LARICINA
ENERGY LTD.

2017 First 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 11 for additional information on forward-looking statements.

Management's Discussion and Analysis

The Management's Discussion and Analysis (**MD&A**) of the financial results of Laricina Energy Ltd. (**Laricina** or the **Company**) is dated May 18, 2017 and is as at and for the three months ended March 31, 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 ended March 31, 2017 and March 31, 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 presented in thousands of Canadian dollars except as otherwise noted and derived from the interim financial statements prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board.

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

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 Months Ended March 31, 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.

Summary Quarterly Financial Information

For the three months ended March 31	**2017**	2016
Total assets	**670,254**	482,973
Working capital	**24,278**	41,091
Cash capital expenditures (recovery)[1]	**-**	(455)
Finance and other income	**7,345**	3,708
Net loss and comprehensive loss	**1,698**	9,342
Loss per share – Basic and diluted	**-**	0.02

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

Total assets

Total assets at March 31, 2017 were higher than total assets at March 31, 2016 by $187.3 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. This was partially offset by cash expended to fund the Company's operations since March 31, 2016, lower prepaid expenses at March 31, 2017 as a result of the $1.8 million reserve against which the payment of the remaining unpaid proven claims and an outstanding disputed claim in 2016 were drawn, and changes in the site restoration provision and depreciation recognized since March 31, 2016.

Working capital

Working capital as at March 31, 2017 was lower than working capital as at March 31, 2016 due to the reclassification of a portion of the Notes to non-current liabilities in the second and third quarters of 2016 as payment is due at the Noteholder's discretion, lower cash balances and prepaid expenses as described in the Total assets section immediately above, and higher trade and other payables.

Cash capital expenditures (recovery)

There were no cash capital expenditures or recoveries in the three months ended March 31, 2017 as the operations at the Saleski pilot and Germain CDP remains suspended and the Company continues to manage costs.

During the first quarter of 2016, the Canada Revenue Agency approved the 2012 and 2013 Scientific Research and Experimental Development (**SR&ED**) tax credit claims. As a result, $0.4 million of the $0.8 million refundable portion of the Alberta tax credit claim was recorded as a cash capital recovery, reducing E&E assets accordingly. 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 March 31, 2017 increased compared to the corresponding period in 2016 due to higher third-party revenue from both the camps and the road. Details of these changes are discussed in the Results of Operations and Corporate Results section of this MD&A.

Net loss and comprehensive loss

The net loss and comprehensive loss for the three-month period ended March 31, 2017 was $7.6 million lower than the three-month period ended March 31, 2016 largely due to higher other income and lower general and administrative expenses relating to amounts recorded in the first three months of 2016 for which there was no corresponding costs in 2017. Further discussion of the net loss and comprehensive loss for each of these periods is described in the Corporate Results section of this MD&A.

Results of Operations

For the three months ended March 31	**2017**	2016
Other income	**7,273**	3,619
Operating expenses	**4,381**	3,777

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 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 March 31, 2017 compared to the same period in 2016, revenue increased by $3.7 million primarily due to higher third-party use of the camps and, to a lesser extent, the road.

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.

Operating expenses are higher for the three months ended March 31, 2017 compared to the corresponding period in 2016 by $0.6 million due to increased utilization of the camps by third parties in the first quarter of 2017 and the recognition in January 2016 of $0.4 million operating cost recovery from the refundable portion of the Alberta SR&ED tax credit claim, partially offset by deferred camp lease rental payments recorded in the first quarter of 2016 for which there is no corresponding charge in 2017.

Summary Corporate Results

For the three months ended March 31	2017	2016
General and administrative expenses	**1,342**	5,296
Depreciation and amortization	**1,183**	1,031
Finance income	**72**	89
Finance expense	**2,137**	2,718
Reorganization expense	**-**	163
Net loss and comprehensive loss	**1,698**	9,342

General and administrative expenses

General and administrative expenses consist of essential services only and reflect 16 employees (18 employees in first quarter 2016) and a small complement of consultants to steward and operate the business.

