LARICINA
ENERGY LTD.

2013 FIRST QUARTER INTERIM REPORT

2013 is an exciting year for Laricina as we anticipate start-up at our commercial demonstration project at Germain. First steam is scheduled for late in the second quarter with first production expected three to four months after. Our pilot project at Saleski continues to help us refine our development plan for the Grosmont carbonates and is a valuable demonstration opportunity for marketing our produced bitumen.

First Quarter 2013 Highlights

- At Germain:
  - Defined and progressed our start-up plan for Phase 1 scheduled for June 2013 and expanded operating staff;
  - Key developments on Phase 1 to quarter end include;
    - Detailed engineering completed;
    - All modules delivered to site;
    - Approximately 75 percent of project construction completed at the end of March;
  - Last four well-pairs completed; and
  - Regulatory consultation for the 150,000 barrel-per-day expansion continued with approval expected in the third quarter of 2013.
- At Saleski:
  - 1.2 square-km of 4-D seismic acquired at the pilot;
  - Horizontal water-source well drilled and tested at the pilot, proving to be four times as efficient as a typical vertical water-source well;
  - At the pilot, two of the wells approached the end of their current production cycles and a third well began its steam injection cycle during the quarter; and
  - Regulatory consultation continued for the 10,700 barrel-per-day Saleski Phase 1 expansion with approval expected mid-year.
- Winter exploration program:
  - Winter seismic and drilling programs completed during the quarter;
    - 5.1 square-km of 3-D seismic acquired at Conn Creek;
    - 23.5 square-km of 3-D seismic acquired at Burnt Lakes; and
    - Three core-hole wells, two observation wells and two water-source wells completed at Saleski.
- Infrastructure and Marketing:
  - Pre-commissioning continued at Germain in anticipation of start-up, including connection to the main power grid;

    - Continued community consultations and discussions with west Athabasca *in situ* oil sands producers and midstream providers regarding the Stony Mountain Pipeline. Regulatory approval is expected mid-year; and
    - Continued to expand delivery of blended bitumen by rail to complement our marketing and transportation strategy.
- Corporate:
    - Mr. Ian Bruce joined Laricina's Board of Directors;
    - Mr. James Hand joined Laricina as Senior Vice President Operations and Chief Operating Officer; and
    - Made capital expenditures of $79.0 million, with working capital at quarter-end of $257.7 million.

Germain

These are exciting times at Germain as Phase 1, our commercial demonstration project (CDP), is scheduled to come on-stream this year. We have made steady, measured construction progress at the CDP and are in the final stages of construction. The final four well-pairs were completed in January, and the final modules required for start-up were delivered to site in February.

We expect construction to be complete by early June and commissioning has already started on certain finished systems. The planned operating staff for the CDP is approximately 40 and the hiring is nearly complete. First steam is targeted for the end of June, followed by first production anticipated for early fall. The CDP will start up using conventional steam-assisted gravity drainage (SAGD), and will transition to solvent-cyclic SAGD (SC-SAGD) during the production ramp-up phase over the following 12 to 18 months. We expect per well production to steadily increase to near design capacity before year-end 2014.

We estimate the CDP remains on target for $435 million, a conservative budget to ensure sufficient capital for the critical first phase, a certain amount of pre-build for future phases, and shared infrastructure with Saleski. We have learned a great deal from our experiences preparing for, planning and building the CDP, and look to increase capital efficiency in future phases.

We have identified several areas where we could improve costs, including our containerized well pad design. We have redesigned and filed a patent application for well pad containerization that could lead to substantial reductions in cost estimates for future well pads at both Germain and Saleski. The containerized well pad enables container-sized modules to be fabricated in more cost-competitive regions, specifically, the industrial manufacturing sector in eastern Canada. Because the containers are sized for standard shipping, the need for over-sized shipping is eliminated and transportation costs are reduced.

Other examples of possible cost savings at future phases include improvements to the drilling process, well start-up and steam distribution methods, and perhaps the most significant cost reduction, reducing the steam requirement through SC-SAGD.

Our phased approach to the development of Germain allows us to learn from our experiences developing and producing from one phase and applying it to the next. Our regulatory application for Phases 2 – 4 of the Germain Grand Rapids development continues to be reviewed by the Energy Resources Conservation Board (ERCB) and Alberta Environment and Sustainable Resource Development (AESRD). Phase 2 is currently planned as a 30,000 barrel-per-day facility. Phases 3 and 4 are planned as 60,000 barrel-per-day facilities for cumulative production capacity of 155,000 barrels-per-day. As is standard procedure in the regulatory process, we have responded to our first supplemental information request (SIR) and are preparing our response to a second. We are actively working with stakeholders and continue to maintain an open dialogue regarding our project development plans and their impacts on our stakeholders. We expect regulatory approval for Germain Phase 2 in the third quarter of 2013. Further progress on the expansion will require additional capital and given current weak commodity and financial market conditions, a delay in funding would have a potential impact on our current development schedule. We are reviewing opportunities to optimize the timing and scale of future development project phases at Germain to manage these uncertainties and minimize any impact to our current plans.

Saleski pilot

We have demonstrated that the Grosmont C zone best responds to C-SAGD and can produce at commercial production rates. At the Saleski pilot, we continue to optimize the process in the Grosmont C and are progressing the understanding of the recovery process for the Grosmont D. Our aim is to optimize performance using C-SAGD wells and to deliver production at sustained rates in the Grosmont C, and to confirm expected commercial rates from the Grosmont D while working within the constraints and limitations of the facilities at the pilot. We are targeting average daily bitumen production of 600 to 800 gross barrels per day for 2013. Production rates in the first quarter were less than the previous quarter due to the progression of the C1 and C2 wells towards the end of their respective production cycle and the D1 well on steam injection much of the first quarter.

