LARICINA
ENERGY LTD.

2017 Third Quarter Interim Report

Contents

Forward-Looking Statements

This interim report contains certain "forward-looking statements" under applicable securities laws and includes such statements about Laricina Energy Ltd.'s plans that are based on assumptions and that involve risk and uncertainties. Actual results may differ materially. Refer to page 13 for additional information on forward-looking statements.

Management's Discussion and Analysis

This Management's Discussion and Analysis (**MD&A**) of the financial results of Laricina Energy Ltd. (**Laricina** or the **Company**) for the three-month and nine-month periods ended September 30, 2017 was approved by the Company's Board of Directors on November 21, 2017. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes as at and for the three months and nine months ended September 30, 2017 and September 30, 2016 (the **interim financial statements**), and the audited consolidated financial statements as at and for the year ended December 31, 2016 (the **annual financial statements**) and MD&A contained in the Company's annual report for 2016. The financial information contained in this MD&A is derived from the interim financial statements prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board and is presented in thousands of Canadian dollars, except where otherwise indicated.

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

Business Overview

Laricina is a private, Calgary-based responsible energy company founded in 2005 with the goal to create value by developing Canada's *in situ* hydrocarbon resources using innovative technologies. The Company has a diverse portfolio of oil sands assets at varied stages of development. Two core development areas have been identified, Germain and Saleski. The Company has an undivided interest in Germain and all other oil sands assets with the exception of Saleski for which the Company's working interest is 60.0 percent.

In the first quarter of 2015, the Company deferred further development of Saleski Phase 1 and suspended operations at the Germain commercial demonstration project (**CDP**). In the third quarter of 2015, Laricina also suspended operations at the Saleski pilot. These events are further described in the Significant Events for the Year Ended December 31, 2015 section of the MD&A contained in the Company's annual report for 2015.

The Company's current focus is on preserving the integrity and value of its assets and on exploring alternatives to potentially resume development of its oil sands properties when favorable market conditions return.

Significant Events for the Three and Nine Months Ended September 30, 2017

Effective March 20, 2017, the indenture dated March 20, 2014, as supplemented by the first supplemental indenture dated as of November 30, 2015, governing the $150.0 million of 11.5 percent senior secured notes (**Continuing Notes**) issued thereunder, and the payment-in-kind notes (**PIK Notes**) (collectively, the **Notes**) also issued under that indenture in lieu of cash payments of interest and reimbursable costs of the lender was further amended by the second supplemental indenture (collectively, the **Indenture**). The maturity date of the Notes was extended by three years to March 20, 2021 and the annual rate of interest was decreased from 13.5 percent to 12.5 percent.

Following the Company's recapitalization on November 30, 2015 pursuant to the settlement agreement dated July 20, 2015 between the Company and its sole lender (the **Noteholder**) and the completion of the settlement transaction (the **Settlement Transaction**) as described therein, the Settlement Transaction led to a change of control under the provisions of certain of the executive employment agreements. The executive officers so affected had the right to terminate their employment at any time prior to a specified date and receive the entitlements set out in their respective employment agreement. Those rights were exercised on March 30, 2017 and, as a consequence, key executives stepped down from their respective positions and left the Company effective April 30, 2017.

Effective May 31, 2017, Laricina's joint operations partner in the Chip Lake access road disposed of their interest to the largest user of the road. Consequently, third-party road use revenue will be materially lower in future periods.

On August 15, 2017, the Company completed the sale to a third party of one of two Once Through Steam Generator (**OTSG**) units originally designed and fabricated for the Saleski Phase 1 project. Net proceeds on disposal of $3.2 million were equivalent to net book value and consequently, there was no gain or loss on the transaction.

Summary Quarterly Financial Information

For the	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Total assets	**662,931**	473,858	**662,931**	473,858
Working capital	**27,017**	25,961	**27,017**	25,961
Cash capital recovery(1)	**(3,341)**	(292)	**(3,473)**	(809)
Finance and other income	**466**	1,921	**11,087**	6,612
Net loss and comprehensive loss	**3,354**	7,410	**8,159**	25,505
Loss per share – Basic and diluted	**0.01**	0.01	**0.01**	0.04

(1) Includes cash expenditures on exploration and evaluation assets, property, plant and equipment, capitalized general and administrative expenses, and any reversals or offsets thereto.

Total assets

Total assets at September 30, 2017 were higher than total assets at September 30, 2016 by $189.1 million primarily as a result of the $203.9 million reversal of impairment losses associated with exploration and evaluation (**E&E**) assets recorded at the end of 2016. Also contributing to the increase was a higher trade and other receivables balance largely due to the partial reimbursement recorded in the third quarter of 2017 of contract cancellation costs incurred in the second quarter of 2016. These costs related to the cancellation of a point-of-delivery power substation and transmission line project (the **Saleski Transmission Project**) by the Alberta Electric System Operator. The increases were partially offset by cash expended to fund the Company's operations since September 30, 2016, and changes in the site restoration provision and depreciation recognized since September 30, 2016.

Working capital

Working capital as at September 30, 2017 was higher than working capital as at September 30, 2016 primarily due to the proceeds from disposition of the OTSG unit in the third quarter of 2017 and, as described in the Total assets section immediately above, higher trade and other receivables.

This was partially offset by a higher trade and other payables balance at September 30, 2017 compared to the corresponding balance at September 30, 2016 due to accrued performance and retention bonus programs implemented in May 2017 and an increase in payments owing to the joint operations partner of the Saleski Transmission Project as a result of recording a partial reimbursement of the contract cancellation costs in the third quarter of 2017. These increases were partially offset by lower operating costs for the Chip Lake access road and comparatively lower accrued balances in relation to amounts incurred in 2016 for which the circumstances giving rise to these amounts did not recur in 2017.

Cash capital recovery

There were no cash capital expenditures in the nine months ended September 30, 2017 and September 30, 2016 as operations at the Saleski pilot and Germain CDP continue to be suspended.

Cash capital recoveries in the first nine months of each of 2017 and 2016 primarily relate to the disposition of assets and the cash refundable portion of the provincial Scientific Research and Experimental Development (**SR&ED**) tax credit claims. The more material asset disposition occurred in the third quarter of 2017 when the Company completed the sale of the OTSG unit for net proceeds of $3.2 million.

Additional details relating to cash capital expenditures and recoveries are described in the Capital Investment section of this MD&A.

Finance and other income

Finance income and other income fluctuate each period as a result of the average funds held on deposit and variable third-party use of the camps and the Chip Lake access road, respectively.

Other income for the three months ended September 30, 2017 decreased compared to the corresponding period in 2016 due to lower revenue from third party use of the Chip Lake access road following the acquisition, in the second quarter of 2017, of an interest in the road by the former largest third-party customer. Other income for the nine months ended September 30, 2017 increased compared to the corresponding period in 2016 due to higher third-party revenue from the camps.

Details of these changes are discussed in the Results of Operations and Summary Corporate Results section of this MD&A.

Net loss and comprehensive loss

The net loss and comprehensive loss for the three-month and nine-month periods ended September 30, 2017 were lower than the same period in 2016 due to higher operating costs and general and administrative expenses in 2016 for which there were no corresponding costs in 2017; the costs incurred in the second quarter of 2016 following the cancellation of the Saleski Transmission Project, partially offset by the reimbursement received in the third quarter of 2017; and lower accretion of the amortized cost of the Continuing Notes following the extension of the maturity date agreed to in March 2017. Also contributing to the comparatively lower net loss and comprehensive loss for the nine months ended September 30, 2017 was higher revenue from third-party camp use.

Further discussion of the net loss and comprehensive loss for each of these periods is described in the Summary Corporate Results section of this MD&A.