For the three months ended March 31	2017	2016
General and administrative expenses before share-based compensation costs	**1,342**	3,151
Share-based compensation costs	**-**	2,145
General and administrative expenses	**1,342**	5,296

For the three-month period ended March 31, 2017, general and administrative expenses were lower by $1.8 million compared to the same period in 2016 due to a $1.2 million change of estimate provision recorded in the first quarter of 2016 for which there is no corresponding amount in 2017, and comparatively lower legal and other professional consulting costs, office rent and insurance expenses in the first quarter of 2017.

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 these events, for the three months ended March 31, 2016, 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.

Depreciation and amortization

Depreciation and amortization in 2017 and 2016 consists of the continuing depreciation associated with 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 first quarter of 2017 is higher than such expense in the corresponding period of 2016.

Finance income

Finance income in each of the first quarters of 2017 and 2016 primarily consisted of interest earned on cash, restricted cash and short-term investments. Finance income for the three-month period ended March 31, 2017 was lower than the corresponding period in 2016 due to lower cash balances held on deposit.

Finance expense

Finance expense for the three-month periods ended March 31, 2017 and March 31, 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 11 to the interim financial statements for a detailed composition of finance expense.

Finance expense was $0.6 million lower in the first quarter of 2017 compared to the first quarter of 2016 principally due to the changes in fair value upon re-measurement of the Consent Fee Warrants liability and, to a lesser extent, lower accretion associated with the amortized cost of the Continuing Notes. This was partially offset by higher interest expense on the Notes due to the issuance of PIK Notes in the interim.

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 March 31, 2017 was $1.7 million compared to $9.3 million for the three months ended March 31, 2016. A lower net loss in the first quarter of 2017 is principally the result of (i) increased other income due to higher third-party use of the camps and the road, (ii) decreased general and administrative expenses relating to share-based compensation expense of $2.1 million and a $1.2 million change of estimate provision, each recorded in the first three months of 2016, for which there was no corresponding costs in first quarter 2017, as well as lower legal and other professional consulting costs, office rent and insurance expenses in the first three months of 2017, and (iii) lower finance expense. Partially offsetting these improvements in the three-month period ended March 31, 2017 was higher operating expenses due to increased utilization of the camps by third parties and higher depreciation and amortization expense.

Capital Investment

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

For the three months ended March 31	**2017**	2016
Cash capital expenditures (recovery) on exploration and evaluation assets	**-**	(455)
Non-cash capital expenditures (recovery) and provisions(1)	**(2)**	1,108
Total capital expenditures (recovery)	**(2)**	653

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

Cash capital expenditures (recovery) on exploration and evaluation assets

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

The cash recovery in the three-month period ended March 31, 2016 was a result of the Company's recognition of the refundable portion of the Alberta tax credit for the 2012 and 2013 SR&ED tax credit claims pertaining to Saleski. Of the $0.8 million refundable amount, $0.4 million was applicable to capitalized amounts. The remaining balance of the cash recovery was the result of a nominal sale of a non-essential spare part.

Non-cash capital expenditures (recovery) and provisions

Non-cash capital recovery during the three months ended March 31, 2017 related to the transfer of capitalized inventory to operating expense for repairs and maintenance activities at the Germain CDP.

For the first quarter ended March 31, 2016, non-cash capital expenditures and provisions consisted largely of the change in 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 quarter of 2017.

Selected Quarterly Information

(thousands of dollars, except per share amounts)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Working capital (deficiency)	**24,278**	22,659	25,961	30,386	41,091	43,798	(56,341)	(30,414)
Cash capital expenditures (recovery)	**-**	(158)	(292)	(62)	(455)	818	394	(8,194)
Bitumen blend sales revenue	**-**	-	-	-	-	(10)	791	1,952
Finance income	**72**	82	66	173	89	90	273	3,165
Other income	**7,273**	1,572	1,855	810	3,619	2,556	2,699	1,579
Net income (loss) and comprehensive income (loss)	**(1,698)**	193,554	(7,410)	(8,754)	(9,342)	(198,203)	(464,293)	(15,453)
Earnings (loss) per share – basic and diluted	**$ -**	$ 0.34	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.82)	$ (6.65)	$ (0.22)

Working capital (deficiency)

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.

