again, building on our prior work together at Deer Creek Energy Limited. Neil Edmunds, previously our VP Enhanced Oil Recovery, remains a valued member of the Laricina team and now becomes Advisory Director.

Outlook

Midway through the second quarter, the economic outlook remains volatile. Commodity prices remain favourable for oil sands development, with crude oil prices being strong and natural gas prices remaining low. The recent widening of heavy oil differentials highlights the need for additional crude oil pipeline capacity to the U.S. Gulf Coast and to new overseas markets for Canadian production. We continue to expect resolution of the current limitations and construction of the required capacity over the time-horizon of Laricina's project development.

The uncertainty in heavy crude oil prices has affected stock prices for publicly traded energy producers. As we have previously advised, Laricina's capital plans include evaluating options in public as well as private markets. The potential use of public markets will depend on the Saleski pilot's continued positive performance and a satisfactory market environment. At this time, the second of these key criteria cannot be viewed as being met. There are forecasts of a more positive environment later in 2012 or early in 2013, and the Company will continue to monitor the capital markets as it advances its capital planning. With $554.3 million in working capital at the close of the first quarter, Laricina will carefully monitor and manage its financial resources as it advances the Saleski and Germain projects through 2012 and 2013.

The positive developments in the Saleski pilot testing cycles and steady progress at Germain demonstrate Laricina's continued advancement towards its 2012 objectives. While economic and market uncertainty may affect our financing plans, the Company is managing its developments to meet its operational objectives while accommodating the external environment in its capital planning. The second quarter will provide additional production results from the Saleski pilot and we look forward to sharing this progress with you in the months ahead.

(signed) "Glen C. Schmidt"

Glen C. Schmidt
President and Chief Executive Officer
May 9, 2012

The foregoing message contains forward-looking statements. Readers are directed to the Management's Discussion and Analysis and the "Advisory" on page 6, which also applies to the forward-looking statements in this message.

Management's Discussion and Analysis

May 9, 2012

Management's Discussion and Analysis (MD&A) of the financial results of Laricina Energy Ltd. (Laricina or the Company) should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2012 and March 31, 2011, and the audited consolidated financial statements and MD&A contained in the Company's Annual Report for the financial year ended December 31, 2011. The financial information presented in this MD&A has been prepared in accordance with International Accounting Standard 34 – Interim Reporting.

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

Advisory on Forward-Looking Statements

This interim report contains certain forward-looking statements relating to, without limitation, the Company's business and the intentions, plans, expectations, anticipated financial performance or condition. Forward-looking statements may include, but are not limited to, statements concerning estimates of contingent, prospective and recoverable resources, reserves and total potential production volumes; statements relating to the continued advancement of the Company's projects and other statements which are not historical facts. Forward-looking statements typically contain words such as "plan", "expect", "estimate", "intend", "believe", "anticipate", "project", "forecast" or other similar words suggesting future outcomes and statements that actions, events or conditions "may", "would", "could", "should" or "will" be taken or occur in the future. The reader is cautioned not to place undue reliance on any forward-looking statements as there can be no assurance that the plans, intentions or expectation upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company's management believes that the expectations represented by such forward-looking statements are reasonable as of May 9, 2012, there can be no assurance that such expectations will prove to be correct and, accordingly that actual results will be consistent with the forward-looking statements. The risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A and interim report include, but are not limited to: geological conditions relating to the Company's properties; the impact of regulatory changes especially as such relate to royalties, taxation and environmental changes; the impact of technology on operations and processes and the performance of new technology expected to be applied or utilized by the Company; labour shortages; supply and demand metrics for oil and natural gas; the impact of pipeline capacity, upgrading capacity and refinery demand; general economic business and market conditions and such other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities, contained in other disclosure documents or otherwise provided by the Company. The actual results, performance or achievements of the Company could differ materially from those expressed in or implied by forward-looking statements contained in this MD&A and interim report, and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefit Laricina will derive. Unless required by law the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A and interim report are expressly qualified by this advisory and disclaimer.

