Q3 2016 RESULTS

FINANCIAL AND OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

LEUCROTTA EXPLORATION INC.

HIGHLIGHTS

- Maintained a working capital balance of $37.9 million, including cash of $41.4 million, at September 30, 2016
- Commenced fall capital program that includes drilling 3 wells and expanding pipeline/infrastructure system
- Sold certain gas plant equipment for cash proceeds of $4.0 million
- Renewed the credit facility at $5.0 million borrowing base

FINANCIAL RESULTS	**THREE MONTHS ENDED SEPTEMBER 30**			**NINE MONTHS ENDED SEPTEMBER 30**		
($000s, except per share amounts)	**2016**	2015	% Change	**2016**	2015	% Change
OIL AND NATURAL GAS SALES	**2,309**	972	138	**6,563**	8,040	(18)
FUNDS FROM (USED IN) OPERATIONS(1)	**(124)**	(808)	(85)	**(898)**	151	(695)
Per share - basic and diluted	**-**	(0.01)	(100)	**(0.01)**	-	(100)
NET (LOSS) EARNINGS	**(4,994)**	(3,086)	62	**(10,525)**	26,617	(140)
Per share - basic and diluted	**(0.03)**	(0.02)	50	**(0.06)**	0.16	(138)
CAPITAL EXPENDITURES AND ACQUISITIONS	**5,775**	7,876	(27)	**10,856**	29,693	(63)
PROCEEDS FROM:						
Property dispositions	**-**	-	-	**-**	79,342	(100)
Sale of gas plant equipment	**4,000**	-	100	**4,000**	-	100
WORKING CAPITAL				**37,879**	74,746	(49)
COMMON SHARES OUTSTANDING (000S)						
Weighted average - basic and diluted	**165,227**	165,227	-	**165,227**	165,227	-
End of period - basic				**165,227**	165,227	-
End of period - diluted				**189,297**	185,074	2

(1) Funds from (used in) operations and funds from (used in) operations per share do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures used by other companies. Please refer to the Non-GAAP Measures section in the MD&A for more details and the Funds from (used in) Operations section in the MD&A for a reconciliation from cash flow from (used in) operating activities.

OPERATING RESULTS [1]	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Daily production						
Oil and NGLs (bbls/d)	**300**	157	91	**345**	261	32
Natural gas (mcf/d)	**4,138**	2,244	84	**4,588**	6,964	(34)
Oil equivalent (boe/d)	**989**	531	86	**1,110**	1,422	(22)
Revenue						
Oil and NGLs ($/bbl)	**48.28**	45.00	7	**43.08**	45.06	(4)
Natural gas ($/mcf)	**2.57**	1.55	66	**2.00**	2.54	(21)
Oil equivalent ($/boe)	**25.37**	19.89	28	**21.67**	20.71	5
Royalties						
Oil and NGLs ($/bbl)	**5.88**	7.65	(23)	**4.16**	5.68	(27)
Natural gas ($/mcf)	**0.10**	0.14	(29)	**0.03**	0.07	(57)
Oil equivalent ($/boe)	**2.20**	2.85	(23)	**1.42**	1.37	4
Production expenses						
Oil and NGLs ($/bbl)	**18.92**	20.83	(9)	**16.76**	10.11	66
Natural gas ($/mcf)	**1.29**	0.92	40	**1.14**	1.20	(5)
Oil equivalent ($/boe)	**11.12**	10.06	11	**9.94**	7.72	29
Transportation expenses						
Oil and NGLs ($/bbl)	**6.02**	9.24	(35)	**5.06**	4.03	26
Natural gas ($/mcf)	**0.44**	0.43	2	**0.43**	0.30	43
Oil equivalent ($/boe)	**3.65**	4.56	(20)	**3.37**	2.22	52
Operating netback [2]						
Oil and NGLs ($/bbl)	**17.46**	7.28	140	**17.10**	25.24	(32)
Natural gas ($/mcf)	**0.74**	0.06	1,133	**0.40**	0.97	(59)
Oil equivalent ($/boe)	**8.40**	2.42	247	**6.94**	9.40	(26)
Depletion and depreciation ($/boe)	**(15.46)**	(14.29)	8	**(13.07)**	(8.68)	51
Asset impairment ($/boe)	**-**	(19.29)	(100)	**-**	(2.43)	(100)
General and administrative expenses ($/boe)	**(10.90)**	(24.36)	(55)	**(11.11)**	(9.95)	12
Share based compensation ($/boe)	**(9.53)**	(25.71)	(63)	**(9.93)**	(11.07)	(10)
Finance expenses ($/boe)	**(0.52)**	(0.75)	(31)	**(0.41)**	(0.50)	(18)
Finance income ($/boe)	**1.31**	5.49	(76)	**1.30**	1.16	12
Gain (loss) on sale of assets ($/boe)	**(28.15)**	-	100	**(8.46)**	117.82	(107)
Deferred tax expense ($/boe)	**-**	13.40	(100)	**-**	(27.19)	(100)
Net (loss) earnings ($/boe)	**(54.85)**	(63.09)	(13)	**(34.74)**	68.56	(151)