Results of Operations

	Three months ended September 30		Nine months ended September 30	
For the	**2017**	2016	**2017**	2016
Other income	**372**	1,855	**10,852**	6,284
Operating expenses	**857**	3,079	**7,269**	7,799

Other income

Laricina previously derived bitumen blend sales revenue from production at the Germain CDP and Saleski pilot. Both operations were suspended in 2015 and consequently, there has been no bitumen blend sales revenue subsequent.

Other income consists of fees charged to third parties for the use of Laricina's camp facilities and road. For the three-month period ended September 30, 2017 compared to the same period in 2016, other income was lower by $1.5 million due to a reduction in third-party use of the road as Laricina's joint operations partner in the Chip Lake access road disposed of their interest to the largest user of the road effective May 31, 2017. Other income was higher by $4.6 million for the nine-month period ended September 30, 2017 compared to the corresponding period in 2016 principally due to increased third-party use of the camps. Refer to note 10 to the interim financial statements for a detailed composition of other income.

Operating expenses

Operating expenses consist of the costs associated with the use of Laricina's camps by third parties, maintenance of the Chip Lake access road and costs related to securing and maintaining the integrity of the assets at the Germain CDP and Saleski pilot while operations remain suspended.

For the three months ended September 30, 2017 compared to the corresponding period in 2016, operating expenses decreased by $2.2 million. This reduction was largely due to lower operating costs after May 2017 following the Chip Lake access road joint interest ownership change and to a non-recurring $0.9 million payment to a third-party provider in 2016, to defer by two years, an increase of the power load at the Germain CDP. These reductions were partially offset by a $0.2 million operating cost recovery from the refundable portion of the 2015 Alberta SR&ED tax credit claim recognized in September 2017.

The nine-month comparative decrease of $0.5 million was a result of the foregoing and a deferred camp lease payment of $1.5 million recorded in the first quarter of 2016 for which there was no corresponding charge in 2017. These decreases were partially offset by higher operating costs due to increased utilization of the camps by third parties during the first five months of 2017.

Summary Corporate Results

For the	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
General and administrative expenses	**782**	2,019	**3,660**	9,299
Contract cancellation costs (recovery)	**(711)**	-	**(711)**	2,689
Depreciation and amortization	**1,114**	1,685	**3,441**	3,745
Finance income	**94**	66	**235**	328
Finance expense	**1,778**	2,490	**5,587**	8,292
Reorganization expense	**-**	-	**-**	163
Net loss and comprehensive loss	**3,354**	7,410	**8,159**	25,505

General and administrative expenses

For the three-month and nine-month periods ended September 30, 2017, general and administrative expenses consist of essential services only and reflect a change from 16 employees in the first quarter to 9 employees in the second and third quarters and a small complement of consultants to steward and operate the business. Comparatively, there were 16 employees in each of the corresponding periods of 2016.

For the	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
General and administrative expenses before share-based compensation costs	**782**	2,019	**3,660**	7,154
Share-based compensation costs	**-**	-	**-**	2,145
General and administrative expenses	**782**	2,019	**3,660**	9,299

General and administrative expenses decreased by $1.2 million in the three months ended September 30, 2017 compared to the same period in 2016 due to a non-recurring settlement cost of an outstanding disputed claim in 2016, lower legal and other professional consulting costs, office rent and salaries and benefits reflecting a smaller employee base. This decrease was partially offset by the accrued costs of performance and retention bonus programs implemented in May 2017.

For the nine months ended September 30, 2017, general and administrative expenses were $5.6 million lower compared to the same period in 2016 due to the foregoing, a $1.2 million provision for a change of estimate recorded in the first quarter of 2016 for which there is no corresponding amount in 2017 and higher insurance expense incurred in 2016.

Laricina's share-based compensation consists of costs associated with stock options and performance share units (**PSU**s) granted to directors, officers, employees of, and providers of services to the Company. The Company applies the fair value method for stock options and PSUs based on the estimated fair value of the stock options or PSUs on the grant date using the Black-Scholes pricing model. Share-based compensation costs are recognized over the vesting period of the award. The recapitalization of the Company on November 30, 2015 in combination with the reconstitution of the board of directors on February 5, 2016 was deemed a change of control under the provisions of the stock option plan and the performance share unit plan. As a result of both of these events, accelerated vesting of all unvested stock options and PSUs occurred on February 5, 2016 and all stock options and PSUs are exercisable. Consequently, share-based compensation costs were fully expensed in first quarter 2016 and no additional expense will be recognized until new stock options and PSUs are granted.

Contract cancellation costs (recovery)

In the second quarter of 2016, the Alberta Electric System Operator denied ATCO Electric Ltd. (**ATCO Electric**), as transmission facilities owner and on behalf of Laricina as operator of the Saleski Phase 1 project, the request to extend the power permit and license approval in-service date beyond July 1, 2016 which was originally granted in April 2013 for the Saleski Transmission Project, thereby cancelling the Saleski Transmission Project. Due to the denial, Laricina and its joint operations partner were contractually obligated to reimburse $4.5 million for costs ATCO Electric incurred in respect of the Saleski Transmission Project. As a result, the Company recognized its portion of the costs, $2.7 million, consisting of regulatory, design engineering, material and labour charges that had been accumulated by ATCO Electric since initiating the Saleski Transmission Project in 2011.

In the interim, ATCO Electric has sought to return materials from the Saleski Transmission Project and/or transfer them to other projects. During the third quarter of 2017, ATCO Electric indicated that they will reimburse $0.7 million to Laricina, representing the Company's share of amounts recovered less any applicable charges.

Depreciation and amortization

Depreciation and amortization in 2017 and 2016 consists of the continuing depreciation associated with certain E&E assets and property, plant and equipment (**PP&E**) and amortization of certain intangible assets. In the third quarter of 2016, the Company revised the accumulated depreciation balance for PP&E assets by $0.6 million prospectively to recognize the net effect of depreciation calculation errors occurring in prior periods, the impact of which was not material to the financial statements of those prior periods. As a result, depreciation expense for the three and nine months ended September 30, 2017 was lower than such expense in the corresponding periods of 2016.

Finance income

Finance income in both 2017 and 2016 primarily consisted of interest earned on cash, restricted cash and short-term investments. Finance income for the three-month period ended September 30, 2017 was greater than the corresponding period in 2016 due to a higher interest rate realized in 2017. For the nine months ended September 30, 2017, finance income was lower than the comparative period in 2016 due to lower average cash balances held on deposit throughout the respective periods.

Finance expense

Finance expense for the three-month and nine-month periods ended September 30, 2017 and September 30, 2016 consists of interest on the Notes, accretion for the site restoration obligation, changes in fair value upon re-measurement of the liability on the 28.8 million warrants (**Consent Fee Warrants**) issued to the Noteholder in conjunction with the completion of the Settlement Transaction, and accretion associated with the amortized cost of the Continuing Notes. Refer to note 12 to the interim financial statements for a detailed composition of finance expense.

For the three and nine month periods ended September 30, 2017, finance expense was lower compared to the same periods in 2016 by $0.7 million and $2.7 million, respectively, primarily due to lower accretion associated with the amortized cost of the Continuing Notes, partially offset by higher interest expense on the Notes due to the issuance of PIK Notes in the interim. The changes in fair value upon re-measurement of the Consent Fee Warrants liability were $1.0 million lower for the nine-month period ended September 30, 2017 but $0.2 million higher for the three months ended September 30, 2017 relative to the comparative periods in 2016.

Reorganization expense

All expenses that have resulted from reorganization activities related to the *Companies' Creditors Arrangement Act* (Canada) (the **CCAA**) proceedings are reported separately from ongoing operations of the business as reorganization expense. Reorganization expense is comprised of legal, monitoring and professional advisory fees associated with the CCAA proceedings. The reorganization expense includes the Noteholder's costs pursuant to a requirement in the Indenture to reimburse reasonable costs of the Noteholder.