Financial Overview

	Three Months Ended March 31	
(thousands of dollars, except per share amounts)	**2012**	2011
Total assets	**$ 1,402,093**	$ 880,745
Working capital	**554,313**	294,200
Capital expenditures (cash)	**68,426**	68,486
Net operating revenue	**691**	-
Finance income	**2,198**	934
Net loss	**(6,331)**	(4,339)
Net loss per common share – basic and diluted	**(0.10)**	(0.08)

During the first quarter of 2012, Laricina continued to progress towards a commercial development stage company. Production at the Saleski pilot increased as a result of the well stimulations performed during the fourth quarter of 2011. Drilling activities, site construction and equipment fabrication continued to advance on the Germain commercial demonstration project (CDP) and the Company expanded its land holdings through the acquisition of jointly-owned oil sands properties for total consideration of $30.0 million.

The remainder of 2012 will focus on operations at the Saleski pilot and module fabrication, facility and infrastructure construction and other activities required to complete the Germain CDP which is expected to be commissioned in early 2013.

Capital Investment

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

	Three Months Ended March 31	
(thousands of dollars)	**2012**	2011
Exploration and evaluation assets:		
Land	**$ 30,061**	$ 83
Exploration	**8,127**	16,630
Development	**44,975**	38,801
Other	**2,980**	7,215
Capitalized general andadministrative	**3,872**	3,714
	90,015	66,443
Property, plant and equipment:		
Facilities and other equipment	**4,981**	15,037
Corporate	**319**	223
	5,300	15,260
Intangible assets	**5,108**	-
Capital asset additions	**$ 100,423**	$ 81,703
Capital expenditures (cash)	**$ 68,426**	$ 68,486

Capital asset additions during the first three months of 2012 include the drilling of a fourth well-pair for the Saleski pilot; engineering, fabrication and long-lead equipment purchases for the Germain CDP facility; and completion of the 2011-2012 winter drilling program of five exploration wells and four development wells.

Land

On February 15, 2012 the Company closed a transaction to acquire the remaining working interests in certain jointly-owned oil sands properties for total market consideration of $30.0 million consisting of 705,882 common shares valued at $42.50 per common share.

Exploration

Exploration activities during the first three months of 2012 included 25.0 km of 2-D seismic at Germain, 20.7 square-km of 3-D seismic at Saleski, 1.3 square-km of 4-D seismic over the Saleski pilot site and the drilling of five exploration wells, of which three were at Germain and the remainder at Saleski. During the first three months of 2011 exploration activities included a 15.6 square-km 3-D seismic program over the planned Saleski Phase 1 site and 13 exploration wells.

Development activities

Similar to 2011, a significant portion of the development expenditures incurred during the first quarter of 2012 were attributable to advancing Saleski and Germain projects.

	Three Months Ended March 31	
(thousands of dollars)	**2012**	2011
Saleski	**$ 17,208**	$ 3,595
Germain	**27,319**	49,292
Other	**5,429**	951
	$ 49,956	$ 53,838

Development activities during the first quarter of 2012 primarily related to the completion of 90 percent of engineering, 20 percent of module fabrication and equipment purchases for the Germain CDP; and the drilling of an additional well-pair and commissioning of a second steam generator at the Saleski pilot. The development drilling program for the 2011-2012 winter program included four observation wells, three of which were at Saleski for Phase 1 and the fourth well was at Germain for Phase 2.

In the first quarter of 2011, development activities in Germain included the 2010-2011 winter drilling program of 17 observation wells, three water source wells, five monitoring wells, and two water disposal wells. Other development activities during 2011 included the acquisition of the Germain permanent camp and the detailed engineering for the Germain CDP.

Other

Other capital activities during the first three months of 2012 related to the initial engineering and consultation work for the Stony Mountain Pipeline, regulatory work and progress on research and development projects such as Enhanced Solvent Extraction Incorporating Electromagnetic Heating project, and provisions for future site restoration. Other capital activities during the first quarter of 2011 consisted of operating activities associated with the initial steaming and pending production at the Saleski pilot facility.

Intangible assets

In the three month period ended March 31, 2012, Laricina recorded intangible assets of $3.8 million for the expansion of available power for the Company's future development projects at Germain. An additional $1.4 million was recorded for the recapitalization of depreciation of certain components of the Saleski pilot. Components of the pilot such as the development well-pairs directly contribute to the understanding of the reservoir and assist in the assignment of proven reserves and will be recapitalized until the related reserves are recognized.