(1) "bbls" refers to barrels, "mcf" refers to thousand cubic feet, and "boe" refers to barrel of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used for the calculation of boe amounts in the MD&A. This boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

(2) Operating netback does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Please refer to the Non-GAAP Measures section in the MD&A for more details.

PRESIDENT'S MESSAGE

In September 2016, Leucrotta commenced its fall/winter capital program that encompasses drilling 3 wells, installing main gathering lines and modifying its sweet gas plant at Doe for an estimated cost of $26 million. The capital program has experienced delays due to extremely wet conditions and a lack of cold weather. As of mid-November, Leucrotta has drilled two of the three wells and completed a portion of the facility upgrades. With recent cold weather, Leucrotta is proceeding with the construction of the pipelines and will finish the remaining drilling and completions as outlined in our Q2 2016 release. Leucrotta expects to have the 2 new horizontal wells completed and tested by early January. The major gathering lines to tie in the 4 previously drilled wells are expected to be completed in Q2 2017.

The description of the capital program as previously released August 17, 2016 is as follows:

- Focus of the capital program will be building out the pipeline system and infrastructure;
- Wells previously drilled and not on production include 2 Liquids-rich Lower Montney Turbidite gas wells, 1 Lower Montney Turbidite oil well, and 1 Liquids-rich Upper Montney gas well;
- The combined total tested production rate from these wells was approximately 3,100 boepd(1);
- Approximately $17 million will be spent on the tie-ins and related equipment (including plant modifications) to place the 4 wells noted above on-stream mainly through Leucrotta's 100% owned Doe facility. The pipelines installed will be sized as main gathering lines to each area to accommodate larger scale developments in the future.

On completion of the capital program, Leucrotta will have the 4 previously drilled wells on stream and an extended infrastructure footprint that will position the Company to fully complete the delineation phase of the Montney turbidite on its lands by the end of 2017 pending favourable commodity prices. Leucrotta will then be in a position to start the development phase of this large resource in 2018.

We look forward to reporting the results of our current capital program in early 2017 and the 2017 capital budget by mid-late Q1 2017.

(1) See "Test Results and Production Rates" section of MD&A for more details.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

November 21, 2016

The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three and nine months ended September 30, 2016 and the audited financial statements and MD&A for the year ended December 31, 2015. The unaudited condensed interim financial statements and financial data contained in the MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian currency (except where noted as being in another currency).

DESCRIPTION OF BUSINESS

Leucrotta Exploration Inc. ("Leucrotta" or the "Company") is an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in northeastern British Columbia, Canada. The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "LXE".

FREQUENTLY RECURRING TERMS

The Company uses the following frequently recurring industry terms in the MD&A: "bbls" refers to barrels, "mcf" refers to thousand cubic feet, and "boe" refers to barrel of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used for the calculation of boe amounts in the MD&A. This boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

NON-GAAP MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with IFRS (or "GAAP"). This MD&A contains the terms "funds from (used in) operations", "funds from (used in) operations per share", and "operating netback" which do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. The Company uses these measures to help evaluate its performance.

Management uses funds from (used in) operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from (used in) operations is a non-GAAP measure and has been defined by the Company as cash flow from (used in) operating activities excluding the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents funds from (used in) operations per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of earnings (loss) per share. Funds from (used in) operations is reconciled from cash flow from (used in) operating activities under the heading "Funds from (used in) Operations".