Cash capital expenditures (recovery)

Cash capital expenditures for 2015 and 2016 were minimal as the Company has 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 2015, Laricina recorded a cash capital recovery for the claim filed with the Government of Alberta in relation to the Urban Development Sub-region (**UDSR**) claim and the refundable portion of the 2010 and 2011 Alberta SR&ED tax credit claims.

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

Bitumen blend sales revenue

The Company suspended operations during the first quarter and third quarter of 2015 at the Germain CDP and the Saleski pilot, respectively and, as a result, there was a concurrent cessation of production.

Finance income

Finance income is decreasing because of the lower average funds held on deposit. The small increase to finance income in the second quarter of 2016 was the result of interest on overdue receivables. The higher finance income in the second quarter of 2015 related to interest income associated with the UDSR claim.

Other income

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 first three months in each of 2017 and 2016 is 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 result of a net income and comprehensive income result. Higher net loss and comprehensive loss in the last two quarters of 2015 was principally the result of impairment losses recorded in each of these quarters. In the third quarter of 2015, Laricina also recognized a loss on substantial modification of the Notes under the Settlement Agreement. Beginning in the first quarter of 2015, the following activities were initiated which served to increase the net loss: deferred income tax recoveries were no longer recognized, additional costs were incurred relative to reorganization activities and interest expense associated with the Notes increased due to a rate increase of 200 basis points.

Liquidity and Capital Resources

As at March 31, 2017, Laricina had capital resources of $24.3 million.

Cash, restricted cash and short-term investments	33,092
Non-cash working capital	(8,814)
Capital resources available	**24,278**

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 period ended March 31, 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 $33.1 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. Laricina continues under a scaled-back business plan while exploring alternatives and assessing its future business plans. 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, restricted cash and short-term investments

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 0.2 percent to 0.8 percent during the first three 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 1.0 percent over the first three months of 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 March 31, 2017 is $33.5 million. The Continuing Notes are carried at their amortized cost of $28.3 million on the condensed consolidated statements of financial position as at March 31, 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 March 31, 2017 is $6.4 million.

A portion of the Continuing Notes and PIK Notes is payable at the Noteholders' discretion and has been classified to current liabilities on the condensed consolidated statements of financial position as at March 31, 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 and no amount has been drawn. The letters of credit are issued to suppliers of utilities to support the development and reactivation of Saleski and Germain and to the Alberta Energy Regulator to secure the Company's licensee liability rating requirements as operator. The letters of credit of $3.0 million, $4.7 million, $0.1 million, $0.3 million, and a nominal amount are expected to be renewed on July 28, 2017, August 18, 2017, August 31, 2017, December 5, 2017, and August 31, 2017, respectively.

Contractual obligations

At May 18, 2017, the Company had the following cash-settled contractual obligations:

	2017	2018	2019	2020	2021	Thereafter	Total
Repayment of Continuing Notes(1)	1,107	-	-	-	32,387	-	33,494
Repayment of PIK Notes(1)(2)	6,385	-	-	-	-	-	6,385
Interest payments on Notes(1)(2)	3,257	5,796	6,555	7,414	1,730	-	24,752
Operating leases	150	34	-	-	-	-	184
Other contractual obligations	398	711	1,071	1,835	1,694	13,407	19,116
Total contractual obligations	**11,297**	**6,541**	**7,626**	**9,249**	**35,811**	**13,407**	**83,931**

(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 and other obligations.

2017 Outlook

The Company's scope of activities continues to be directed to 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 runway to more favorable market conditions in which to advance the development of the assets and meet future obligations. For more than two years now, Laricina has been operating under a scaled-back business plan emphasizing cost control. A small complement of employees and third-party consultants continue to be focused on alternatives to leverage the Company's assets and to capitalize on emerging opportunities. Recent organizational restructuring, extension of the Notes' maturity date and reduction of the associated annual interest rate and net revenues generated from third-party use of Laricina's camps and the Chip Lake access road have contributed to Laricina's current financial stability. However, the Company is anticipating significantly lower third-party revenue for the Chip Lake access road in the second half of the year due to a pending joint interest partner ownership change. While Laricina continues to evaluate its strategic options and await improvements to market conditions, the Company is preparing for a protracted period of suspension.