On February 1, 2016, the Company exited from the protection under the CCAA and, as a result, the costs stemming from the CCAA proceedings ceased.

Net loss and comprehensive loss

The net loss and comprehensive loss for the three-month period ended September 30, 2017 was $3.4 million compared to $7.4 million for the three months ended September 30, 2016. Net loss and comprehensive loss decreased by $4.0 million as a result of:

- lower operating expenses following the Chip Lake access road joint interest ownership change, a $0.2 million operating cost recovery from the refundable portion of the 2015 Alberta SR&ED tax credit claim recognized in September 2017 and a $0.9 million payment in the third quarter of 2016, to defer by two years, an increase in power load at the Germain CDP;
- lower general and administrative expenses stemming from decreases to legal and other professional consulting costs, office rent, and salaries and benefits, the latter decrease being partially offset by the accrued costs of performance and retention bonus programs implemented in May 2017;
- a reimbursement of contract cancellation costs recorded in the third quarter of 2017 related to the Saleski Transmission Project;
- lower depreciation and amortization following a non-recurring adjustment recorded in the third quarter of 2016; and
- lower finance expenses due to lower accretion associated with the amortized cost of the Continuing Notes, partially offset by the changes in fair value upon re-measurement of the warrants liability.

Partially offsetting all of these improvements in the third quarter of 2017 was lower revenue from third party use of the Chip Lake access road.

The net loss and comprehensive loss for the nine-month period ended September 30, 2017 was $8.2 million compared to $25.5 million for the nine months ended September 30, 2016. The lower net loss and comprehensive loss of $17.3 million was due to the foregoing, higher third party revenue from camp use and the impact of certain payments made in the first or second quarters of 2016 for which there are no corresponding costs in 2017: a $1.2 million change of estimate provision, a disputed claim settlement, contract cancellation costs of $2.7 million for the Saleski Transmission Project, deferred camp lease rental payments of $1.5 million and share-based compensation expense of $2.1 million following the accelerated vesting of stock options and PSUs.

Capital Investment

Capital investment includes costs related to E&E assets, PP&E, capitalized general and administrative expenses, non-cash expenditures, and any reversals or offsets thereto.

For the	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Cash capital recovery on E&E assets	**(3,336)**	(186)	**(3,466)**	(703)
Cash capital recovery on PP&E assets	**(5)**	(106)	**(7)**	(106)
Total cash capital recovery	**(3,341)**	(292)	**(3,473)**	(809)
Non-cash capital expenditures and provisions[1]	**(4,985)**	467	**(2,562)**	3,722
Total capital expenditures (recovery)	**(8,326)**	175	**(6,035)**	2,913

(1) Non-cash expenditures and provisions include non-cash capitalized general and administrative costs, non-cash gains or losses on disposal of assets, non-cash transfers of capitalized inventory to operations, and changes in provisions for site restoration.

Cash capital recovery

The Company deferred further development of Saleski Phase 1 and suspended operations at the Germain CDP in the first quarter of 2015. In an ongoing effort to conserve cash and preserve the value of the assets, the Company then suspended operations at the Saleski pilot in September 2015. Consequently, there have been no capital expenditures in either of 2016 or in the first nine months of 2017.

During the three months ended September 30, 2017, the Company disposed of an OTSG unit for net proceeds of $3.2 million and concluded nominal sales of office furniture. Also in the third quarter of 2017, the Canada Revenue Agency (the **CRA**) approved the 2015 SR&ED tax credit claim resulting in $0.2 million of the $0.4 million refundable portion of the related Alberta tax credit to be recorded as a cash capital recovery, thereby reducing E&E assets accordingly.

For the nine months ended September 30, 2017, cash capital recoveries were comprised of the foregoing and $0.1 million of the $0.4 million refundable portion of the Alberta tax credit pertaining to the 2014 SR&ED tax credit claim approved by the CRA in the second quarter of 2017. The Company received the cash refund inclusive of interest for both tax credit claims from the Government of Alberta on November 3, 2017.

The cash capital recovery for the three months ended September 30, 2016 included the $0.2 million cash recovery related to the Enhanced Solvent Extraction Incorporating Electromagnetic heating project and $0.1 million in proceeds for vehicles disposed in the period.

For the nine months ended September 30, 2016, the cash capital recovery consisted of the preceding and the Company's recognition of the refundable portion of the Alberta tax credits for the 2012 and 2013 SR&ED tax credit claims. Of the $0.8 million refundable portion, $0.4 million was applicable to capitalized amounts. The remaining balance of the cash recovery was for a nominal sale of a non-essential spare part and joint venture audit adjustments to prior year capital amounts.

Non-cash capital expenditures and provisions

Non-cash capital expenditures and provisions for the three months and nine months ended September 30, 2017 and September 30, 2016 is comprised largely of the change in discount rate associated with the provision for future site restoration.

Intangible Assets

Intangible assets consist of payments made to a third party to expand the availability of power for the Company's future development projects at Germain. There have been no capital expenditures of an intangible nature in either of 2016 or the first nine months of 2017.

Selected Quarterly Information

(thousands of dollars, except per share amounts)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Working capital	**27,017**	24,142	24,278	22,659	25,961	30,386	41,091	43,798
Cash capital expenditures (recovery)	**(3,341)**	(132)	-	(158)	(292)	(62)	(455)	818
Finance and other income	**466**	3,276	7,345	1,655	1,921	982	3,708	2,646
Net income (loss) and comprehensive income (loss)	**(3,354)**	(3,107)	(1,698)	193,554	(7,410)	(8,754)	(9,342)	(198,203)
Earnings (loss) per share – Basic and diluted	**$ (0.01)**	$ (0.01)	$ -	$ 0.34	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.82)

Working capital

Positive working capital beginning in the fourth quarter of 2015 is primarily a result of the reclassification of the Continuing Notes and PIK Notes from current liabilities to non-current liabilities following the Noteholder's waiver of all defaults and events of default. The cash balance is decreasing over time in order to fund the Company's operations, thereby reducing the overall positive working capital. In the second and third quarters of 2016, a portion of the Continuing Notes and PIK Notes were reclassified from non-current liabilities to current liabilities as payment is due at the Noteholder's discretion. A slight rise in working capital during the first quarter of 2017 was a result of increased utilization of the camp facilities by third parties. The increase in working capital in the third quarter of 2017 is due primarily to the OTSG disposition proceeds and the partial reimbursement of Saleski Transmission Project contract cancellation costs.

Cash capital expenditures (recovery)

Cash capital expenditures since 2015 have been minimal as the Company suspended operations at both facilities and deferred further advancement of Saleski Phase 1.

In the first quarter of 2016, the Company recorded a recovery related to the refundable portion of the 2012 and 2013 Alberta SR&ED tax credit claims. The recovery in the third quarter of 2016 was related to the Enhanced Solvent Extraction Incorporating Electromagnetic Heating project and the disposition of excess vehicles, furniture and equipment. A recovery of $0.2 million was recorded in the fourth quarter of 2016 as a result of a refund following an amendment to an equipment purchase contract pertaining to the Saleski Phase 1 project.

During the second quarter of 2017, the CRA approved the 2014 SR&ED tax credit claim. As a result, $0.1 million of the $0.4 million refundable portion of the related Alberta tax credit claim was recorded as a cash capital recovery, reducing E&E assets accordingly.

During the third quarter of 2017, the CRA approved the 2015 SR&ED tax credit claim. As a result, $0.2 million of the $0.4 million refundable portion of the related Alberta tax credit claim was recorded as a cash capital recovery, reducing E&E assets accordingly. In addition, the Company completed the sale of an OTSG unit to a third party for net proceeds of $3.2 million.