The pilot is a demonstration vehicle we use for optimization of well and facility design for the Grosmont and we continue to use the pilot to refine the development plan for Saleski Phase 1. Objectives for 2013 include evaluating the optimal application of solvents, how they work in the C-SAGD process, and what next steps will be. We continue to monitor communication between the Grosmont C and D zones, to determine the extent of thermal and fluid communication between the two zones. To assess how steam injected into one well could affect adjacent wells, we performed a tracer injection test. This consisted of a hydrogen isotope injected with the steam into the C1 well, and a program to monitor its presence in adjacent wells (D1 and C2) during production from those wells. The tracer element was found in the plant, indicating it had been able to move from C1 to adjacent wells. Bitumen samples from these wells are currently being tested to confirm the

communication path. The positive communication between the C and D zones reinforces the opportunity to operate the wells and the C and D zones as an integrated system in the commercial phases.

4-D seismic continues to be used at the pilot to determine the thermal changes that have been occurring in the reservoir before and after steam injection and bitumen production cycles. Along with observation wells, the seismic has indicated continued lateral and vertical growth of the heat affected area within the reservoir. This indicates that progressing to larger steam injection cycles has resulted in heat reaching new areas within the rock and implies an increasing oil drainage area. It has also shown uniform “well conformance”, meaning, the entire length of the well is contributing to production and that the steam injection is being distributed evenly along the well.

We began testing a new program at the pilot to address loss circulation material that could potentially improve drilling performance, increase well integrity and reduce costs. Well control that manages the amount of fluid loss and drilling time is an opportunity to reduce drilling costs in the Grosmont. We have tested drilling muds in conjunction with several loss circulation alternatives and see significant potential for cost reduction through increased efficiencies and decreased drilling times.

We are also testing a horizontal water-source well drilled during the quarter with encouraging results regarding flow rates and capacity. Typically, water-source wells are drilled vertically into a water-bearing formation. At Saleski, the water-bearing formation has greater lateral extent and we have been able to drill into the formation horizontally. This accesses more of the formation and we have been able to more than quadruple the test rate of an average vertical water-source well, with daily water production volume of approximately 2,500 metres-cubed. Producing more water from a single well reduces the number of water-source wells needed, leading to a reduction in capital costs and surface foot print. We expect to use horizontal water-source wells at Saleski Phase 1.

Saleski Phase 1

Cost and performance are our primary areas of concentration as we advance Saleski Phase 1. The current budget for Saleski Phase 1 is $550 million gross ($330 million net) as we apply what we have learned at our pilot and the Germain CDP to refine and update our approach to design and engineering. This includes a smaller footprint for the central processing facility (CPF), using an optimized well pad design, drilling single wells rather than well-pairs and drilling fewer initial wells. Managing capital, cost control and efficient execution are key elements to our project execution model.

Having filed a regulatory application update in October 2012 for Saleski Phase 1 (reflecting C-SAGD as the method of recovery, using single horizontal wells instead well-pairs, and additional steam capacity), we anticipate regulatory approval for this phase in mid-2013. Again, as standard procedure in the regulatory process, we have received and responded to one set of SIR’s based on Phase 1’s

initial application. During the quarter, we received another set of SIR's based on the application update and submitted our response subsequent to quarter end.

During the quarter we prepared for the detailed engineering design that will commence in the second quarter. Drilling for Phase 1 could start as early as October of this year followed by field construction with first steam targeted for late 2015, all conditional on the timing of the receipt of regulatory approval as expected, and securing additional funding.

Saleski Phase 1 production capacity is targeted at 10,700 gross barrels per day.

Infrastructure & Marketing
In preparation for start-up at Germain, the CDP connection to the main power grid was completed during the quarter and was energized in early April and is no longer dependent on generators for electricity. At Saleski, regulatory approval was received in April from the Alberta Utilities Commission for power supply for Saleski Phase 1.

Discussions with other west Athabasca *in situ* oil sands and midstream companies regarding our proposed Stony Mountain Pipeline continued during the quarter as did consultation with stakeholders. While carrying out regulatory and consultation activities, we completed our winter program which consisted of a small number of boreholes at selected river crossings west of Highway 63 to gather geotechnical data in support of planning for the pipeline route. Regulatory approval for the Stony Mountain Pipeline remains targeted for mid-2013. We continue to explore a range of commercial and partnership opportunities and financing sources.

In addition to trucking our blended bitumen volumes from the Saleski pilot, we expanded our shipping-by-rail program, providing new understanding on the rail transportation opportunity and as a complement to Laricina's marketing and transportation strategy. Preparatory work for marketing and transportation is underway in anticipation of the commencement of production in the fall at Germain.

Corporate
During the quarter, Mr. Ian Bruce joined our board of directors, and Mr. James Hand accepted the position of Senior Vice President Operations and Chief Operating Officer.

As the former CEO and Co-Chairman of Peters & Co. Limited, a Canadian independent investment dealer, Mr. Bruce brings a wealth of knowledge and experience to the board.

Mr. Hand comes to us from ConocoPhillips Canada, where he was Vice President Oil Sands Operations. He brings significant operational experience to Laricina having managed ConocoPhillips' Surmont 1 SAGD operation and preparing for start-up of Surmont 2.