Outstanding Share Data

At May 18, 2017, share capital consisted of the following:

(thousands)	
Common shares	576,330
Stock options	466
Performance share units	53
Consent Fee Warrants	28,804
Total	**605,653**

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 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 May 18, 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	**March 31 2017**	December 31 2016
Assets			
Current assets			
Cash		**23,042**	22,418
Restricted cash	8	**10,000**	10,000
Short-term investments		**50**	50
Trade and other receivables		**4,786**	3,679
Prepaid expenses and deposits		**645**	517
		38,523	36,664
Non-current assets			
Exploration and evaluation assets	3	**555,486**	555,504
Property, plant and equipment	4	**66,550**	67,561
Intangible assets	5	**9,695**	9,851
		631,731	632,916
Total assets		**670,254**	669,580
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**6,753**	6,513
Current portion of continuing notes and payment-in-kind notes	7	**7,492**	7,492
		14,245	14,005
Non-current liabilities			
Continuing notes and payment-in-kind notes	7	**27,149**	24,679
Consent fee warrants	9	**4,407**	5,012
Site restoration provision	6	**46,258**	45,991
Total liabilities		**92,059**	89,687
Shareholders' equity			
Share capital	9	**1,415,808**	1,415,823
Contributed surplus		**170,842**	170,827
Deficit		**(1,008,455)**	(1,006,757)
Total shareholders' equity		**578,195**	579,893
Total liabilities and shareholders' equity		**670,254**	669,580

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

Contractual obligations (note 15)

Condensed Consolidated Statements of Net Loss and Comprehensive Loss

Unaudited

For the three months ended March 31 *(thousands of Canadian dollars)*	Note	**2017**	2016
Revenue			
Other income	10	**7,273**	3,619
		7,273	3,619
Expenses			
Operating		**4,381**	3,777
Pre-exploration		**-**	65
General and administrative		**1,342**	5,296
Depreciation and amortization	3,4,5	**1,183**	1,031
		6,906	10,169
Net income (loss) from operating activities		**367**	(6,550)
Finance income		**72**	89
Finance expense	11	**(2,137)**	(2,718)
Net finance expense		**(2,065)**	(2,629)
Reorganization expense		**-**	(163)
Net loss and comprehensive loss		**(1,698)**	(9,342)
Loss per common share	12		
Basic and diluted		**$ -**	$ 0.02

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		-	-	(9,342)	(9,342)
Share-based net recoveries		-	2,146	-	2,146
Performance share units exercised		1,984	(1,982)	-	2
Balance as at March 31, 2016		1,413,819	172,830	(1,184,147)	402,502
Net income and comprehensive income		-	-	177,390	177,390
Performance share units exercised		2,004	(2,003)	-	1
Balance as at December 31, 2016		1,415,823	170,827	(1,006,757)	579,893
Net loss and comprehensive loss		-	-	(1,698)	(1,698)
Cancellation of treasury shares	9	(15)	15	-	-
Balance as at March 31, 2017		**1,415,808**	**170,842**	**(1,008,455)**	**578,195**

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

Condensed Consolidated Statements of Cash Flows

Unaudited

For the three months ended March 31 *(thousands of Canadian dollars)*	Note	**2017**	2016
Cash flows from operating activities			
Net loss and comprehensive loss		**(1,698)**	(9,342)
Adjustments for:			
Depreciation and amortization	3,4,5	**1,183**	1,031
Non-cash finance expense		**2,134**	2,770
Transfer of capitalized inventory to operations		**2**	-
Equity-settled share-based payments (recovery)	9	**-**	2,146
Loss on disposal of exploration and evaluation assets		**-**	15
Non-cash reimbursable costs to the Noteholder		**-**	216
		1,621	(3,164)
Net change in non-cash operating working capital	14	**(1,022)**	474
Net cash from (used in) operating activities		**599**	(2,690)
Cash flows from investing activities			
Exploration and evaluation assets			
Recoveries	3	**-**	381
Expenditures	3	**-**	(1)
Proceeds from disposal	3	**-**	75
Net change in non-cash investing working capital	14	**25**	127
Net cash from investing activities		**25**	582
Cash flows from financing activities			
Proceeds from the issuance of common shares		**-**	2
Net change in non-cash financing working capital	14	**-**	(16)
Net cash used in financing activities		**-**	(14)
Net increase (decrease) in cash		**624**	(2,122)
Cash, beginning of period		**22,418**	29,631
Cash, end of period		**23,042**	27,509