Management considers operating netback an important measure as it demonstrates its profitability relative to current commodity prices. Operating netback, which is calculated as average unit sales price less royalties, production expenses, and transportation expenses, represents the cash margin for every barrel of oil equivalent sold. Operating netback per boe is reconciled to net (loss) earnings per boe under the heading "Operating Netback".

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- The combined total tested production rate from these wells was approximately 3,100 boepd(1);
- Approximately $17 million will be spent on the tie-ins and related equipment (including plant modifications) to place the 4 wells noted above on-stream mainly through Leucrotta's 100% owned Doe facility. The pipelines installed will be sized as main gathering lines to each area to accommodate larger scale developments in the future.

On completion of the capital program, Leucrotta will have the 4 previously drilled wells on stream and an extended infrastructure footprint that will position the Company to fully complete the delineation phase of the Montney turbidite on its lands by the end of 2017 pending favourable commodity prices. Leucrotta will then be in a position to start the development phase of this large resource in 2018.

We look forward to reporting the results of our current capital program in early 2017 and the 2017 capital budget by mid-late Q1 2017.

(1) See "Test Results and Production Rates" section of MD&A for more details.

SUMMARY OF FINANCIAL RESULTS

($000s, except per share amounts)	Three Months Ended September 30 **2016**	2015	% Change	Nine Months Ended September 30 **2016**	2015	% Change
Oil and natural gas sales	**2,309**	972	138	**6,563**	8,040	(18)
Funds from (used in) operations	**(124)**	(808)	(85)	**(898)**	151	(695)
Per share - basic and diluted	**-**	(0.01)	(100)	**(0.01)**	-	(100)
Net (loss) earnings	**(4,994)**	(3,086)	62	**(10,525)**	26,617	(140)
Per share - basic and diluted	**(0.03)**	(0.02)	50	**(0.06)**	0.16	(138)
Total assets				**240,125**	263,791	(9)
Total long-term liabilities				**7,722**	6,819	13
Working capital				**37,879**	74,746	(49)

The Company experienced an increase in oil and natural gas sales and an improvement in funds used in operations for the three months ended September 30, 2016 compared to the same period in 2015 resulting from higher oil, NGLs, and natural gas commodity prices during Q3 2016 and significantly higher production in Q3 2016 as compared to Q3 2015 due to the sale of oil and natural gas properties and equipment in Northeast BC during Q2 2015 negatively impacting Q3 2015 production. Successful drilling results at Doe/Mica in the Montney formation and new light oil production from Stoddart also contributed to the stronger results in Q3 2016. Oil and natural gas sales and funds from (used in) operations for the nine months ended September 30, 2016 decreased compared to the same period in 2015 since the sale of oil and natural gas properties and equipment in Northeast BC occurred only late in Q2 2015 and thus had higher production for a large portion of 2015.

Net earnings in 2015 was significantly impacted by the sale of certain oil and natural gas properties and equipment as the Company recorded a gain on sale of $45.7 million thus significantly increasing net earnings for the three and nine months ended September 30, 2015. The decrease in working capital is the result of capital expenditures during the fourth quarter of 2015.

PRODUCTION	Three Months Ended September 30 **2016**	2015	% Change	Nine Months Ended September 30 **2016**	2015	% Change
Average Daily Production						
Oil and NGLs (bbls/d)	**300**	157	91	**345**	261	32
Natural gas (mcf/d)	**4,138**	2,244	84	**4,588**	6,964	(34)
Combined (boe/d)	**989**	531	86	**1,110**	1,422	(22)

Daily production for the third quarter of 2016 increased 86% to 989 boe/d from 531 boe/d for the comparative quarter in 2015. The increase in production was due to the sale of certain oil and natural gas properties and equipment during the second quarter of 2015 combined with successful drilling at Doe/Mica in the Montney formation and new light oil production from Stoddart. Year-to-date production decreased 22% to 1,110 boe/d in 2016 from 1,422 boe/d in 2015 since the sale of oil and natural gas properties and equipment in Northeast BC (producing approximately 1,300 boe/d at the time of sale) occurred only late in Q2 2015 and thus contributed to higher production for a large portion of 2015.