Along with board and executive additions, and a steadily increasing staffing level in the Calgary office, we have hired a number of field staff to support start-up at the Germain CDP. We expect to reach our planned staffing level of 40 operating personnel at Germain during the second quarter.

Outlook

Efficient transportation of crude oil continues to be a key issue and has become a shared goal of governments, producers and consumers. Those opposed to the economic development of our resources continue to unduly impact the regulatory process. In the face of this opposition, industry is coming up with alternatives, including conversion of existing pipelines, expansion of rail access and capacity, and in some instances, barging. The expansion of rail has been the most marked supplement to pipeline transportation, with railed volumes of crude oil amounting to approximately 650,000 barrels-per-day in North America.

Industry is making progress and clearly recognizes the value of expanding the market for its product, including Western and Eastern Canada, along with international export opportunities. Within North America, recent advancements towards new pipelines suggest transportation challenges could be resolved in the medium term. Increased access to markets, particularly to the United States Gulf Coast would ease the Western Canadian discount for crude oil, which would support our next major milestone with the start-up of Saleski Phase 1 targeted for late 2015.

Laricina continues to position itself as an attractive investment for both equity (private and public) and debt markets, with significant catalysts in the near term, including successful completion of the Germain CDP, progress at the Saleski pilot, receiving regulatory approval for and advancing Saleski Phase 1 and Germain Phase 2, along with regulatory approval for the Stony Mountain Pipeline. The Germain CDP is fully funded with current working capital. The timing of any further development, including Saleski Phase 1, is dependent on the availability of additional capital.

We are excited to start operations at Germain, with the CDP, and validate the performance of the Grand Rapids oil sands. Combined with commercial development of the Grosmont at Saleski, we are positioned for planned expansions at both projects. I look forward to further charting our progress with you.

(signed) "Glen C. Schmidt"

Glen C. Schmidt
President and Chief Executive Officer
May 1, 2013

The foregoing message contains forward-looking statements. Readers are directed to the Management's Discussion and Analysis and the "Advisory" on page 7, which also applies to the forward-looking statements in this message.

Management's Discussion and Analysis

May 1, 2013

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, 2013 and March 31, 2012, and the audited consolidated financial statements and MD&A contained in the Company's annual report for the financial year ended December 31, 2012. 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 contains 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 MD&A and 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", "potential" or other similar words suggesting future outcomes and statements that actions, events or conditions "may", "would", "could", "should" or "will" be taken or occur in the future. The reader is cautioned not to place undue reliance on any forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company's management believes that the expectations represented by such forward-looking statements are reasonable as of May 1, 2013, 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: the Company's ability to secure financing; 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.

Highlights for the First Quarter Ended March 31, 2013

	Three Months Ended March 31	
(thousands of dollars, except per share amounts)	**2013**	2012
Total assets	**1,374,469**	1,402,093
Working capital	**257,736**	554,313
Capital expenditures (cash)	**78,997**	68,426
Net operating revenue(1)	**1,507**	691
Finance income	**1,161**	2,198
Net loss	**(10,349)**	(6,331)
Net loss per common share – basic and diluted	**(0.15)**	(0.10)

(1) Net operating revenue is defined as bitumen blend sales less royalties.

During the first quarter of 2013, Laricina continued to advance the Germain commercial demonstration project (CDP) with the completion of the remaining well-pairs, module fabrication and delivery of modules to site. As of May 1, 2013, all of planned modules for the Germain CDP were installed and overall construction had progressed to approximately 90 percent.

The Company continues to optimize the wells and facility at the Saleski pilot. Net production volumes of approximately 23,070 barrels have decreased from net production volumes of approximately 34,270 during the fourth quarter of 2012. The decrease is the result of wells nearing the end of production cycles and the commencement of a new steam injection cycle.

Laricina expanded its head office and field personnel required to support future development at Saleski and Germain. Mr. James Hand joined the Company on March 18, 2013 as the Senior Vice President Operations and Chief Operating Officer. In the field, 18 additional employees were hired to support operations at Germain.

Operational Results

(thousands of dollars)	**2013**	2012
Net operating revenue	**1,507**	691
Transportation and blending expenses	**1,007**	439
Operating expenses	**6,027**	5,232

Net operating revenue

Laricina's bitumen blend sales volumes are from the Saleski pilot which recorded first production in the second quarter of 2011. Since initial production the Company has proven commercialization through steam injection and bitumen production cycles with cyclical steam-assisted gravity drainage (C-SAGD), introduced solvent to reservoir production tests and improved the understanding of communication between the C and D zones in the Grosmont Formation.

(barrels)	**2013**	2012
Net production volumes	**23,070**	10,560
Net bitumen blend sales volumes	**28,870**	12,400

The increases in bitumen production and bitumen blend sales volumes during the first quarter of 2013 are due to the completion of a second C-zone well, which recorded first production in June of 2012, and increases in the length of production cycles compared to 2012. Laricina continues to study the connectivity between the C and D zones and the potential to extract bitumen more efficiently through combined well operations. Fluid tracer studies have indicated positive fluid connectivity between the wells in the quarter.

Although bitumen blend sales volumes have fluctuated since initial bitumen production, the Company continues to expand its knowledge of the Grosmont Formation utilizing the Company's planned C-SAGD recovery method. Laricina expects sales and production volumes to fluctuate through alternating cycles of steam injection and bitumen production, as the Company continues to optimize well and facility operations for advancing the commercial design for development of the Grosmont.