Corporate Results

(thousands of dollars)	Three Months Ended March 31 2012	2011
Net operating revenue	**$ 691**	$ -
Operating expense	**5,232**	-
General and administrative expenses, net	**6,105**	3,249
Finance income	**2,198**	934
Net loss	**(6,331)**	(4,339)

Operating activities

During the first quarter of 2012, Laricina recorded approximately 20,670 gross (12,400 net) barrels of blend sales at an average price of $57.64 per barrel. Production has increased from the forth quarter of 2011 as a result of the well stimulations performed and steam injection cycles on the C well-pair. Laricina recorded its first production volumes and initial blend sales during the second quarter of 2011. It is expected that thermal well-pair productivity will remain consistent throughout 2012.

Steaming of the D well-pair occurred throughout the first quarter of 2012, a production test will be completed in the second quarter.

Operating, transportation and blending costs recognized are directly related to production and blended bitumen sales from the Saleski pilot. Due to the experimental nature of a pilot, it is expected that operating costs will exceed net operating revenue throughout the life of this project.

General and administrative expenses

Gross general and administrative expenses increased in 2012 compared to the same period in 2011 primarily due to the continued growth of the Company's employee and consulting base. At March 31, 2012, the Company had 124 employees of which 98 were located in the Calgary head office compared to 98 and 73, respectively, at March 31, 2011. Costs directly related to project exploration and development activities are capitalized.

(thousands of dollars)	Three Months Ended March 31 2012	2011
General and administrative expenses, gross	**$ 8,290**	$ 5,399
Share-based compensation costs	**1,688**	1,564
Capitalized costs	**(3,873)**	(3,714)
General and administrative expenses, net	**$ 6,105**	$ 3,249

Finance and other income

Finance income increased during the three months ended March 31, 2012 when compared to the same period in 2011 primarily due to the increased funds on deposit from private placements completed in the second and third quarters of 2011 combined with an increase in the average interest rates for invested funds. During the period ended March 31, 2012, excess cash was held in high-interest savings accounts and guaranteed investment certificates with interest rates ranging from 1.2 percent to 1.7 percent, compared to 1.3 percent during the first quarter of 2011.

Other income recorded during the period ended March 31, 2012 relates to fees charged to third-parties for the usage of Laricina's camp facilities.

Finance costs

Finance costs include accretion for the site restoration provision and interest recorded on the finance lease associated with the Germain permanent camp. Finance costs increased to $0.3 million during the first three months of 2012 when compared to the $0.2 million during the same period in 2011 due to additional accretion related to provisions for the Germain CDP including the facility site, well pad and horizontal well-pairs drilled during the second half of 2011.

Depreciation

Depreciation expense of $1.9 million during the first three months of 2012 increased from $0.6 million recorded in the first three months of 2011. Increases in depreciation expense are related to the start-up of the Saleski pilot facility during the second quarter of 2011.

Net loss

Laricina recorded a net loss of $6.3 million during the first quarter of 2012 compared to a net loss of $4.3 million during the first quarter of 2011. This increase is a result of operating activities associated with the Saleski pilot and increased general and administrative expenses. Typical of a company in early stages of operations, Laricina is expected to continue to show net losses from operating activities until commercial levels of production are achieved. Due to the experimental nature of the Saleski pilot the Company expects that operating costs will exceed net revenue throughout its life.

Selected Quarterly Information

(thousands of dollars, except per share amounts)	**Q1 2012**	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Working capital	**$ 554,313**	$ 628,121	$ 706,696	$ 631,215	$ 294,200	$ 361,751	$ 381,783	$ 92,906
Capital asset additions	**100,423**	77,431	61,333	25,382	81,703	35,753	26,399	16,157
Net operating revenue	**691**	1,328	784	247	-	-	-	-
Finance and other income	**5,202**	4,919	2,622	1,220	934	4,251	912	118
Net profit (loss)	**(6,331)**	(5,476)	(6,089)	(5,755)	(4,339)	716	(1,264)	(1,756)
Net profit (loss) per common share, basic and diluted	**$ (0.10)**	$ (0.09)	$ (0.10)	$ (0.11)	$ (0.08)	$ 0.01	$ (0.03)	$ (0.04)

At the end of the second and third quarters of 2011, working capital was significantly higher due to the closing of private placements of common shares in June and August contributing net proceeds of $365.8 million and $133.8 million, respectively. At the end of the third and fourth quarters of 2010, working capital changes were due to the closing of private placements of common shares providing net proceeds of $314.8 million and $14.8 million, respectively.