The Company began to spend capital on the pipeline system and infrastructure in Q3 2016 and will continue to do so in Q4 2016 to tie-in previously drilled wells from Q4 2015 to its Doe gas plant. Wells previously drilled and not on production include 2 Liquids-rich Lower Montney Turbidite gas wells, 1 Lower Montney Turbidite oil well, and 1 Liquids-rich Upper Montney gas well. The combined total tested or last on-stream production rate from these wells was approximately 3,100 boe/d (see “Test Results and Production Rates” section of MD&A for more details).

Leucrotta’s production profile for the third quarter of 2016 was consistent with the comparative quarter in 2015 being 70% natural gas and 30% oil and NGLs. Year-to-date, Leucrotta’s production profile for 2016 saw an increase in liquids weighting over 2015 due to the sale of certain oil and natural gas properties and equipment during Q2 2015 which were gas weighted and also new light oil production from Mica and Stoddart. The 2016 weighting was 69% natural gas (82% 2015) and 31% oil and NGLs (18% 2015).

REVENUE ($000s)	Three Months Ended September 30 **2016**	2015	% Change	Nine Months Ended September 30 **2016**	2015	% Change
Oil and NGLs	**1,332**	652	104	**4,057**	3,215	26
Natural gas	**977**	320	205	**2,506**	4,825	(48)
Total	**2,309**	972	138	**6,563**	8,040	(18)
Average Sales Price						
Oil and NGLs ($/bbl)	**48.28**	45.00	7	**43.08**	45.06	(4)
Natural gas ($/mcf)	**2.57**	1.55	66	**2.00**	2.54	(21)
Combined ($/boe)	**25.37**	19.89	28	**21.67**	20.71	5

Revenue totaled $2.3 million for the third quarter of 2016, up 138% from $1.0 million for the comparative quarter in 2015. The increase in revenue was the result of higher oil, NGLs, and natural gas commodity prices during that time and significantly higher production in Q3 2016 as previously mentioned. Year-to-date, revenue decreased 18% to $6.6 million in 2016 from $8.0 million in 2015 due to lower production during the nine month period as previously mentioned.

The following table outlines the Company's realized wellhead prices and industry benchmarks:

Commodity Pricing	**Three Months Ended September 30**			**Nine Months Ended September 30**		
	2016	2015	% Change	**2016**	2015	% Change
Oil and NGLs						
Corporate price ($CDN/bbl)	**48.28**	45.00	7	**43.08**	45.06	(4)
Canadian light sweet ($CDN/bbl)	**54.19**	55.09	(2)	**49.44**	59.09	(16)
West Texas Intermediate ("WTI") ($US/bbl)	**44.94**	46.43	(3)	**40.84**	51.00	(20)
Natural gas						
Corporate price ($CDN/mcf)	**2.57**	1.55	66	**2.00**	2.54	(21)
AECO price ($CDN/mcf)	**2.36**	2.91	(19)	**1.77**	2.78	(36)
Exchange rate						
$US/$CAD exchange rate	**0.7668**	0.7642	-	**0.7564**	0.7948	(5)

Differences between corporate and benchmark prices can be the result of quality differences (higher or lower API oil and higher or lower heat content natural gas), sour content, the mix of oil and NGLs, and various other factors. Leucrotta's differences are mainly the result of a higher proportion of lower priced NGLs and higher heat content natural gas production that is priced higher than AECO reference prices.

The Company's corporate average oil and NGLs prices were 89.1% and 87.1% of Canadian light sweet prices for the three and nine months ended September 30, 2016, respectively, up from 81.7% and 76.3% for the comparative periods in 2015. The increase in 2016 was due to the new light oil production at Mica and Stoddart which was priced higher than the average NGLs mix.

Corporate average natural gas prices were 108.9% and 113.0% of AECO price for the three and nine months ended September 30, 2016, respectively, up from 53.3% and 91.4% for the comparative periods in 2015. The increase in the Company's corporate natural gas price compared to AECO was due to having a larger portion of the Company's natural gas sales in 2015 priced on an interruptible basis off indexes other than AECO. This pricing issue was alleviated in Q4 2015 with new firm transportation and pricing contracts.

Leucrotta's liquids mix during the third quarter of 2016 was approximately 82% oil, condensate and pentanes, 7% butane and 11% propane which was consistent with Q3 2015.