		2013		2012
Average sales price per barrel	**$**	**53.17**	$	57.64
West Texas Intermediate (US $/barrel)	**$**	**94.37**	$	102.92
Western Canadian Select (Cdn $/barrel)	**$**	**63.01**	$	81.66

The increase in net operating revenue during the first quarter of 2013 compared to the same period of 2012 is primarily due to higher bitumen blend sales volumes, partially offset by a lower average realized price per barrel of bitumen blend. This decrease in average sales price is due to widening price differentials resulting from pipeline capacity constraints in Canada and the United States. Laricina's average sales price per barrel is net of terminal fees and other charges.

Laricina pays Crown royalties on oil sands production. The increase in royalties during 2013 is the result of increased sales volumes partially offset by a decrease in the applicable royalty rate.

Transportation and blending expenses

Transportation and blending expenses include the cost of diluent purchased for blending with the produced bitumen, and the cost of transporting the bitumen blend volumes to the sales terminals. Increases in transportation and blending costs during the first quarter of 2013 when compared to the same period in 2012 are primarily due to increased sales volumes, partially offset by decreases in the quantity of diluent required for blending and the cost of diluent. The decrease in the quantity of diluent used is primarily the result of increased efficiencies in plant operations for in blending.

Operating expenses

Operating expenses incurred in the first three months of 2013 and 2012 were primarily related to operations at the Saleski pilot. Additional costs in the first quarter of 2013 related to the analysis and evaluation of solvent performance, and the recovery of the solvent during bitumen production. Due to the experimental nature of the Saleski pilot, operating costs are expected to exceed net operating revenue throughout the pilot's life. Other operating costs are related to road maintenance associated with the ownership in the Chip Lake road which was acquired in the fourth quarter of 2012.

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)	**2013**	2012
Exploration and evaluation assets:		
Land	**232**	30,061
Exploration	**14,647**	8,127
Development	**54,487**	44,975
Other	**4,727**	2,980
Capitalized general andadministrative	**5,399**	3,872
	79,492	90,015
Property, plant and equipment	**824**	5,300
Intangible assets	**1,735**	5,108
Capital asset additions	**82,051**	100,423
Capital expenditures (cash)	**78,997**	68,426

Capital asset additions during the first three months of 2013 included the completion of four well-pairs, module fabrication and delivery and installation of modules at site for the Germain CDP; the completion of the 2012-2013 winter exploration and development drilling programs; and advanced regulatory work to support the Stony Mountain Pipeline application.

Exploration and evaluation assets

Land

Land additions during 2013 were for the continued planning and maintenance of Laricina's lease holdings. On February 15, 2012 the Company closed a transaction to acquire the remaining working interests in certain jointly-controlled 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 2013 included the acquisition of 23.5 square-km of 3-D seismic at Burnt Lakes, 5.1 square-km of 3-D seismic at Conn Creek and 1.1 square-km of 4-D seismic at Saleski; and a three exploration well program at Saleski. During the first three months of 2012 exploration activities included the acquisition of 25.0 km of 2-D seismic at Germain, 20.7 square-km of 3-D seismic at Saleski, 1.2 square-km of 4-D seismic at Saleski; and the drilling of five exploration wells, three at Germain and two at Saleski.

Development activities

Consistent with the same period in 2012, a significant portion of the development expenditures incurred during the first quarter of 2013 were attributable to advancing Saleski and Germain projects.

	Three Months Ended March 31	
(thousands of dollars)	**2013**	2012
Saleski	**8,814**	17,208
Germain	**45,088**	27,319
Other	**585**	448
	54,487	44,975

Development activities during the first quarter of 2013 primarily related to the continued construction of the Germain CDP, including completing the remaining four well-pairs, completing module fabrication and transportation of modules to site, and reaching approximately 75 percent of construction. Development activities at Saleski included front-end engineering for the Saleski Phase 1 expansion of 10,700 barrels per day. The 2012-2013 development drilling program included two water source wells, two monitoring wells and two observation wells which will all be used for Saleski Phase 1.

In the first quarter of 2012, development activities for Germain included the advancement of engineering, module fabrication and equipment purchases for the Germain CDP. Development activities for Saleski included the drilling of additional C zone wells and commissioning a second steam generator at the Saleski pilot. The 2011-2012 development drilling program included four observation wells, three for Saleski Phase 1 and one at Germain for Phase 2.

Other

Other capital activities during the first three months of 2013 consisted of regulatory consultation for the Stony Mountain Pipeline, progress on research and development projects such as OASIS, and provisions for future site restoration. Other capital activities during the first quarter of 2012 related to initial engineering and consultation work for the Stony Mountain Pipeline, regulatory work and progress on research and development activities.

Property, plant and equipment

Property, plant and equipment additions during the first three months of 2013 were primarily the addition of corporate assets related to information technology. Property, plant and equipment additions during the first quarter of 2012 consisted primarily of road upgrades.

Intangible assets

In the three month period ended March 31, 2013, Laricina recorded intangible assets of $1.7 million for the recapitalization of depreciation of certain components of the Saleski pilot. Intangible asset additions during the same period of 2012 included $3.8 million for the expansion of available power for the Company's future development projects at Germain and $1.4 million for the recapitalization of depreciation of certain components of the Saleski pilot. The depreciation of certain components of the pilot such as the development wells that directly contribute to the Company's understanding of the reservoir and assist in the assignment of proven reserves are recapitalized until the related reserves are recognized.