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 March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 (the **interim financial statements**) have been prepared by management 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.

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.

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

2. Basis of Preparation (continued)

These interim financial statements were approved for release to shareholders by the board of directors on May 18, 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 interim financial statements of the adoption of the amendments to accounting standards as set out in note 3 of the annual financial statements. There have been no additional amendments to accounting standards issued during the three months ended March 31, 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 ended March 31, 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 $33.1 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. 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 quarter to the assumptions underlying this fair value. The Consent Fee Warrants (as defined in note 9) are re-measured each period to determine the fair value and any changes to the carrying value are reflected in profit or loss. The methods used to measure fair value are discussed in note 3 to the annual financial statements.

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.

Financial instruments

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 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 March 31, 2017 and December 31, 2016 due to their short-term nature. The Continuing Notes are carried at their amortized cost which is their 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.

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.

2. Basis of Preparation (continued)

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 months ended March 31, 2017 and the year ended December 31, 2016.

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 three 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
Disposals	(2)
Balance as at March 31, 2017	**1,123,398**
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	(16)
Balance as at March 31, 2017	**(567,912)**
Carrying amounts	
As at December 31, 2016	555,504
As at March 31, 2017	**555,486**

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
Balance as at March 31, 2017	**85,067**	**10,475**	**95,542**
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)
Depreciation	(851)	(160)	(1,011)
Balance as at March 31, 2017	**(18,838)**	**(10,154)**	**(28,992)**
Carrying amounts			
As at December 31, 2016	67,080	481	67,561
As at March 31, 2017	**66,229**	**321**	**66,550**

As at March 31, 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 $3.8 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 March 31, 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	(156)	-	(156)
Balance as at March 31, 2017	**(2,814)**	**(46,051)**	**(48,865)**
Carrying amounts			
As at December 31, 2016	9,851	-	9,851
As at March 31, 2017	**9,695**	**-**	**9,695**

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 (note 11)	970
Balance as at December 31, 2016	45,991
Accretion (note 11)	267
Balance as at March 31, 2017	**46,258**

The Company has estimated the net present value of these site restoration obligations to be $46.3 million as at March 31, 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 2.3 percent at March 31, 2017 (December 31, 2016 – 2.3 percent).

7. Continuing Notes and Payment-in-Kind Notes

As at	**March 31 2017**	December 31 2016
Continuing notes		
Current	**1,107**	2,409
Non-current	**27,149**	24,679
	28,256	27,088
Payment-in-kind notes		
Current	**6,385**	5,083
	6,385	5,083
	34,641	32,171

The principal amount of the Continuing Notes outstanding at March 31, 2017 is $33.5 million (December 31, 2016 - $33.5 million). The Continuing Notes are carried at their amortized cost of $28.3 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 March 31, 2017 is $6.4 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.

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 beginning on March 20, 2017.

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 March 31, 2017, the Company had issued letters of credit totalling $8.1 million (December 31, 2016 - $8.8 million) under this credit facility and 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 March 31, 2017	**576,330**	**1,415,808**

During the three-month period ended March 31, 2017, the Company was gifted 5,934 of its common shares previously held by a minority shareholder. These shares were subsequently cancelled in the 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 months ended March 31, 2017.

9. Share Capital (continued)

	Number of options (thousands)		Weighted average exercise price
Outstanding, December 31, 2016	650	$	26.47
Expired	(184)	$	20.00
Outstanding and exercisable, March 31, 2017	**466**	**$**	**29.02**

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 months ended March 31, 2017. In the corresponding period of 2016, the share-based compensation expense was $0.6 million.