Future prices received from the sale of the products may fluctuate as a result of market factors. In addition, the Company may enter into commodity price contracts to help manage future cash flows. The Company does not currently have any commodity price contracts outstanding.

ROYALTIES	**Three Months Ended September 30**			**Nine Months Ended September 30**		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
Oil and NGLs	**163**	110	48	**392**	405	(3)
Natural gas	**37**	29	28	**39**	127	(69)
Total	**200**	139	44	**431**	532	(19)
Average Royalty Rate (% of sales)						
Oil and NGLs	**12.2**	16.9	(28)	**9.7**	12.6	(23)
Natural gas	**3.8**	9.1	(58)	**1.6**	2.6	(38)
Combined	**8.7**	14.3	(39)	**6.6**	6.6	-

The Company pays royalties to provincial governments (Crown), freeholders, which may be individuals or companies, and other oil and gas companies that own surface or mineral rights. Crown royalties are calculated on a sliding scale based on commodity prices and individual well production rates. Royalty rates can change due to commodity price fluctuations and changes in production volumes on a well-by-well basis, subject to a minimum and maximum rate restriction ascribed by the Crown. The provincial government has also enacted various royalty incentive programs that are available for wells that meet certain criteria, such as natural gas deep drilling, which can result in fluctuations in royalty rates.

For the third quarter of 2016, oil, NGLs, and natural gas royalties totaled $0.2 million (8.7% of revenue) compared to $0.1 million (14.3% of revenue) for the comparative quarter in 2015. Year-to-date in 2016, oil, NGLs, and natural gas royalties totaled $0.4 million (6.6% of revenue) compared to $0.5 million (6.6% of revenue) for the comparative period in 2015.

Oil and NGLs royalties have decreased to 12.2% and 9.7% for the three and nine months ended September 30, 2016, respectively, from 16.9% and 12.6% in the comparative periods in 2015. The decrease in oil and NGLs royalties is due to higher royalty properties being divested and shut-in in Q4 2015 and also due to deep gas royalty credits on new natural gas wells which also affects royalties for NGLs on those wells.

Natural gas royalties have decreased to 3.8% and 1.6% for the three and nine months ended September 30, 2016, respectively, from 9.1% and 2.6% in the comparative periods in 2015. The decrease is due to deep gas royalty credits on new natural gas wells. Q3 2015 was also significantly higher due to the lack of firm transportation and pricing contract during that period resulting in lower realized prices for the Company than prices used to calculate royalties and hence a higher Company royalty rate on revenue.

PRODUCTION EXPENSES	**Three Months Ended September 30**			**Nine Months Ended September 30**		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
Oil and NGLs	**521**	302	73	**1,578**	721	119
Natural gas	**491**	190	158	**1,432**	2,274	(37)
Total	**1,012**	492	106	**3,010**	2,995	1
Average expense						
Oil and NGLs ($/bbl)	**18.92**	20.83	(9)	**16.76**	10.11	66
Natural gas ($/mcf)	**1.29**	0.92	40	**1.14**	1.20	(5)
Combined ($/boe)	**11.12**	10.06	11	**9.94**	7.72	29

Per unit production expenses increased to $11.12/boe and $9.94/boe for the three and nine months ended September 30, 2016, respectively, from $10.06/boe and $7.72/boe in the comparative periods in 2015. The increase in oil and NGLs production expenses for the nine month period was mainly due to new light oil production from Mica and Stoddart which carries higher production expenses due to water handling and disposal, emulsion hauling and treating, and other normal costs associated with the production of oil. The increase was also due to the sale of oil and natural gas properties and equipment during the second quarter of 2015 which lowered overall production and also left a larger percentage of higher-cost properties within the Company. The three month period was not affected as the sale of oil and natural gas properties and equipment occurred in the second quarter of 2015 and new light oil production came on stream in the second half of 2015.

The increase in natural gas production expenses on a per mcf basis for the third quarter of 2016 compared to the third quarter of 2015 was mainly due to increased service costs and maintenance costs at the Doe gas plant.