Corporate Results

	Three Months Ended March 31	
(thousands of dollars)	**2013**	2012
General and administrative expenses, net	**7,554**	6,105
Finance income	**1,161**	2,198
Other income	**1,563**	3,004
Net loss	**(10,349)**	(6,331)

General and administrative expenses

(thousands of dollars)	**Three Months Ended March 31** **2013**	2012
General and administrative expenses, gross	**10,407**	8,290
Stock-based compensation costs	**2,546**	1,688
Capitalized costs	**(5,399)**	(3,873)
General and administrative expenses, net	**7,554**	6,105

General and administrative expenses increased in 2013 compared to the same period in 2012 primarily due to the continued growth of the Company's employee and consulting base, and the additional overhead costs associated with increased personnel. During the first quarter of 2013, the Company increased Calgary head office employees by eight and field employees by 18. Capitalized general and administrative costs consist of costs directly related to project exploration and development activities.

Finance income

Finance income decreased during the three months ended March 31, 2013 when compared to the same period in 2012 primarily due to the decreased funds on deposit. During the period ended March 31, 2013, excess cash was held in high-interest savings accounts and guaranteed investment certificates with interest rates ranging from 1.3 percent to 1.8 percent, compared to interest rates ranging from 1.2 percent to 1.7 percent during the first quarter of 2012.

Other income

Other income during the periods ended March 31, 2013 and March 31, 2012 relates to fees charged to third parties for the usage of Laricina's camp facilities and roads.

Finance costs

Finance costs include accretion for the site restoration provision and interest recorded on the finance lease associated with the Germain permanent camp.

Depreciation and amortization

Depreciation and amortization expense of $2.7 million during the first three months of 2013 increased from $1.9 million recorded in the first three months of 2012. Increases in depreciation and amortization expense are related to the acquisition of an equity interest in the Chip Lake road during the fourth quarter of 2012.

Net loss

Laricina recorded a net loss of $10.3 million during the first quarter of 2013 compared to a net loss of $6.3 million during the first quarter of 2012. This increase is a result of increased transportation and blending costs associated with increased bitumen blend sales volumes; operating activities associated with the Saleski pilot; increased general and administrative expenses; and decreases in

finance and other income. Typical of a company in early stages of operations, Laricina expects to continue to show net losses at least until commercial levels of production are achieved.

Selected Quarterly Information

(thousands of dollars, except per share amounts)	**Q1 2013**	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Working capital	**257,736**	345,808	442,272	504,230	554,313	628,121	706,696	631,215
Capital asset additions	**82,051**	89,983	58,505	53,279	100,423	77,431	61,333	25,382
Net operating revenue	**1,507**	2,092	1,885	945	691	1,328	784	247
Finance and other income	**2,724**	2,154	4,086	4,599	5,202	4,919	2,622	1,220
Net loss	**(10,349)**	(8,600)	(7,341)	(8,588)	(6,331)	(5,476)	(6,089)	(5,755)
Net loss per common share, basic and diluted	**$ (0.15)**	$ (0.13)	$ (0.11)	$ (0.13)	$ (0.10)	$ (0.09)	$ (0.10)	$ (0.11)

Working capital increased during the third quarter of 2011 due to the closing of private placements of common shares with net proceeds of $133.8 million.

Capital asset additions in the fourth quarter of 2012 included an acquisition of an interest in the Chip Lake road and additions in the first quarter of 2012 included a $30.0 million acquisition of the remaining working interests in certain jointly-controlled oil sands assets. Fluctuations in capital additions are the result of the progress of the Germain CDP engineering, fabrication and construction and the winter drilling programs, which typically occur in the first quarter of each year.

Net operating income increased throughout 2012 and the first quarter of 2013 as a result of increases in sales volumes, partially offset by declines in the average realized price. Sales volumes have fluctuated since initial production commenced in the second quarter of 2011, consistent with the Company's planned cycles of alternating steam injection and bitumen production.

Other income during 2012 and the first quarter of 2013 is associated with third-party usage of Laricina's camps and roads. Other income in the third quarter of 2012 and fourth quarter of 2011 includes net proceeds of $1.2 million and $2.7 million, respectively, from the sale of certain Saleski pilot data. Finance income has decreased since the third quarter of 2011 as a result of decreased funds on deposit.

Liquidity and Financial Resources

Working Capital

Working capital decreased from December 31, 2012 to $257.7 million at March 31, 2013 primarily due to capital expenditures including construction costs for the Germain CDP and the 2012-2013 exploration program.

(thousands of dollars)		
Working capital, December 31, 2012	$	345,808
Capital expenditures (cash)		(78,997)
Operating activities		(8,997)
Other		(78)
Working capital, March 31, 2013	**$**	**257,736**

Laricina has sufficient working capital to finance the completion of construction and commissioning of the Germain CDP facility. The remaining 2013 capital and operating spending program of approximately $215.3 million is focused primarily on the completion and commissioning of the Germain CDP, infrastructure development and the advancement of the Saleski Phase 1 project. Approximately 48 percent of the program is associated with the Germain CDP and 4 percent is tied to the advancement of the Saleski Phase 1 project. The balance of the spending will include operations at the Saleski pilot and Germain CDP, the advancement of future phases at Saleski and Germain, infrastructure, studies, other corporate capital, and general and administrative expenses.

The future capital expenditures Laricina requires to continue advancing future phases including the Saleski Phase 1 expansion depend on future financing. The Company anticipates funding capital and operating activities through an appropriate combination of debt and equity. Asset sales or joint 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 1.3 to 1.8 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, 2013 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, 2013 and the date of this report, the Company had letters of credit totalling $3.0 million outstanding under this credit facility, and no amount has been drawn. The letters of credit are 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
2013 remainder	2,154	7,889
2014	2,928	6,503
2015	2,423	2,930
2016	120	1,815
2017 and thereafter	230	1,057

The Company's letters of credit at March 31, 2013, are to suppliers of utilities to support development at Saleski and Germain. If project development is interrupted, the Company will be required to reimburse up to $3.0 million of the suppliers' costs. The letters of credit of $2.8 million and $0.2 million are renewable on July 31, 2013 and August 31, 2013, respectively.