The increase in capital asset additions during the first quarter of 2012 is the result of the acquisition of the remaining working interests in jointly-owned oil sands assets and the continued advancement of the Germain CDP detailed engineering and module fabrication. The increase in capital additions during the third and fourth quarters of 2011 is attributable to the drilling of 12 horizontal wells (six well-pairs), progression of the detailed engineering and commencement of the module fabrication for the Germain CDP. The increase in capital asset additions during the first quarter of 2011 is due to the recording of the $15.0 million Germain camp finance lease and expenditures incurred from the 2010-2011 winter drilling program of 13 exploration wells and 27 development wells. An increase in capital spending occurred throughout 2010 due to the construction of the Saleski pilot for first-steam on December 23, 2010. Capital asset additions generally increase in the first quarter of each year due to the seasonality of the exploration drilling and geophysical programs usually completed during the winter months.

The change in net operating revenue during the first quarter of 2012 compared to the third and fourth quarters of 2011 is the result of declines in the average realized price per barrel of blended bitumen sales combined with fluctuations in sales volumes. The average price realized during the first quarter of 2012 was $57.64 per barrel compared to $65.13 per barrel during the third quarter of 2011 and $78.35 per barrel in the fourth quarter of 2011. Sales volumes have fluctuated since initial production commenced in 2011 with peak production volumes realized late in the first quarter of 2012. It is expected that sales volumes will continue to fluctuate due to alternating cycles of steam injection and bitumen production.

Other income in the fourth quarters of 2011 and 2010 resulted from the sale of Saleski pilot data to a third-party resulting in net proceeds of $2.7 million and $3.0 million, respectively. Finance income has increased since the third quarter of 2010 due to increased funds on deposit from financings completed throughout 2011 and in the second half of 2010.

Liquidity and Financial Resources

Working Capital

Working capital decreased from December 31, 2011 by $73.8 million to $554.3 million at March 31, 2012 primarily due to capital expenditures including engineering and construction costs for the Germain CDP and the 2011-2012 winter drilling program.

(thousands of dollars)		
Working capital, December 31, 2011	$	628,121
Capital expenditures (cash)		(68,426)
Operating activities		(5,029)
Other		(353)
Working capital, March 31, 2012	**$**	**554,313**

Laricina has sufficient working capital to finance the anticipated capital and operating spending program remaining in 2012 of approximately $428.7 million which will be focused primarily on the continued construction of the Germain CDP. Capital expenditures before capitalized general and administration costs are expected to be $389.2 million for the remainder of 2012. Of these expenditures, $212.1 million will be expended for the Germain CDP and $42.4 million for the advancement of Saleski Phase 1, the timing of which will depend on the results from the pilot. The balance of capital and operating spending will include pilot operations, advancement of future projects at Saleski and Germain, infrastructure, studies, other corporate capital and general and administration expenses.

The future capital expenditures Laricina requires to continue advancing to commercial operations depend on future financing. The Company anticipates funding capital and operating activities through an appropriate combination of debt and equity. Asset sales or joint venture arrangements may also be considered as alternative financing sources.

Investments

The Company's cash is currently held in a business operating account with a major Canadian bank which bears interest up to the bank's prime rate minus 1.9 percent. In addition, the Company holds excess cash in high interest savings accounts and guaranteed investment certificates with interest rates ranging from 1.2 to 1.7 percent. The Company may invest in Canadian government securities or fixed-term and bankers' acceptance investments with a minimum A rating.