TRANSPORTATION EXPENSES	**Three Months Ended September 30**			**Nine Months Ended September 30**		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
Oil and NGLs	**166**	133	25	**477**	287	66
Natural gas	**166**	90	84	**542**	573	(5)
Total	**332**	223	49	**1,019**	860	18
Average expense						
Oil and NGLs ($/bbl)	**6.02**	9.24	(35)	**5.06**	4.03	26
Natural gas ($/mcf)	**0.44**	0.43	2	**0.43**	0.30	43
Combined ($/boe)	**3.65**	4.56	(20)	**3.37**	2.22	52

Transportation expenses are mainly third-party pipeline tariffs incurred to deliver production to the purchasers at main hubs. Transportation costs decreased to $3.65/boe in Q3 2016 compared to $4.56/boe for the comparative period in 2015. The decrease in Q3 2016 was mainly due to Q3 2015 having unutilized transportation which was alleviated in Q4 2015 with the tie-in of additional wells and some of the unutilized transportation taken by other producers.

Year-to-date, transportation costs increased to $3.37/boe in 2016 compared to $2.22/boe in 2015. The increase in the first nine months of 2016 was mainly due to higher transportation fees charged to producers, higher transportation costs associated with new light oil production from Mica and Stoddart and also the sale of certain oil and natural gas properties and equipment during the second quarter of 2015 which yielded very low transportation costs.

OPERATING NETBACK	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Oil and NGLs ($/bbl)						
Revenue	**48.28**	45.00	7	**43.08**	45.06	(4)
Royalties	**(5.88)**	(7.65)	(23)	**(4.16)**	(5.68)	(27)
Production expenses	**(18.92)**	(20.83)	(9)	**(16.76)**	(10.11)	66
Transportation expenses	**(6.02)**	(9.24)	(35)	**(5.06)**	(4.03)	26
Operating netback	**17.46**	7.28	140	**17.10**	25.24	(32)
Natural gas ($/mcf)						
Revenue	**2.57**	1.55	66	**2.00**	2.54	(21)
Royalties	**(0.10)**	(0.14)	(29)	**(0.03)**	(0.07)	(57)
Production expenses	**(1.29)**	(0.92)	40	**(1.14)**	(1.20)	(5)
Transportation expenses	**(0.44)**	(0.43)	2	**(0.43)**	(0.30)	43
Operating netback	**0.74**	0.06	1,133	**0.40**	0.97	(59)
Combined ($/boe)						
Revenue	**25.37**	19.89	28	**21.67**	20.71	5
Royalties	**(2.20)**	(2.85)	(23)	**(1.42)**	(1.37)	4
Production expenses	**(11.12)**	(10.06)	11	**(9.94)**	(7.72)	29
Transportation expenses	**(3.65)**	(4.56)	(20)	**(3.37)**	(2.22)	52
Operating netback	**8.40**	2.42	247	**6.94**	9.40	(26)

During Q3 2016, Leucrotta generated an operating netback of $8.40/boe compared to $2.42/boe in 2015. The increase was mainly due to the increase in oil, NGLs, and natural gas prices and lower royalties partially offset by increased production expenses. Natural gas prices in Q3 2015 were negatively affected by having a larger portion of the Company's natural gas sales priced on an interruptible basis off indexes other than AECO, which was alleviated in Q4 2015.

Year-to-date in 2016, Leucrotta generated an operating netback of $6.94/boe compared to $9.40/boe in 2015. The decrease was mainly due to the increase in production expenses resulting from the increased oil and NGLs weighting in the Company's production mix due to new light oil production in Mica and Stoddart which carry higher production expenses and the sale of oil and natural gas properties and equipment during the second quarter of 2015 which were low production cost properties.

The following is a reconciliation of operating netback per boe to net (loss) earnings per boe for the periods noted:

	Three Months Ended September 30			Nine Months Ended September 30		
($/boe)	**2016**	2015	% Change	**2016**	2015	% Change
Operating netback (non-GAAP)	**8.40**	2.42	247	**6.94**	9.40	(26)
Depletion and depreciation	**(15.46)**	(14.29)	8	**(13.07)**	(8.68)	51
Asset impairment	**-**	(19.29)	(100)	**-**	(2.43)	(100)
General and administrative expenses	**(10.90)**	(24.36)	(55)	**(11.11)**	(9.95)	12
Share based compensation	**(9.53)**	(25.71)	(63)	**(9.93)**	(11.07)	(10)
Finance expenses	**(0.52)**	(0.75)	(31)	**(0.41)**	(0.50)	(18)
Finance income	**1.31**	5.49	(76)	**1.30**	1.16	12
Gain (loss) on sale of assets	**(28.15)**	-	100	**(8.46)**	117.82	(107)
Deferred tax recovery (expense)	**-**	13.40	(100)	**-**	(27.19)	(100)
Net (loss) earnings	**(54.85)**	(63.09)	(13)	**(34.74)**	68.56	(151)