As at the date of this report, the Company has $24.3 million of purchase commitments outstanding which relate to the construction for the Germain CDP and engineering for the Saleski Phase 1.

Outstanding Share Data

At April 30, 2013, share capital consisted of the following:

(thousands)	
Common shares	67,186
Stock options	2,284
Replacement options	2,393
Performance share units	986
Total outstanding	**72,849**

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, 2012 in the Company's Annual Report. The nature of critical accounting estimates for Laricina remains unchanged since December 31, 2012.

Changes in Accounting Policies

The Company has adopted the following new and revised standards effective January 1, 2013. These changes have been made in accordance with the applicable transitional provisions.

IFRS 7 *Financial Instruments: Disclosures* was amended to clarify requirements for offsetting financial assets and financial liabilities and to enhance the corresponding disclosure requirements. The modifications to this standard had no impact to Laricina.

IFRS 10 *Consolidated Financial Statements* replaces International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements* and Standing Interpretations Committee 12 *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affects its returns. The requirements for consolidation have remained essentially consistent with IAS 27. Laricina assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation of its wholly-owned subsidiaries.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the rights and obligations of each investor. Joint operations require a company to recognize its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method of accounting as outlined in IAS 28, Investments in Associates and Joint Ventures. Laricina classified its joint arrangements in accordance with IFRS 11 on January 1, 2013 and concluded that the adoption of the standard did not result in any changes in the accounting treatment of its joint arrangements.

IFRS 13 *Fair Value Measurement* provides a comprehensive standard for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing an asset or liability under current market conditions, including risk assumptions. Laricina's adoption of IFRS 13 required no change in valuation techniques.

The adoption of these new accounting standards has had no impact on the recognition and measurement of the balances recorded in the financial statements.

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2013 and were not applied in preparing the condensed consolidated financial statements for the first quarter.

The Company has reviewed the new standards and interpretations required for annual periods beginning January 1, 2014 and determined that International Accounting Standard 32 *Financial Instruments: Presentation* is relevant but not yet applicable to these financial statements. The impact of this standard is not yet determined.

The Company has also reviewed the new standards and interpretations required for annual periods beginning January 1, 2015 and determined that IFRS 9 *Financial Instruments* is relevant but not yet applicable to these financial statements. The impact of this standard is not yet determined.

Risk Management

Risk factors remain substantially unchanged from December 31, 2012. 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 2012.

Outlook

Current working capital of $257.7 million provides Laricina sufficient resources to complete the Germain CDP. 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 agreements.

During the remainder of 2013, the majority of capital spending will be for the completion of construction and commissioning of the Germain CDP. Laricina anticipates that initial steaming of the first well-pair to commence late in the second quarter of 2013, with initial production expected three to four months later.

Laricina will require additional financing to advance regulatory matters, front-end engineering and design, site preparation and drilling for the Saleski Phase 1 expansion of 10,700 barrels per day. The Saleski pilot will continue to focus on improved production performance by repetition of the C-SAGD process and further evaluation of solvent injections.

Other activities during the remainder of 2013 include regulatory work to support the Germain Phase 2 expansion and the Stony Mountain Pipeline applications.

As the Company advances additional projects at Saleski and Germain and commences operation of the Germain CDP, additional expertise will be required. This expertise will be required for all aspects of the business and will include a combination of head office and field employees and consultants. The Company expects general and administrative expenses to increase as a result of increased personnel.

The remaining 2013 capital and operating spending program (including cash general and administrative expenses) is expected to be approximately $215.3 million with the majority of the costs for the completion of construction and commissioning of the Germain CDP. With the completion of financing the capital and operating spending program would be expanded this year to approximately $300.0 million to accommodate advancement of the Saleski Phase 1 expansion.

Condensed Consolidated Statements of Financial Position

As at

Unaudited *(thousands of Canadian dollars)*	Note	**March 31 2013**	December 31 2012
Assets			
Current assets			
Cash and cash equivalents		**296,153**	395,884
Trade and other receivables		**11,336**	7,923
Prepaid expenses and deposits		**1,136**	818
Inventories		**3,433**	3,355
		312,058	407,980
Non-current assets			
Abandonment deposits and other		**2,111**	2,109
Exploration and evaluation assets	6	**950,922**	874,354
Property, plant and equipment		**84,037**	84,587
Intangible assets		**24,110**	22,531
Deferred income tax		**1,231**	-
		1,062,411	983,581
Total assets		**1,374,469**	1,391,561
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**47,969**	54,531
Finance lease obligation		**6,353**	7,641
		54,322	62,172
Non-current liabilities			
Site restoration provision		**19,327**	18,982
Deferred income tax		**-**	1,710
		19,327	20,692
Total liabilities		**73,649**	82,864
Shareholders' equity			
Share capital	7	**1,334,287**	1,333,979
Contributed surplus		**33,574**	31,410
Deficit		**(67,041)**	(56,692)
Total shareholders' equity		**1,300,820**	1,308,697
Total liabilities and shareholders' equity		**1,374,469**	1,391,561