Capital investment activities were previously described in the Capital Investment section of this MD&A.

Finance and other income

Finance income is decreasing because of the lower average funds held on deposit. The small increase in finance income in the second quarter of 2016 was the result of interest on overdue receivables.

Fluctuations in other income reflect the variation in third-party usage of the Company's camps and road and its impact on the fees charged.

Net income (loss) and comprehensive income (loss)

The net loss and comprehensive loss for the three and nine months ended September 30, 2017 and 2016 are described in the Summary Corporate Results section of this MD&A. A $203.9 million reversal of impairment losses in the fourth quarter of 2016 was the primary contributor to the net income and comprehensive income result. Higher net loss and comprehensive loss in the last quarter of 2015 was principally the result of an impairment loss recorded in that quarter.

Liquidity and Capital Resources

As at September 30, 2017, Laricina had capital resources of $27.0 million.

Cash and restricted cash	33,416
Non-cash working capital	(6,399)
Capital resources available	**27,017**

The interim financial statements are prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

For the three-month and nine-month periods ended September 30, 2017, the going concern assessment considered the Company’s financial capacity and liquidity constraints as they relate to funding operations and meeting the Company’s obligations in the upcoming year without an additional capital injection. Based on the current cash position of $33.4 million and the Company’s ability to issue PIK Notes in lieu of cash payments of interest and reimbursable costs of the Noteholder, Laricina expects to be able to settle its current liabilities and commitments for the next twelve months. On this basis, the Company concluded that a going concern basis of presentation is appropriate.

Notwithstanding this conclusion, management has determined a material uncertainty exists based on events and conditions beyond twelve months' time that may cast significant doubt upon the Company's ability to continue as a going concern. Persistent low commodity prices have created and will continue to impose constraints on raising capital to fund future operating and investing activities. It is uncertain when commodity prices will recover, when operations will resume at the Saleski pilot and Germain CDP and whether these facilities, once operational, will generate sufficient bitumen blend sales revenue to fully recover their operating costs. Laricina is continuing under a scaled-back business plan while identifying and pursuing strategic opportunities to enhance its financial position and advance the Company's activities. However, there is no assurance that the Company will be able to achieve a suitable outcome to fund longer-term working capital deficiencies and repay the debt obligations maturing in March 2021. Given these uncertainties and future outlays, a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern exists.

Cash and restricted cash

The Company's cash is held in a business operating account with a major Canadian bank bearing interest up to the bank's prime rate minus a certain percentage that varies with the average account balance in the month and for which the resultant interest rates ranged from 0.7 percent to 1.1 percent during the first nine months of 2017. In addition, the Company held excess cash in a high-interest savings account and guaranteed investment certificates with interest rates ranging from 0.5 percent to 1.3 percent over the nine-month period ended September 30, 2017. The restricted cash secures the Company's demand credit facility with a major Canadian commercial bank and bears interest at the bank's prime rate minus 1.9 percent.

Continuing Notes and PIK Notes

The principal amount of the Continuing Notes outstanding at September 30, 2017 is $33.5 million. The Continuing Notes are carried at their amortized cost of $28.9 million on the condensed consolidated statements of financial position as at September 30, 2017. The difference between the Continuing Notes' amortized cost and principal balance will be recorded as a finance expense over the period until the maturity of the Continuing Notes.

PIK Notes may be issued in lieu of cash payment of interest and reimbursable costs of the Noteholder. The principal amount of the PIK Notes outstanding at September 30, 2017 is $9.0 million of which $7.5 million of the PIK Notes are payable at the Noteholders' discretion and has been classified to current liabilities on the condensed consolidated statements of financial position as at September 30, 2017.

Effective March 20, 2017, certain terms of the Indenture were amended such that the maturity date of the Continuing Notes and PIK Notes was extended by three years to March 20, 2021 and the annual interest rate of 13.5 percent was reduced to 12.5 percent prospectively.

Credit facility

Laricina has a demand credit facility of $10.0 million secured by an equivalent cash deposit with a major Canadian bank. The credit facility is intended for general corporate purposes, including the exploration, development and acquisition of oil sands properties. All defaults and events of default that occurred on or before November 30, 2015 relative to this demand credit facility have been waived and no events of default have occurred subsequent.

As of the date of this MD&A, the Company had letters of credit issued totalling $8.1 million under this credit facility. The letters of credit are issued to the Alberta Energy Regulator to secure the Company's licensee liability rating requirements as operator and to suppliers of utilities to support the development and reactivation of Saleski and Germain. The letters of credit of $0.3 million, $3.0 million, $4.7 million, $0.1 million, and a nominal amount are expected to be renewed on December 5, 2017, July 28, 2018, August 18, 2018, August 31, 2018, and August 31, 2018, respectively.

Effective June 7, 2017, the Company was issued a corporate credit card for which the credit limit of $0.1 million is also secured by this credit facility. No amounts have been drawn.

Contractual obligations

At November 21, 2017, the Company has the following cash-settled contractual obligations:

	2017	2018	2019	2020	2021	Thereafter	Total
Repayment of Continuing Notes(1)	-	-	-	-	33,493	-	33,493
Repayment of PIK Notes(1)(2)	7,492	-	-	-	1,458	-	8,950
Interest payments on Notes(1)(2)	637	5,796	6,555	7,414	1,730	-	22,132
Operating leases	40	59	1	-	-	-	100
Other contractual obligations	83	899	1,001	1,848	1,574	17,076	22,481
Total contractual obligations	**8,252**	**6,754**	**7,557**	**9,262**	**38,255**	**17,076**	**87,156**

(1) If the principal balances of the Continuing Notes and the PIK Notes change before the maturity date or the timing of the notes repayment is altered, the interest payable will be affected.

(2) At the Company's option, the interest on the Continuing Notes and the PIK Notes and the reimbursement of the reasonable expenses of the Noteholder may be paid in cash or by way of further PIK Notes.

Other contractual obligations include electricity purchases, natural gas purchases, employee retention programs, and other obligations.

2017 Outlook

A small complement of employees and third-party consultants continue to focus on activities directed towards the preservation of the long-term value and optionality of the assets, positioning the Company as a going concern, increasing the probability of attracting capital investment from third parties and the provision of sufficient liquidity to await more favorable market conditions in which to advance the development of the assets and meet future obligations. The Company's base business plan is designed to build financial capacity and maintain cost discipline while sustaining the Company's efforts to evaluate and pursue strategic alternatives for what may be an extended period of time. Laricina has taken a number of steps to increase financial stability, including organizational restructuring, an extension of the Notes' maturity date and a reduction of the associated annual interest rate, disposition of selected non-core assets and increased revenue generation from third party use of the camps. On this basis, the Company is continuing to explore the options available to leverage the Company's assets and capitalize on emerging opportunities.

Outstanding Share Data

At November 21, 2017, share capital consisted of the following:

(thousands)	
Common shares	576,330
Stock options	461
Performance share units	50
Consent Fee Warrants	28,804
Total	**605,645**

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

Non-IFRS Financial Measures

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

Critical Accounting Estimates and Judgments and Policies

The Company's interim financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements. A discussion of the Company's significant accounting policies and of the nature and basis of judgements, critical accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses are described in notes 2 and 3 of the Company's annual financial statements. The Company has applied these same judgments, accounting estimates, assumptions and policies consistently throughout all periods presented.

Risk Management

The current risk factors influencing the Company remain substantially unchanged from those detailed in the Risk Management section of the MD&A included in the Company's annual report for 2016.