Debt Financing

Laricina has a demand credit facility of $15.0 million with a major Canadian bank which has been extended to October 31, 2012 and is secured by an equivalent cash deposit. The credit facility is intended for general corporate purposes, including the exploration, development and acquisition of oil sands properties. At March 31, 2012 and the date of this report, the Company had letters of credit totaling $13.5 million outstanding under this credit facility related to the development of the Germain and Saleski projects.

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

Commitments and Contractual Obligations

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

(thousands of dollars)	Office	Field
2012 remainder	$ 2,098	$ 8,570
2013	2,979	10,135
2014	2,837	5,496
2015	2,337	1,576
2016 and thereafter	20	176

As at March 31, 2012, the Company had issued letters of credit totaling $13.5 million which included $12.3 million to a supplier of utilities to support development at Saleski and Germain and $1.2 million for the installation of a natural gas sales metering station. If project development is interrupted the Company will be required to reimburse up to $13.5 million of the suppliers' costs. The letters of credit of $10.7 million, $1.2 million and $1.6 million are renewable on June 30, 2012, September 1, 2012 and December 31, 2012, respectively.

As at the date of this report, the Company has $38.2 million of purchase commitments outstanding which relate to the acquisition of long-lead equipment for the Germain CDP and Saleski Phase 1.

Outstanding Share Data

At April 30, 2012, share capital consisted of the following:

(thousands)	
Common shares	64,953
Stock options	3,789
Performance share units	733
Performance warrants	4,071
Total outstanding	**73,546**

Critical Accounting Estimates

A discussion of the Company's significant accounting policies is contained in Note 3 of the accompanying notes to the audited consolidated financial statements for the financial year ended December 31, 2011 in the Company's Annual Report. The nature of critical accounting estimates for Laricina remains unchanged since December 31, 2011.

Changes in Accounting Policies

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2012 and were not applied in preparing the condensed consolidated financial statements for the first quarter. None are expected to have a significant effect on the Company's financial statements, except for IFRS 9 *Financial Instruments,* which will be adopted on January 1, 2015 and is expected to affect the classification and measurement of financial assets. The impact to the Company's consolidated financial statements has not been determined.

Risk Management

Risk factors remain substantially unchanged from December 31, 2011. For further information on risks please refer to the discussion of Risk Management found in the MD&A section of the Company's Annual Report for 2011.

Outlook

Current working capital of $554.3 million provides Laricina the opportunity to manage the pace of commercial development. Laricina will continue to monitor the capital markets and consider a full range of financing strategies to provide the funds necessary to advance its projects, such as private or public equity, asset sales, debt and participation agreements with other oil sands development companies or joint venture agreements.

During the remainder of 2012, the majority of capital spending will be for the completion of the Germain CDP construction including the completion of detailed engineering, module fabrication, electrical infrastructure and site construction. The Germain CDP is anticipated to be commissioned early in 2013 and to start steaming of initial well-pairs during the second quarter of 2013, with first production expected three to four months later.

The Saleski pilot will continue injection and production testing cycles throughout 2012 including the initial steaming of the additional C well-pair which is expected to commence during the second quarter with initial bitumen response expected three to four months thereafter. The application of solvent to thermal production is anticipated to begin later in 2012 once longer-term thermal performance has been established.

Laricina will continue to advance the Saleski Phase 1 expansion of 10,700 barrels per day, with a focus on drilling, front-end engineering and design, and site preparation. The regulatory application for the Saleski Phase 1 expansion was filed in December 2010 with approval expected in the second quarter of 2012.

Additional activities in 2012 will include the replacement of bridges and upgrades to the Al-Pac road, and advancing plans and regulatory work for the Stony Mountain Pipeline. These projects contribute to the necessary infrastructure required to support the continued growth and development of the Saleski and Germain projects.

Throughout 2012, additional expertise will be required to complete and execute Germain CDP, accommodate the increased production expected from the Saleski pilot and further advance additional phases of development at Saleski and Germain. This expertise is necessary throughout all aspects of the business and will include head office and field employees as well as consultants. General and administrative expenses are expected to increase as a result of additional salaries and overhead costs associated with increased personnel.

The remaining 2012 capital and operating spending program (including cash general and administrative expenses) is expected to be approximately $428.7 million with the majority of the costs for the construction of the Germain CDP.