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

Condensed Consolidated Statements of Comprehensive Loss

For the Three Months ended March 31
Unaudited

(thousands of Canadian dollars)	Note		**2013**		2012
Revenue					
Bitumen blend sales			**1,535**		715
Royalties			**(28)**		(24)
Net operating revenue			**1,507**		691
Other income	9		**1,563**		3,004
			3,070		3,695
Expenses					
Transportation and blending			**1,007**		439
Operating			**6,027**		5,232
Pre-exploration			**5**		35
General and administrative			**7,554**		6,105
Depreciation and amortization			**2,720**		1,859
			17,313		13,670
Results from operating activities			**(14,243)**		(9,975)
Finance income			**1,161**		2,198
Finance expenses			**(208)**		(298)
Net finance income			**953**		1,900
Loss before income tax			**(13,290)**		(8,075)
Deferred income tax recovery			**(2,941)**		(1,744)
Total loss and comprehensive loss			**(10,349)**		(6,331)
Loss and comprehensive loss per common share	8				
Basic		**$**	**(0.15)**	$	(0.10)
Diluted		**$**	**(0.15)**	$	(0.10)

The accompanying notes are an integral part of these condensed 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, 2011	1,286,352	28,478	(25,832)	1,288,998
Comprehensive loss	-	-	(6,331)	(6,331)
Issuance of common shares 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
Comprehensive loss	-	-	(24,529)	(24,529)
Share-based payments	-	5,810	-	5,810
Performance warrants exercised	10,578	(572)	-	10,006
Performance share units exercised	2,205	(2,204)	-	1
Replacement options exercised	1,720	(1,664)	-	56
Stock options exercised	2,815	(754)	-	2,061
Balance at December 31, 2012	1,333,979	31,410	(56,692)	1,308,697
Comprehensive loss	-	-	(10,349)	(10,349)
Share-based payments	-	2,252	-	2,252
Stock options exercised	308	(88)	-	220
Balance at March 31, 2013	**1,334,287**	**33,574**	**(67,041)**	**1,300,820**

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

Condensed Consolidated Statements of Cash Flows

For the Three Months ended March 31 Unaudited *(thousands of Canadian dollars)*	**2013**	2012
Cash flows from operating activities		
Comprehensive loss for the period	**(10,349)**	(6,331)
Adjustments for:		
Depreciation and amortization	**2,720**	1,859
Equity settled share-based payments	**1,461**	1,084
Unwinding of site restoration discount	**112**	103
Deferred income tax recovery	**(2,941)**	(1,744)
	(8,997)	(5,029)
Change in trade and other receivables	**1,053**	(1,469)
Change in prepaid expenses and deposits	**(238)**	(199)
Change in inventories	**(331)**	(273)
Change in trade and other payables	**(4,741)**	(5,551)
Net cash used in operating activities	**(13,254)**	(12,521)
Cash flow from investing activities		
Property, plant and equipment, and exploration and evaluation expenditures	**(85,407)**	(51,150)
Intangible expenditures	**-**	(3,750)
Abandonment deposits	**(2)**	(2)
Net cash used in investing activities	**(85,409)**	(54,902)
Cash flow from financing activities		
Proceeds from the issuance of common shares	**220**	100
Finance lease obligation	**(1,288)**	(1,289)
Net cash used in financing activities	**(1,068)**	(1,189)
Net decrease in cash and cash equivalents	**(99,731)**	(68,612)
Cash and cash equivalents, beginning of period	**395,884**	656,891
Cash and cash equivalents, end of period	**296,153**	588,279

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

1. Reporting Entity

Laricina Energy Ltd. (Laricina or the Company) was incorporated on November 11, 2005 under the *Business Corporations Act* (Alberta). The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2013 encompasses 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 2012.

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 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, 2012, except as described in Note 3.

The condensed consolidated interim financial statements were approved for release to shareholders by the Board of Directors on May 1, 2013.

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 2012.

3. Changes in Accounting Policies

The Company has adopted the following new and revised standards effective January 1, 2013. These changes have been made in accordance with the applicable transitional provisions.

3. Changes in Accounting Policies (continued)

IFRS 7 *Financial Instruments: Disclosures* was amended to clarify requirements for offsetting financial assets and financial liabilities and to enhance the corresponding disclosure requirements. The modifications to this standard had no impact to Laricina.

IFRS 10 *Consolidated Financial Statements* replaces International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements* and Standing Interpretations Committee (SIC) 12 *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affects its returns. The requirements for consolidation have remained essentially consistent with IAS 27. Laricina assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation of its wholly-owned subsidiaries.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the rights and obligations of each investor. Joint operations require a company to recognize its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method of accounting as outlined in IAS 28, Investments in Associates and Joint Ventures. Laricina classified its joint arrangements in accordance with IFRS 11 on January 1, 2013 and concluded that the adoption of the standard did not result in any changes in the accounting treatment of its joint arrangements.

IFRS 13 *Fair Value Measurement* provides a comprehensive standard for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing an asset or liability under current market conditions, including risk assumptions. Laricina's adoption of IFRS 13 required no change in valuation techniques.

The adoption of these new accounting standards has had no impact on the recognition and measurement of the balances recorded in the financials.

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2013 and were not applied in preparing the condensed consolidated financial statements for the first quarter.

The Company has reviewed the new standards and interpretations required for annual periods beginning January 1, 2014 and determined that International Accounting Standard 32 *Financial Instruments: Presentation* is relevant but not yet applicable to these financial statements. The impact of this standard is not yet determined.