DEPLETION AND DEPRECIATION	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Depletion and depreciation ($000s)	**1,408**	699	101	**3,960**	3,368	18
Depletion and depreciation ($/boe)	**15.46**	14.29	8	**13.07**	8.68	51

The Company calculates depletion on property, plant, and equipment mainly based on proved plus probable reserves. Some facilities in Stoddart, where the production and reserves do not represent the useful life of the assets, are depreciated over twenty years. Depletion and depreciation for the three and nine months ended September 30, 2016 was $15.46/boe and $13.07/boe, respectively, compared to $14.29/boe and $8.68/boe for the same periods in 2015. The increase in the depletion rate per boe for the nine month period was mainly the result of the increased oil weighting in the Company's production mix in which oil properties typically carry higher depletion rates per boe.

GENERAL AND ADMINISTRATIVE	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
G&A expenses (gross)	**1,109**	1,336	(17)	**3,606**	4,225	(15)
G&A capitalized	**(90)**	(113)	(20)	**(154)**	(282)	(45)
G&A recoveries	**(27)**	(32)	(16)	**(86)**	(79)	9
G&A expenses (net)	**992**	1,191	(17)	**3,366**	3,864	(13)
G&A expenses ($/boe)	**10.90**	24.36	(55)	**11.11**	9.95	12

General and administrative expenses ("G&A") were $10.90/boe and $11.11/boe for the three and nine months ended September 30, 2016, respectively, compared to $24.36/boe and $9.95/boe for the same periods in 2015. The decrease in G&A in 2016 from 2015 was the result of an increased effort to decrease G&A costs such as a 10% salary/fees reduction taken by all management, directors, and employees, reduced software costs due to lower production numbers and reduced business development costs. Per boe G&A was high in Q3 2015 due to the sale of oil and natural gas properties and equipment in Northeast BC during Q2 2015 resulting in spreading approximately the same gross G&A costs over a lower production volume.

SHARE BASED COMPENSATION	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Share based compensation ($000s)	**868**	1,257	(31)	**3,007**	4,297	(30)
Share based compensation ($/boe)	**9.53**	25.71	(63)	**9.93**	11.07	(10)

The Company accounts for its share based compensation plans using the fair value method. Under this method, compensation cost is charged to earnings over the vesting period for stock options and warrants granted to officers, directors, employees, and consultants with a corresponding increase to contributed surplus. The fair value of the performance warrants was determined based on a Monte Carlo simulation and the fair value of stock options and purchase warrants was measured based on the Black-Scholes-Merton option-pricing model.

Share based compensation expense decreased to $0.9 million for the third quarter of 2016 from $1.3 million for the comparative quarter in 2015. Year-to-date, share based compensation expense decreased to $3.0 million for 2016 from $4.3 million for 2015. The decrease is mainly due to using the graded (accelerated) amortization method whereby more expense is recognized earlier in the stock options and warrants expected life. In the nine months ended September 30, 2016 only 25 thousand stock options were granted.

FINANCE EXPENSE	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
Interest expense	**16**	3	433	**28**	88	(68)
Accretion of decommissioning obligations	**31**	34	(9)	**97**	107	(9)
Finance expense	**47**	37	27	**125**	195	(36)
Finance expense ($/boe)	**0.52**	0.75	(31)	**0.41**	0.50	(18)

Interest expenses increased in Q3 2016 compared to Q3 2015 due to the timing of the credit facility renewal being completed in Q3 in 2016 as opposed to Q2 in 2015. Year-to-date interest costs have decreased in 2016 compared to 2015 due to a lower credit facility.

Accretion expense has remained consistent with prior quarters.