Laricina expects that 2012 will be a year of significant growth and advancement as the Company continues its progression to commercial production with the Germain CDP, increases production at the Saleski pilot, continues to proceed with plans for pipeline transportation, advances the Saleski Phase 1 expansion and secures additional funding and expertise to support development at Saleski and Germain.

Condensed Consolidated Statements of Financial Position

As at

Unaudited *(thousands of Canadian dollars)*	Note	**March 31 2012**	December 31 2011
Assets			
Current assets			
Cash and cash equivalents		**$ 588,279**	$ 656,891
Trade and other receivables		**18,464**	17,892
Prepaid expenses and deposits		**1,093**	808
Inventories		**1,740**	1,740
		609,576	677,331
Non-current assets			
Abandonment deposits		**908**	906
Other long-term assets		**1,194**	1,194
Exploration and evaluation assets	4	**725,961**	638,405
Property, plant and equipment	5	**49,855**	45,313
Intangible assets		**14,599**	9,491
		792,517	695,309
Total assets		**$ 1,402,093**	$ 1,372,640
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**$ 50,263**	$ 44,210
Finance lease obligation		**5,000**	5,000
		55,263	49,210
Non-current liabilities			
Site restoration provision		**16,317**	16,178
Finance lease obligation		**6,562**	7,851
Deferred income tax		**8,659**	10,403
		31,538	34,432
Total liabilities		**86,801**	83,642
Shareholders' equity			
Share capital	6	**1,316,661**	1,286,352
Contributed surplus		**30,794**	28,478
Deficit		**(32,163)**	(25,832)
Total shareholders' equity		**1,315,292**	1,288,998
Total liabilities and shareholders' equity		**$ 1,402,093**	$ 1,372,640

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

Condensed Consolidated Statements of Comprehensive Loss

For the Three Months ended March 31
Unaudited
(thousands of Canadian dollars)

		2012		2011
Revenue				
Blended bitumen sales	**$**	**715**	$	-
Royalties		**(24)**		-
Net operating revenue		**691**		-
Other income		**3,004**		-
		3,695		-
Expenses				
Transportation and blending		**439**		-
Operating		**5,232**		-
Pre-exploration		**35**		163
General and administrative		**6,105**		3,249
Depreciation		**1,859**		642
		13,670		4,054
Results from operating activities		**(9,975)**		(4,054)
Finance income		**2,198**		934
Finance expenses		**(298)**		(199)
Net finance income		**1,900**		735
Loss before income tax		**(8,075)**		(3,319)
Deferred income tax expense (recovery)		**(1,744)**		1,020
Total comprehensive loss	**$**	**(6,331)**	$	(4,339)

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

Condensed Consolidated Statements of Changes in Equity

Unaudited

(thousands of Canadian dollars)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance at December 31, 2010	$ 780,198	$ 21,771	$ (4,173)	$ 797,796
Comprehensive loss	-	-	(4,339)	(4,339)
Share-based payments	-	2,198	-	2,198
Performance share units exercised	655	(655)	-	-
Balance at March 31, 2011	780,583	23,314	(8,512)	795,655
Comprehensive loss	-	-	(17,320)	(17,320)
Issue of common shares	519,683	-	-	519,683
Share issue costs, net of tax of $5,022	(15,065)	-	-	(15,065)
Share-based payments	-	6,044	-	6,044
Performance share units exercised	881	(880)	-	1
Balance at December 31, 2011	1,286,352	28,478	(25,832)	1,288,998
Comprehensive loss	-	-	(6,331)	(6,331)
Issued in exchange for assets	30,000	-	-	30,000
Share-based payments	-	2,525	-	2,525
Performance share units exercised	172	(172)	-	-
Stock options exercised	137	(37)	-	100
Balance at March 31, 2012	**$ 1,316,661**	**$ 30,794**	**$ (32,163)**	**$ 1,315,292**

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

Condensed Consolidated Statements of Cash Flows

For the Three Months ended March 31
Unaudited
(thousands of Canadian dollars)