Advisory on Forward-Looking Statements

This MD&A and interim report contain certain forward-looking statements relating to, without limitation, the Company's business and its intentions, plans, expectations, anticipated financial performance or condition including statements relating to the Company's outlook for 2017 and its expectations on its ability to discharge liabilities and continue as a going concern in the Liquidity and Capital Resources section of this MD&A. Forward-looking statements may include, but are not limited to, statements relating to the review of the Company's business plans, the preservation and future development of the Company's assets; opportunities and alternatives for additional capital and repayment of indebtedness and other obligations; 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 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 including those specific factors outlined in the Liquidity and Capital Resources section of this MD&A relating to the Company's ability to continue as a going concern. Although the Company's management believes that the expectations represented by such forward-looking statements are reasonable as of November 21, 2017, 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 interim report include those outlined in the Risk Management section of the MD&A included in the Company's annual report for 2016 and contained in other disclosure documents or otherwise provided by the Company. The actual results, performance or achievements of the Company could differ materially from those expressed in or implied by forward-looking statements in this MD&A and interim report, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefit Laricina will derive. Unless required by law, the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements in this MD&A and interim report are expressly qualified by this advisory and disclaimer.

Condensed Consolidated Statements of Financial Position

Unaudited

As at *(thousands of Canadian dollars)*	Note	**September 30 2017**	December 31 2016
Assets			
Current assets			
Cash		**23,416**	22,418
Restricted cash	8	**10,000**	10,000
Short-term investments		**-**	50
Trade and other receivables		**5,091**	3,679
Prepaid expenses and deposits		**441**	517
		38,948	36,664
Non-current assets			
Exploration and evaluation assets	3	**549,965**	555,504
Property, plant and equipment	4	**64,636**	67,561
Intangible assets	5	**9,382**	9,851
		623,983	632,916
Total assets		**662,931**	669,580
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**4,439**	6,513
Current portion of continuing notes and payment-in-kind notes	7	**7,492**	7,492
		11,931	14,005
Non-current liabilities			
Continuing notes and payment-in-kind notes	7	**30,373**	24,679
Consent fee warrants	9	**4,119**	5,012
Site restoration provision	6	**44,774**	45,991
Total liabilities		**91,197**	89,687
Shareholders' equity			
Share capital	9	**1,415,808**	1,415,823
Contributed surplus		**170,842**	170,827
Deficit		**(1,014,916)**	(1,006,757)
Total shareholders' equity		**571,734**	579,893
Total liabilities and shareholders' equity		**662,931**	669,580

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

Contractual obligations (note 16)

Condensed Consolidated Statements of Net Loss and Comprehensive Loss

Unaudited

For the *(thousands of Canadian dollars)*	Note	**Three months ended September 30** **2017**	2016	**Nine months ended September 30** **2017**	2016
Revenue					
Other income	10	**372**	1,855	**10,852**	6,284
		372	1,855	**10,852**	6,284
Expenses					
Operating		**857**	3,079	**7,269**	7,799
Pre-exploration		**-**	58	**-**	130
General and administrative		**782**	2,019	**3,660**	9,299
Contract cancellation costs (recovery)	11	**(711)**	-	**(711)**	2,689
Depreciation and amortization	3,4,5	**1,114**	1,685	**3,441**	3,745
		2,042	6,841	**13,659**	23,662
Net loss from operating activities		**(1,670)**	(4,986)	**(2,807)**	(17,378)
Finance income		**94**	66	**235**	328
Finance expense	12	**(1,778)**	(2,490)	**(5,587)**	(8,292)
Net finance expense		**(1,684)**	(2,424)	**(5,352)**	(7,964)
Reorganization expense		**-**	-	**-**	(163)
Net loss and comprehensive loss		**(3,354)**	(7,410)	**(8,159)**	(25,505)
Loss per common share	13				
Basic and diluted		**$ 0.01**	$ 0.01	**$ 0.01**	$ 0.04

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

Condensed Consolidated Statements of Changes in Equity

Unaudited

(thousands of Canadian dollars)	Note	**Share capital**	**Contributed surplus**	**Deficit**	**Total equity**
Balance as at December 31, 2015		1,411,835	172,666	(1,174,805)	409,696
Net loss and comprehensive loss		-	-	(25,505)	(25,505)
Share-based net recoveries		-	2,146	-	2,146
Performance share units exercised		3,988	(3,985)	-	3
Balance as at September 30, 2016		1,415,823	170,827	(1,200,310)	386,340
Net income and comprehensive income		-	-	193,553	193,553
Balance as at December 31, 2016		1,415,823	170,827	(1,006,757)	579,893
Net loss and comprehensive loss		-	-	(8,159)	(8,159)
Cancellation of treasury shares	9	(15)	15	-	-
Balance as at September 30, 2017		**1,415,808**	**170,842**	**(1,014,916)**	**571,734**

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

Condensed Consolidated Statements of Cash Flows

Unaudited

For the nine months ended September 30 *(thousands of Canadian dollars)*	Note	**2017**	2016
Cash flows from (used in) operating activities			
Net loss and comprehensive loss		**(8,159)**	(25,505)
Adjustments for:			
Depreciation and amortization	3,4,5	**3,441**	3,745
Non-cash finance expense		**5,607**	8,330
Transfer of capitalized inventory to operations	3	**2**	-
Gain on disposal of property, plant and equipment	10	**(6)**	(106)
Equity-settled share-based payments		**-**	2,146
Loss on disposal of exploration and evaluation assets	10	**-**	15
Non-cash reimbursable costs to the Noteholder		**-**	216
		885	(11,159)
Net change in non-cash operating working capital	15	**(3,570)**	68
Net cash used in operating activities		**(2,685)**	(11,091)
Cash flows from (used in) investing activities			
Exploration and evaluation assets			
Recoveries	3	**286**	629
Proceeds from disposal	3	**3,180**	75
Expenditures	3	**-**	(1)
Proceeds from disposal of property, plant and equipment		**6**	106
Change in short-term investments		**50**	-
Net change in non-cash investing working capital	15	**161**	2,447
Net cash from investing activities		**3,683**	3,256
Cash flows from (used in) financing activities			
Proceeds from the issuance of common shares		**-**	3
Net change in non-cash financing working capital	15	**-**	(16)
Net cash used in financing activities		**-**	(13)
Net increase (decrease) in cash		**998**	(7,848)
Cash, beginning of period		**22,418**	29,631
Cash, end of period		**23,416**	21,783

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

1. Corporate Information

Laricina Energy Ltd. (**Laricina** or the **Company**) was incorporated on November 11, 2005 under the *Business Corporations Act* (Alberta). Laricina is a private, Calgary-based responsible energy company with the goal to create value by developing Canada's *in situ* hydrocarbon resources using innovative technologies. The Company has a diverse portfolio of oil sands assets at varied stages of development. Two core development areas have been identified, Germain and Saleski. The Company has an undivided interest in Germain and all other of its oil sands assets except for Saleski where the Company's working interest is 60.0 percent.

The Company deferred the further development of Saleski Phase 1 and suspended operations at the Germain commercial demonstration project (**CDP**) in the first quarter of 2015 in an effort to preserve financial capacity and protect the long-term value of its assets. Similarly, and in view of continuing economic uncertainties, Laricina suspended operations at the Saleski pilot in September 2015.

Following the Company's recapitalization on November 30, 2015 pursuant to the settlement agreement dated July 20, 2015 between the Company and its sole lender (the **Noteholder**) and the completion of the settlement transaction (the **Settlement Transaction**) as described therein, the Settlement Transaction led to a change of control under the provisions of certain of the executive employment agreements. The executive officers so affected had the right to terminate their employment at any time prior to a specified date and receive the entitlements set out in their respective employment agreement. Those rights were exercised on March 30, 2017 and, as a consequence, key executives stepped down from their respective positions and left the Company effective April 30, 2017.