The Company has also reviewed the new standards and interpretations required for annual periods beginning January 1, 2015 and determined that IFRS 9 *Financial Instruments* is relevant but not yet applicable to these financial statements. The impact of this standard is not yet determined.

4. Basis of Consolidation

The condensed consolidated interim financial statements of the Company comprise the Company and its wholly-owned subsidiaries, Laricina GP Holding Ltd., 1276158 Alberta Inc., and Stony Mountain Pipeline Ltd. Control exists when a company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. All intercompany transactions and balances are eliminated on consolidation.

5. Financial Instruments

Financial instruments are initially recognized in the statement of financial position at fair value. Subsequent measurement of financial assets and liabilities, except those at fair value through comprehensive loss and available-for-sale, are measured at amortized cost determined using the effective interest rate method. Cash and cash equivalents are comprised of cash balances and guaranteed investment certificates that may be redeemed at the Company's option. Trade and other receivables, and prepaid expenses and deposits are classified as loans and receivables, while trade and other payables are classified as other financial liabilities and the fair values approximate their carrying value due to the short-term nature of these instruments. The Company has not designated any financial instruments as available-for-sale.

Determination of fair values

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

Level 1 fair value measurement

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

Level 2 fair value measurement

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

Level 3 fair value measurement

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

5. Financial Instruments (continued)

The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the period ended March 31, 2013.

6. Exploration and Evaluation Assets

Cost	
Balance at December 31, 2012	892,023
Additions during the period	79,492
Balance, March 31, 2013	**971,515**
Depreciation	
Balance, December 31, 2012	(17,669)
Depreciation for the period	(2,924)
Balance, March 31, 2013	**(20,593)**
Carrying amounts	
As at December 31, 2012	874,354
As at March 31, 2013	**950,922**

7. 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, 2012	67,103	1,333,979
Stock options exercised	12	308
Balance, March 31, 2013	**67,115**	**1,334,287**

Replacement options

On June 18, 2012, the Company entered into a replacement option agreement with certain directors, officers and employees whereby the holders of specific options and performance warrants exchanged their rights to these options and performance warrants for replacement options. The economic value of the rights exchanged equaled the economic value of the replacement options granted on the date of the exchange. The replacement options expire on June 18, 2014 and for each replacement option exercised the holder will receive one common share.

	Number (thousands)		**Weighted Average Exercise Price**
Outstanding, March 31, 2013 and December 31, 2012	**2,438**	**$**	**0.05**
Exercisable, March 31, 2013	**954**	**$**	**0.05**

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, 2012	1,977	$	27.76
Granted	18		28.50
Exercised	(12)		20.00
Forfeited	(37)		26.61
Outstanding, March 31, 2013	**1,946**	**$**	**27.83**
Exercisable, March 31, 2013	**998**	**$**	**25.96**

For the period ended March 31, 2013, compensation cost of $1.4 million ($0.8 million in 2012) has been recognized for options that have been granted of which $0.6 million ($0.4 million in 2012) was capitalized.

7. Share Capital (continued)

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, 2012	796	$	0.01
Granted	12		0.01
Forfeited	(23)		0.01
Outstanding, March 31, 2013	**785**	**$**	**0.01**
Exercisable, March 31, 2013	**300**	**$**	**0.01**

For the three month period ended March 31, 2013, compensation cost of $0.8 million ($1.7 million in 2012) has been recognized for PSUs that have been granted of which $0.4 million ($0.7 million in 2012) was capitalized.

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, 2012	145	$	31.20
Granted	29		28.50
Forfeited	(8)		31.07
Outstanding, March 31, 2013	**166**	**$**	**30.73**
Exercisable, March 31, 2013	**56**	**$**	**33.35**

All SARs were granted to employees directly involved in field activities. For the three month period ended March 31, 2013, compensation cost of $0.2 million ($0.1 million in 2012) has been recognized for SARs that have been granted. At March 31, 2013, the Company had recorded an accrued liability of $0.8 million ($0.6 million at December 31, 2012) for outstanding SARs. At March 31, 2013, the Company had an obligation of nil (nil at December 31, 2012) for SARs that had vested.

8. Loss and Comprehensive Loss per Share

Basic loss and comprehensive loss per share

The calculation of basic loss and comprehensive loss per share at March 31, 2013 was based on the loss and comprehensive loss attributable to common shareholders of $10.3 million ($6.3 million in 2012) and the weighted-average number of common shares outstanding during the period, calculated as follows:

(thousands)	**2013**	2012
Issued common shares at beginning of period	**67,103**	64,211
Effect of common shares issued	**-**	349
Effect of stock options exercised	**2**	1
Effect of performance share units exercised	**-**	1
Weighted average common shares outstanding (basic)	**67,105**	64,562

Diluted loss and comprehensive loss per share

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

The basic and diluted loss and comprehensive loss per share was $0.15 for the three month period ended March 31, 2013, compared to a basic and diluted loss per share of $0.10 for the three month period ended March 31, 2012.

9. Other Income

Other income is comprised of third-party camp and road usage for the three month period ended March 31, 2013 and the three month period ended March 31, 2012.

10. Comparative Information

Certain comparative information has been reclassified to conform with the current presentation.

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Corporate Information

Senior Management

Glen C. Schmidt
President and CEO

James R. Hand
Senior Vice President Operations and COO

C. Dean Setoguchi
Senior Vice President and CFO

Derek A. Keller
Vice President Production

Karen E. Lillejord
Vice President Finance and Controller

David Safari
Vice President Facilities

Marla A. Van Gelder
Vice President Corporate Development

Directors

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

Ian D. Bruce [2, 4]
Independent Investor

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

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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