	2012	2011
Cash flows from operating activities		
Loss for the period	**$ (6,331)**	$ (4,339)
Adjustments for:		
Amortization	**1,859**	642
Equity settled share-based payments	**1,084**	662
Unwinding of site restoration discount	**103**	79
Deferred income tax expense (recovery)	**(1,744)**	1,020
Deferred income	**-**	(11)
	(5,029)	(1,947)
Change in trade and other receivables	**(1,469)**	4,563
Change in prepaid expenses and deposits	**(199)**	(223)
Change in inventories	**(273)**	(4,648)
Change in trade and other payables	**(5,551)**	(458)
Net cash used in operating activities	**(12,521)**	(2,713)
Cash flow from investing activities		
Property, plant and equipment, and exploration and evaluation expenditures	**(51,150)**	(50,692)
Intangible expenditures	**(3,750)**	-
Abandonment deposits	**(2)**	(1)
Net cash used in investing activities	**(54,902)**	(50,693)
Cash flow from financing activities		
Proceeds from the issue of common shares	**100**	-
Finance lease obligation	**(1,289)**	(1,264)
Share issue costs	**-**	(35)
Net cash used in financing activities	**(1,189)**	(1,299)
Net decrease in cash and cash equivalents	**(68,612)**	(54,705)
Cash and cash equivalents, beginning of period	**656,891**	375,426
Cash and cash equivalents, end of period	**$ 588,279**	$ 320,721

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

Unaudited
(tabular amounts in thousands of Canadian dollars except as otherwise noted)

1. Reporting Entity

Laricina Energy Ltd. (Laricina or the Company) was incorporated on November 11, 2005 under the *Business Corporations Act* (Alberta). The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2012 are comprised of the Company and its subsidiaries. Since inception, Laricina has focused on acquiring prospective oil sands properties, developing properties into projects, financing, attracting suitable personnel and developing innovative technologies. Currently, two areas have been identified as near-term commercial projects, Germain and Saleski. The Company will require equity and debt financing to fund projects beyond the Saleski pilot plant and Germain commercial demonstration project.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards (IFRS) and are included in the Company's Annual Report for 2011.

2. Basis of Preparation

Statement of compliance
These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and prepared by the Company in accordance with IFRS.

The condensed consolidated interim financial statements were approved for release to shareholders by the Board of Directors on May 9, 2012.

Basis of measurement
The condensed consolidated interim financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payment arrangements measured at fair value which are included in Trade and other payables. The methods used to measure fair value are included in the Company's Annual Report for 2011.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2011.

4. Exploration and Evaluation Assets

Cost		
Balance at December 31, 2011	$	645,257
Additions during the period		90,015
Balance, March 31, 2012	**$**	**735,272**
Depreciation		
Balance, December 31, 2011	$	(6,852)
Depreciation for the period		(2,459)
Balance, March 31, 2012	**$**	**(9,311)**
Carrying amounts		
As at December 31, 2011	$	638,405
As at March 31, 2012	**$**	**725,961**

5. Property, Plant and Equipment

Cost		**Facilities and other equipment**		**Corporate assets**		**Total**
Balance, December 31, 2011	$	45,465	$	4,117	$	49,582
Additions during the period		4,981		319		5,300
Balance, March 31, 2012	**$**	**50,446**	**$**	**4,436**	**$**	**54,882**
Depreciation						
Balance, December 31, 2011	$	(2,413)	$	(1,856)	$	(4,269)
Depreciation for the period		(464)		(294)		(758)
Balance, March 31, 2012	**$**	**(2,877)**	**$**	**(2,150)**	**$**	**(5,027)**
Carrying amounts						
As at December 31, 2011	$	43,052	$	2,261	$	45,313
As at March 31, 2012	**$**	**47,569**	**$**	**2,286**	**$**	**49,855**

6. Share Capital

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value, issuable in series

Issued

	Number of Shares (thousands)		**Amount**
Common Shares			
Balance, December 31, 2011	64,211	$	1,286,352
Issued in exchange for assets	706		30,000
Performance share units exercised	6		172
Stock options exercised	5		137
Balance, March 31, 2012	**64,928**	**$**	**1,316,661**

On February 15, 2012, the Company acquired the remaining working interests in jointly-owned oil sands properties effective January 1, 2012 for total consideration of $30.0 million consisting of 705,882 common shares valued at $42.50 per common share.