The Company's current focus is on preserving the integrity and value of its assets and on exploring alternatives to potentially resume development of its oil sands properties when favorable market conditions return.

2. Basis of Preparation

Statement of compliance

These condensed consolidated interim financial statements of the Company and its wholly owned subsidiaries, Laricina GP Holding Ltd. and 1276158 Alberta Inc., as at September 30, 2017 and for the three-month and nine-month periods ended September 30, 2017 and 2016 (the **interim financial statements**) have been prepared by management in accordance with International Accounting Standard (**IAS**) 34 *Interim Financial Reporting* and the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

These interim financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2016 (the **annual financial statements**) which were prepared in accordance with IFRS and are included in the Company's annual report for 2016.

2. Basis of Preparation (continued)

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

These interim financial statements were approved for release to shareholders by the board of directors on November 21, 2017.

Significant accounting policies

The accounting policies applied by the Company and its subsidiaries in these interim financial statements are the same as those applied by the Company and its subsidiaries in the annual financial statements.

New accounting standards and interpretations not yet adopted

Laricina is currently assessing the impact on the Company's consolidated financial statements of the adoption of the amendments to accounting standards as set out in note 3 of the annual financial statements. In relation to those amendments that become effective and will be adopted January 1, 2018:

- In July 2014, the IASB issued IFRS 9 *Financial Instruments* which is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value replacing multiple rules under IAS 39. For financial liabilities designated at fair value through profit or loss, a corporation can recognize the portion of the change in fair value related to the change in an entity's own credit risk through other comprehensive income rather than net earnings. The new standard also requires a single impairment method to be used replacing multiple impairment methods in IAS 39 and it incorporates new hedge accounting requirements. Laricina is continuing to assess and evaluate the impact of this standard on the consolidated financial statements.
- In April 2016, the IASB issued amendments to IFRS 15 *Revenue from Contracts with Customers*, clarifying certain aspects of the standard and providing some transition relief for modified and completed contracts. The Company is currently assessing and evaluating the underlying terms of its revenue contracts with customers. Adoption of IFRS 15 is not expected to have a material impact on the Company's consolidated financial statements but there will likely be additional note disclosure.
- In June 2016, the IASB issued amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions,* clarifying the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are expected to have no impact on the Company's consolidated financial statements and related disclosure.

There have been no additional amendments to accounting standards issued during the three and nine months ended September 30, 2017 that are applicable to the Company.

Basis of presentation

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

For the three months and nine months ended September 30, 2017, the going concern assessment considered the Company's financial capacity and liquidity constraints as they relate to funding operations and meeting the Company's obligations in the upcoming year without an additional capital injection. Based on the current cash and short-term investments position of $33.4 million and the Company's ability to issue payment-in-kind notes (**PIK Notes**) in lieu of cash payments of interest and reimbursable costs of the Noteholder, Laricina expects to be able to discharge its trade and other payables, remaining unpaid proven claims, contractual obligations and any current portion of debt outstanding for the next twelve months. On this basis, the Company concluded that a going concern basis of presentation is appropriate.

Notwithstanding this conclusion, management has determined a material uncertainty exists based on events and conditions beyond twelve months' time that may cast significant doubt upon the Company's ability to continue as a going concern. Persistent low commodity prices have created and will continue to impose constraints on raising capital to fund future operating and investing activities. It is uncertain when commodity prices will recover, when operations will resume at the Saleski pilot and Germain CDP and whether these facilities, once operational, will generate sufficient bitumen blend sales revenue to fully recover their operating costs. Laricina is continuing under a scaled-back business plan while identifying and pursuing strategic opportunities to enhance its financial position and advance the Company's activities. However, there is no assurance that the Company will be able to achieve a suitable outcome to fund longer-term working capital deficiencies and repay the debt obligations maturing in March 2021. As such, a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern exists.

Basis of measurement

The interim financial statements were prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities which are measured at fair value.

Financial instruments are initially recognized in the consolidated statement of financial position at fair value. Subsequent measurement of financial assets and liabilities, except those at fair value through profit or loss and available-for-sale, are measured at amortized cost determined using the effective interest rate method.

Cash and restricted cash are comprised of cash balances and high interest savings accounts that may be redeemed at the Company's option. Short-term investments are comprised of guaranteed investment certificates that are not redeemable at the Company's option. Trade and other receivables are classified as loans and receivables, while trade and other payables are classified as other financial liabilities. The Consent Fee Warrants (as defined in note 9) are classified as a financial liability at fair value through profit or loss.

The fair value of cash, restricted cash, short-term investments, trade and other receivables, and trade and other payables approximated their carrying value at September 30, 2017 and December 31, 2016 due to their short-term nature. The notes (the **Continuing Notes**) issued under the indenture dated March 20, 2014, as supplemented by the first supplemental indenture dated as of November 30, 2015 and the second supplemental indenture dated as of March 20, 2017 (collectively, the **Indenture**) are carried at amortized cost which is their approximate fair value. There have been no changes in the nine months of 2017 to the assumptions underlying this fair value. The Consent Fee Warrants are re-measured each period to determine the fair value and any changes to the carrying value are reflected in profit or loss. The Company has not designated any financial instruments as available-for-sale.

2. Basis of Preparation (continued)

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 relevant.

Level 1 fair value measurement
Level 1 fair value measurements are based on unadjusted quoted market prices in active markets that the Company can access at the measurement date.

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 inputs derived from management's estimate of fair value.

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 three and nine months ended September 30, 2017 and the year ended December 31, 2016.

Functional and presentation currency

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

Use of estimates and judgments

The nature and basis of judgements, critical accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in these interim financial statements are unchanged from those described in note 2 to the annual financial statements.

3. Exploration and Evaluation Assets

Exploration and evaluation assets (**E&E**) consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability. Additions represent the Company's share of the costs incurred for E&E assets during the year. There were no amounts transferred to property, plant and equipment during 2016 and the first nine months of 2017.

Cost	
Balance as at December 31, 2015	1,127,410
Additions	1
Transfer of inventory	(90)
Change in site restoration provision	(3,127)
Recoveries	(794)
Balance as at December 31, 2016	1,123,400
Change in site restoration provision (note 6)	(2,023)
Transfer of capitalized inventory to operations	(2)
Disposals	(3,722)
Recoveries	(286)
Balance as at September 30, 2017	**1,117,367**
Accumulated depreciation	
Balance as at December 31, 2015	(771,693)
Depreciation	(64)
Reversal of impairment	203,861
Balance as at December 31, 2016	(567,896)
Depreciation	(48)
Disposals	542
Balance as at September 30, 2017	**(567,402)**
Carrying amounts	
As at December 31, 2016	555,504
As at September 30, 2017	**549,965**

During the second quarter of 2017, the Canada Revenue Agency (**CRA**) approved the 2014 Scientific Research and Experimental Development (**SR&ED**) tax credit claim. As a result, $0.1 million of the $0.4 million refundable portion of the related Alberta tax credit was recognized as a cash capital recovery and reduced E&E assets accordingly. The CRA also approved the 2015 SR&ED tax credit claim during the third quarter of 2017. This resulted in $0.2 million of the $0.4 million refundable portion of the related Alberta tax credit being recognized as a cash capital recovery, thereby reducing E&E assets. The Company received the cash refund inclusive of interest for both tax credit claims from the Government of Alberta on November 3, 2017.

On August 15, 2017, the Company sold to a third party one of two Once Through Steam Generator units originally designed and fabricated for the Saleski Phase 1 project. Net proceeds on disposal of $3.2 million were equivalent to net book value and consequently there was no gain or loss on the disposition.