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 period ended March 31, 2017.

	Number of PSUs (thousands)		Weighted average exercise price
Outstanding, December 31, 2016	57	$	0.01
Expired	(4)	$	0.01
Outstanding and exercisable, March 31, 2017	**53**	**$**	**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 months ended March 31, 2017. In the corresponding period of 2016, the share-based compensation expense was $1.6 million.

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, 2015	**28,804**	**$ 0.25**
Outstanding and exercisable, March 31, 2016	**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 cost recovery of $0.6 million was recorded to reflect the change in fair value of the Consent Fee Warrants for the three-month period ended March 31, 2017, where for the corresponding period in 2016, a finance expense of $0.1 million was recorded.

10. Other Income

Other income for the three-month periods ended March 31 is as follows:

	2017	2016
Revenue from third-party camp use	**4,960**	1,910
Revenue from third-party road use	**2,313**	1,724
Loss on disposition of assets	**-**	(15)
	7,273	3,619

11. Finance Expense

Finance expense for the three-month periods ended March 31 is as follows:

	2017	2016
Interest on Continuing Notes	**1,307**	1,103
Accretion of site restoration obligation (note 6)	**267**	248
Re-measurement of warrants (note 9)	**(605)**	54
Accretion of amortized cost of Continuing Notes (note 7)	**1,168**	1,313
	2,137	2,718

12. Loss per Share

Basic loss per share

The calculation of basic loss per share for the three months ended March, 31 2017 was based on the loss attributable to common shareholders of $1.7 million (March 31, 2016 - $9.3 million) and the weighted-average number of common shares outstanding during the period, calculated as follows:

(thousands)	**2017**	2016
Issued common shares at beginning of period	**576,336**	576,083
Effect of performance share units exercised	**-**	29
Effect of treasury shares cancelled	**(2)**	-
Weighted-average common shares outstanding (basic)	**576,334**	576,112

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 a nominal amount for the three months ended March 31, 2017, compared to $0.02 for the three months ended March 31, 2016.

13. 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 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.

14. 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 March 31	2017	2016
Operating activities		
Trade and other receivables	**(1,133)**	3,310
Prepaid expenses and deposits	**(127)**	(1,595)
Trade and other payables	**238**	(1,241)
Net change in non-cash operating working capital	**(1,022)**	474
Investing activities		
Trade and other receivables	**25**	151
Trade and other payables	**-**	(24)
Net change in non-cash investing working capital	**25**	127
Financing activities		
Trade and other payables	**-**	(16)
Net change in non-cash financing working capital	**-**	(16)

There was no cash interest paid in either of the three-month periods ended March 31, 2017 and 2016. The following table discloses the cash interest received for the three months ended March 31:

	2017	2016
Interest received	**72**	89

15. Contractual Obligations

The Company had the following cash-settled contractual obligations at March 31, 2017:

	2017	2018	2019	2020	2021	Thereafter	Total
Repayment of Continuing Notes(1)	1,107	-	-	-	32,387	-	33,494
Repayment of PIK Notes(1)(2)	6,385	-	-	-	-	-	6,385
Interest payments on notes(1)(2)	3,913	5,796	6,555	7,414	1,730	-	25,408
Operating leases	225	34	-	-	-	-	259
Other contractual obligations	495	711	1,071	1,835	1,694	13,407	19,213
Total contractual obligations	**12,125**	**6,541**	**7,626**	**9,249**	**35,811**	**13,407**	**84,759**

(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 and other obligations.

Corporate Information

Officers

Diane T. Koenig
Executive Vice President

Noralee M. Bradley
Corporate Secretary

Directors

Ian D. Bruce
Independent Investor

Andrew Darling
Managing Director - Head of Investment Risk and Finance, Canada Pension Plan Investment Board

S. Barry Jackson
Independent Director, TransCanada Corporation

Jennifer K. Kennedy
Partner, Norton Rose Fulbright Canada LLP

Kazim Tahir-Kheli
Senior Principal - Private Investments,
Canada Pension Plan Investment Board

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Deloitte LLP

Bankers

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Reservoir Engineers

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