Performance Warrants

In conjunction with its initial private placement, the Company granted performance warrants on a one-time basis to certain founding directors, officers, employees of, and providers of services to the Company. The performance warrants were issued in five series with the targeted exercise prices ranging from $6.00 to $16.00, vesting over three years, and for each warrant exercised the holder will receive one common share.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, March 31, 2012 and December 31, 2011	**4,071**	**$**	**11.20**
Exercisable, March 31, 2012	**4,071**	**$**	**11.20**

The fair value calculation for performance warrants was not required during the period ended March 31, 2012 and March 31, 2011 as no performance warrants were issued or required a change in measurement.

Stock Option Plan

The Company has a Stock Option Plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of options. The exercise price and vesting period of options granted is determined by the Board of Directors at the time of grant.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2011	3,485	$	16.12
Granted	451		31.25
Exercised	(5)		20.00
Forfeited	(108)		30.36
Outstanding, March 31, 2012	**3,823**	**$**	**17.49**
Exercisable, March 31, 2012	**2,726**	**$**	**12.11**

For the period ended March 31, 2012, compensation cost of $0.8 million ($0.7 million in 2011) has been recognized for options that have been granted of which $0.4 million ($0.4 million in 2011) was capitalized.

Performance Share Unit Plan

The Company has a Performance Share Unit Plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of performance share units (PSUs).

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2011	675	$	0.01
Granted	102		0.01
Exercised	(6)		0.01
Forfeited	(30)		0.01
Outstanding, March 31, 2012	**741**	**$**	**0.01**
Exercisable, March 31, 2012	**256**	**$**	**0.01**

For the three month period ended March 31, 2012, compensation cost of $1.7 million ($1.5 million in 2011) has been recognized for PSUs that have been granted of which $0.7 million ($0.8 million in 2011) was capitalized.

6. Share Capital (continued)

Share Appreciation Rights

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

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, December 31, 2011	77	$	33.13
Granted	77		31.25
Forfeited	(5)		33.19
Outstanding, March 31, 2012	**149**	**$**	**32.16**
Exercisable, March 31, 2012	**29**	**$**	**33.59**

All SARs were granted to employees directly involved in field activities. For the three month period ended March 31, 2012, compensation cost of $0.1 million (nominal in 2011) has been recognized for SARs that have been granted. At March 31, 2012, the Company recorded an accrued liability of $0.4 million ($0.3 million at December 31, 2011) for outstanding SARs. At March 31, 2012, the Company had a nominal obligation (nominal at December 31, 2011) for SARs that had vested.

7. Loss per Share

Basic loss per share

The calculation of basic loss per share at March 31, 2012 was based on the loss attributable to common shareholders of $6.3 million ($4.3 million in 2011) and a weighted average number of common shares outstanding during the three month period ended March 31, 2012. The weighted average number of common shares outstanding for the three month periods ended March 31 were calculated as follows:

(thousands of shares)	**2012**	2011
Issued common shares at beginning of period	**64,211**	51,916
Effect of common shares issued	**349**	-
Effect of options issued	**1**	-
Effect of PSUs exercised	**1**	4
Weighted average common shares outstanding (basic)	**64,562**	51,920

Diluted loss per share

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

The basic and diluted loss per share was $0.10 for the three month period ended March 31, 2012, compared to a basic and diluted loss per share of $0.08 for the three month period ended March 31, 2011.

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Corporate Information

Senior Management

Glen C. Schmidt
President and CEO

David J. Theriault
Senior Vice President In Situ and Exploration

Derek A. Keller
Vice President Production

Karen E. Lillejord
Vice President Finance and Controller

Mark A. Montemurro
Vice President Innovation and Technology

Marla A. Van Gelder
Vice President Corporate Development

Neil R. Edmunds
Advisory Director

Directors

Jeffrey M. Donahue, Jr. [2, 3]
Vice President – Principal Investing,
CPPIB Equity Investments Inc.

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

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

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

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

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

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

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

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

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