4. Property, Plant and Equipment

	Facilities and other equipment	Corporate assets	Total
Cost			
Balance as at December 31, 2015	85,067	10,507	95,574
Disposals	-	(32)	(32)
Balance as at December 31, 2016	85,067	10,475	95,542
Disposals	-	(2)	(2)
Balance as at September 30, 2017	**85,067**	**10,473**	**95,540**
Accumulated depreciation			
Balance as at December 31, 2015	(14,585)	(9,161)	(23,746)
Disposals	-	32	32
Depreciation	(3,402)	(865)	(4,267)
Balance as at December 31, 2016	(17,987)	(9,994)	(27,981)
Disposals	-	1	1
Depreciation	(2,552)	(372)	(2,924)
Balance as at September 30, 2017	**(20,539)**	**(10,365)**	**(30,904)**
Carrying amounts			
As at December 31, 2016	67,080	481	67,561
As at September 30, 2017	**64,528**	**108**	**64,636**

As at September 30, 2017 and December 31, 2016, assets held under a finance lease are included in facilities and other equipment with a gross carrying value of $15.0 million and accumulated depreciation of $4.1 million and $3.6 million, respectively.

5. Intangible Assets

	Infrastructure expansion	Depreciation of E&E assets	Total
Cost			
Balance as at December 31, 2015	12,509	46,051	58,860
Balance as at December 31, 2016	12,509	46,051	58,560
Balance as at September 30, 2017	**12,509**	**46,051**	**58,560**
Accumulated amortization			
Balance as at December 31, 2015	(2,033)	(46,051)	(48,084)
Amortization	(625)	-	(625)
Balance as at December 31, 2016	(2,658)	(46,051)	(48,709)
Amortization	(469)	-	(469)
Balance as at September 30, 2017	**(3,127)**	**(46,051)**	**(49,178)**
Carrying amounts			
As at December 31, 2016	9,851	-	9,851
As at September 30, 2017	**9,382**	**-**	**9,382**

6. Site Restoration Provision

Balance as at December 31, 2015	48,148
Revisions due to change in discount rate	(1,034)
Revisions due to change in estimates	(2,093)
Accretion	970
Balance as at December 31, 2016	45,991
Revisions due to change in discount rate (note 3)	(2,023)
Accretion (note 12)	806
Balance as at September 30, 2017	**44,774**

The Company has estimated the net present value of these site restoration obligations to be $44.8 million as at September 30, 2017 (December 31, 2016 - $46.0 million) based on an undiscounted total future liability of $109.7 million (December 31, 2016 - $109.7 million). These obligations are expected to be settled over the next 43 years with the majority of the costs to be incurred between 2030 and 2060. The discount factor, being the risk-free rate related to the liability, was 2.5 percent at September 30, 2017 (December 31, 2016 – 2.3 percent).

7. Continuing Notes and Payment-in-Kind Notes

As at	**September 30 2017**	December 31 2016
Continuing Notes		
Current	**-**	2,409
Non-current	**28,915**	24,679
	28,915	27,088
Payment-in-Kind Notes		
Current	**7,492**	5,083
Non-current	**1,458**	-
	8,950	5,083
	37,865	32,171

The principal amount of the Continuing Notes outstanding at September 30, 2017 is $33.5 million (December 31, 2016 - $33.5 million). The Continuing Notes are carried at their amortized cost of $28.9 million on the condensed consolidated statements of financial position (December 31, 2016 - $27.1 million). The difference between the amortized cost and principal balance will be recorded as an accretion expense over the period until the maturity of the Continuing Notes.

The principal amount of the PIK Notes outstanding at September 30, 2017 is $9.0 million (December 31, 2016 - $5.1 million). The PIK Notes issued are in lieu of cash payments of interest and reimbursable costs of the Noteholder.

Effective March 20, 2017, certain terms of the Indenture were amended such that the maturity date of the Continuing Notes and PIK Notes was extended by three years to March 20, 2021 and the annual interest rate was reduced from 13.5 percent to 12.5 percent prospectively.

7. Continuing Notes and Payment-in-Kind Notes (continued)

The Continuing Notes and PIK Notes are not subject to financial and operational covenants under the Indenture but there exist exceptions and qualifications limiting certain of the Company's abilities to, among other things: incur additional indebtedness; create or permit liens to exist; create or permit to exist restrictions on the ability to make certain payments and distributions; make certain dispositions and transfers of assets; and initiate amalgamations, mergers or consolidations. The Company has the option to redeem the principal amount of the Continuing Notes and PIK Notes at a price of 101.0 percent plus the accrued and unpaid interest thereon.

8. Credit Facility

Laricina has a demand credit facility of $10.0 million (December 31, 2016 - $10.0 million) with a major Canadian chartered bank which is secured by an equivalent cash deposit which has been classified as restricted cash on the condensed consolidated statements of financial position. Amounts drawn can take the form of prime rate-based loans, bankers' acceptances, LIBOR loans or letters of credit and will bear interest at the prime rate, bankers' acceptances rates or at LIBOR plus a spread above the reference rate between 1.0 percent and 2.0 percent per annum.

As at September 30, 2017, the Company had issued letters of credit totalling $8.1 million (December 31, 2016 - $8.8 million) and secured a corporate credit card with a $0.1 million credit limit under this credit facility. No cash amount had been drawn.

9. Share Capital

Authorized

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

Issued

	Number of shares (thousands)	**Amount**
Common Shares		
Balance as at December 31, 2015	576,083	1,411,835
Performance share units exercised	253	3,988
Balance as at December 31, 2016	576,336	1,415,823
Cancellation of treasury shares	(6)	(15)
Balance as at September 30, 2017	**576,330**	**1,415,808**

During the first quarter of 2017, the Company was gifted 5,934 of its common shares previously held by a minority shareholder. These shares were subsequently cancelled in the same period.

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 stock options granted is determined by the board of directors at the time of grant, and for each stock option exercised, the holder will receive one common share.

There were no grants of options issued or exercised during the three and nine months ended September 30, 2017.

	Number of options (thousands)		**Weighted average exercise price**
Outstanding, December 31, 2016	650	$	26.47
Forfeited	(5)	$	33.76
Expired	(184)	$	20.00
Outstanding and exercisable, September 30, 2017	461	**$**	**28.96**

All stock options are fully vested and exercisable. As such, the Company did not record any share-based compensation expense in respect of stock options for the three and nine months ended September 30, 2017. In the corresponding periods of 2016, the share-based compensation expense was nil and $0.6 million, respectively.

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 (**PSU**s). PSUs have an exercise price of $0.01 per PSU and vest on dates determined by the board of directors at the time of grant. For each PSU exercised, the holder will receive one common share.

There were no grants of PSUs issued or exercised during the three-month and nine-month periods ended September 30, 2017.

	Number of PSUs (thousands)		**Weighted average exercise price**
Outstanding, December 31, 2016	57	$	0.01
Forfeited	(3)	$	0.01
Expired	(4)	$	0.01
Outstanding and exercisable, September 30, 2017	**50**	**$**	**0.01**

All PSUs are fully vested and exercisable. As such, the Company did not record any associated share-based compensation expense in the three and nine months ended September 30, 2017. In the corresponding periods of 2016, the share-based compensation expense was nil and $1.6 million, respectively.

9. Share Capital (continued)

Warrants

In conjunction with the completion of the Settlement Transaction on November 30, 2015, the then existing 3.8 million warrants issued in March 2014 and held by the Noteholder were surrendered and cancelled and the Company issued 28.8 million warrants (**Consent Fee Warrants**) exercisable in the aggregate for that number of common shares that were equivalent to 5.0 percent of the common shares then outstanding, each such warrant having an exercise price of $0.25 per warrant with an expiry date of March 20, 2018 and vested immediately upon issue. For each warrant exercised, the Noteholder will receive one common share.

	Number of warrants (thousands)	**Weighted average exercise price**
Outstanding and exercisable, December 31, 2016	**28,804**	**$ 0.25**
Outstanding and exercisable, September 30, 2017	**28,804**	**$ 0.25**

These Consent Fee Warrants are liability-classified due to the anti-dilution provisions contained in the warrant certificate and the number of warrants and warrant exercise price being subject to variability. The fair value of the Consent Fee Warrants is measured at the end of each reporting period using the Black-Scholes option pricing model which is based on significant assumptions and is dependent on an estimate of the fair value of the Company's share price at the respective measurement date. Fair value measurements are classified as one of three levels which are described in note 2 of these interim financial statements. The fair value of the Consent Fee Warrants is classified as a level 3 measure under the fair value hierarchy.

A finance expense recovery of $0.1 million and $0.9 million, respectively, was recorded to reflect the change in fair value of the Consent Fee Warrants for the three-month and nine-month periods ended September 30, 2017. For the three-month period ended September 30, 2016, a finance expense recovery of $0.3 million was recorded, whereas the Company incurred a finance expense of $0.1 million in the nine-month period ended September 30, 2016.

10. Other Income

Other income for the periods is comprised as follows:

	Three months ended September 30		**Nine months ended September 30**	
For the	**2017**	2016	**2017**	2016
Revenue from third-party camp use	**110**	-	**6,625**	1,950
Revenue from third-party road use	**255**	1,760	**4,213**	4,243
Other revenue	**3**	-	**8**	-
Net gain on disposition of assets	**4**	95	**6**	91
	372	1,855	**10,852**	6,284

11. Contract Cancellation Costs (Recovery)

In the second quarter of 2016, the Alberta Electric System Operator denied ATCO Electric Ltd. (**ATCO Electric**), as transmission facilities owner and on behalf of Laricina as operator of the Saleski Phase 1 project, the request to extend the power permit and license approval in-service date beyond July 1, 2016 which was originally granted in April 2013 for a new point-of-delivery power substation and transmission line (the **Saleski Transmission Project**), and hence cancelled the Saleski Transmission Project. Due to the denial, Laricina and its joint venture partner were contractually obligated to reimburse $4.5 million for costs ATCO Electric incurred in respect of the Saleski Transmission Project. As a result, the Company recognized its portion of the costs, $2.7 million, consisting of regulatory, design engineering, material and labour charges that had been accumulated by ATCO Electric since initiating the Saleski Transmission Project in 2011.

In the interim, ATCO Electric has sought to return materials from the Saleski Transmission Project and/or transfer them to other projects. During the third quarter of 2017, ATCO Electric indicated that they will reimburse $0.7 million to Laricina, representing the Company's share of amounts recovered less any applicable charges.

12. Finance Expense

Finance expense for the periods is as follows:

	Three months ended September 30		Nine months ended September 30	
For the	**2017**	2016	**2017**	2016
Interest on Continuing Notes and PIK Notes	**1,285**	1,232	**3,847**	3,536
Accretion of site restoration obligation (note 6)	**277**	219	**806**	691
Re-measurement of warrants (note 9)	**(115)**	(289)	**(893)**	111
Accretion of amortized cost of Continuing Notes (note 7)	**331**	1,328	**1,827**	3,954
	1,778	2,490	**5,587**	8,292

13. Loss per Share

Basic loss per share

The calculation of basic loss per share for the three and nine months ended September 30, 2017 was based on the loss attributable to common shareholders of $3.4 million (2016 - $7.4 million) and $8.2 million (2016 - $25.5 million), respectively, and the weighted-average number of common shares outstanding during the corresponding periods, calculated as follows:

For the	Three months ended September 30		Nine months ended September 30	
(thousands)	**2017**	2016	**2017**	2016
Issued common shares at beginning of period	**576,330**	576,301	**576,336**	576,083
Effect of performance share units exercised	**-**	25	**-**	156
Effect of treasury shares cancelled	**-**	-	**(4)**	-
Weighted-average common shares outstanding (basic)	**576,330**	576,326	**576,332**	576,239

13. Loss per Share (continued)

Diluted loss per share

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

The basic and diluted loss per share was $0.01 for the three and nine months ended September 30, 2017. This is compared to a loss per share of $0.01 and $0.04 for the corresponding periods in 2016.

14. Capital Management

The Company's objectives when managing capital are to safeguard its ability to pursue the development and production of oil sands resources and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

Laricina's capital structure includes shareholders' equity, the Continuing Notes, PIK Notes and working capital inclusive of the Consent Fee Warrants. The Company does not have material operations and the primary assets consist of oil sands properties for development. Accordingly, the Company may adjust capital expenditures, issue new shares, acquire or dispose of assets, enter into joint operation arrangements or issue new debt to manage the capital structure.

The Company is subject to externally imposed capital restrictions under the terms of the Continuing Notes as discussed in note 7. The credit facility referred to in note 8 is secured by an equivalent cash deposit.

15. Supplemental Cash Flow Information

The following table reconciles the net changes in non-cash working capital from the condensed consolidated statements of financial position to the condensed consolidated cash flow statements:

As at September 30	**2017**	2016
Operating activities		
Trade and other receivables	**(1,573)**	1,440
Prepaid expenses and deposits	**76**	996
Trade and other payables	**(2,073)**	(2,368)
Net change in non-cash operating working capital	**(3,570)**	68
Investing activities		
Trade and other receivables	**161**	2,543
Prepaid expenses and deposits	**-**	(72)
Trade and other payables	**-**	(24)
Net change in non-cash investing working capital	**161**	2,447
Financing activities		
Trade and other payables	**-**	(16)
Net change in non-cash financing working capital	**-**	(16)

There was no cash interest paid in the nine-month periods ended September 30, 2017 and 2016. The following table discloses the cash interest received for the nine months ended September 30:

	2017	2016
Interest received	**223**	340

16. Contractual Obligations

The Company had the following cash-settled contractual obligations at September 30, 2017:

	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Repayment of Continuing Notes(1)	-	-	-	-	33,493	-	33,493
Repayment of PIK Notes(1)(2)	7,492	-	-	-	1,458	-	8,950
Interest payments on notes(1)(2)	1,370	5,796	6,555	7,414	1,730	-	22,865
Operating leases	97	35	1	-	-	-	133
Other contractual obligations	196	923	1,001	1,858	1,574	17,076	22,628
Total contractual obligations	**9,155**	**6,754**	**7,557**	**9,272**	**38,255**	**17,076**	**88,069**

(1) If the principal balances of the Continuing Notes and the PIK Notes change before the maturity date or the timing of the notes repayment is altered, the interest payable will be affected.

(2) At the Company's option, the interest on the Continuing Notes and the PIK Notes and the reimbursement of the reasonable expenses of the Noteholder may be paid in cash or by way of further PIK Notes.

Other contractual obligations include electricity purchases, natural gas purchases, employee retention programs and other obligations.

Corporate Information

Officers

Diane T. Koenig
Executive Vice President

Noralee M. Bradley
Corporate Secretary

Directors

Ian D. Bruce

Andrew Darling

Jennifer K. Kennedy

Garry Mihaichuk

Kazim Tahir-Kheli

Auditors

Deloitte LLP

Bankers

Canadian Imperial Bank of Commerce

Registrar and Transfer Agent

TSX Trust Company

Reservoir Engineers

GLJ Petroleum Consultants Ltd.

LARICINA ENERGY LTD.
East Tower, Fifth Avenue Place
Suite 800, 425 – 1st Street SW
Calgary, AB T2P 3L8

P | 403.750.0810
F | 403.263.0767

www.laricinaenergy.com