FINANCE INCOME

Finance income relates to interest earned on cash in the bank. For the three and nine months ended September 30, 2016, finance income totaled $0.1 million and $0.4 million, respectively, down from $0.3 million and $0.5 million for the comparative periods in 2015 due to decreased cash balances in the bank resulting mainly from capital expenditures in Q4 2015.

DEFERRED INCOME TAXES

During the fourth quarter of 2015 the Company derecognized the net deferred income tax asset based on the independently evaluated reserves report as cash flows are not expected to be sufficient to realize the deferred income tax asset based on existing commodity prices. As a result, there was no deferred income tax recovery for the first nine months of 2016.

The Company had a deferred income tax recovery on loss before taxes of $0.7 million for the three months ending September 30, 2015 and had a deferred tax expense on earnings before taxes of $10.6 million for the nine months ending September 30, 2015. The deferred income tax expense related mainly to the large gain on sale of assets recorded in the second quarter of 2015.

Estimated tax pools at September 30, 2016 total approximately $210.1 million (December 31, 2015 - $202.3 million).

FUNDS FROM (USED IN) OPERATIONS

Funds used in operations for the third quarter of 2016 was $0.1 million ($nil per basic and diluted share) compared to funds used in operations of $0.8 million ($0.01 per basic and diluted share) for the comparative quarter in 2015. The change for Q3 2016 was due to higher oil, NGLs, and natural gas commodity prices during that time and significantly higher production in Q3 2016 due to the sale of oil and natural gas properties and equipment in Northeast BC during Q2 2015 negatively affecting Q3 2015 production combined with successful drilling at Doe/Mica in the Montney formation and new light oil production from Stoddart. Year-to-date in 2016 funds used in operations was $0.9 million ($0.01 per basic and diluted share) compared to funds from operations of $0.2 million ($nil per basic and diluted share) for 2015. The change for the nine months ended September 30, 2016 results from the fact that since the sale of oil and natural gas properties and equipment in Northeast BC occurred only late in Q2 2015, a large portion of 2015 still had higher production.

The following is a reconciliation of cash flow from (used in) operating activities to funds from (used in) operations for the periods noted:

	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
Cash flow from (used in) operating activities	**1,113**	(460)	(342)	**617**	1,206	(49)
Deduct:						
Decommissioning expenditures	**-**	57	(100)	**-**	57	(100)
Change in non-cash working capital	**(1,237)**	(405)	205	**(1,515)**	(1,112)	36
Funds from (used in) operations (non-GAAP)	**(124)**	(808)	(85)	**(898)**	151	(695)

NET (LOSS) EARNINGS

The net loss has increased during the three and nine month periods ended September 30, 2016 to net losses of $5.0 million and $10.5 million, respectively, from a net loss of $3.1 million and net earnings of $26.6 million for the comparative periods in 2015. Q3 2016 had a loss on the sale of certain gas plant equipment of $2.6 million. The large decrease in the nine month period in 2016 was mainly the result of the significant gain on the sale of certain oil and natural gas properties and equipment in Northeast BC in Q2 2015 of $45.7 million.

CAPITAL EXPENDITURES	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2016**	2015	% Change	**2016**	2015	% Change
Land	**487**	62	685	**4,193**	423	891
Drilling, completions, and workovers	**787**	2,116	(63)	**1,039**	8,650	(88)
Equipment	**4,278**	5,399	(21)	**5,325**	20,065	(73)
Geological and geophysical	**223**	251	(11)	**299**	507	(41)
Office equipment	**-**	48	(100)	**-**	48	(100)
Total expenditures	**5,775**	7,876	(27)	**10,856**	29,693	(63)
Sale of gas plant equipment	**4,000**	-	100	**4,000**	-	100
Property dispositions	**-**	-	-	**-**	79,342	(100)

Capital expenditures have declined significantly for the nine month period ended September 30, 2016 from 2015 due to the low oil and natural gas commodity price environment and the Company's preference at this time to preserve its positive cash balance in order to react to opportunities as they arise and dictate the pace of development. In the first nine months of 2016 the Company added Montney acreage adjacent to its Montney land base through both Crown land sales and private land acquisitions as well as began the pipeline system and infrastructure required to tie-in previously drilled wells to the Company's Doe gas plant.

During the first nine months of 2015 the Company spent the majority of its expenditures on gas plant equipment and the completion and testing of its light oil Montney well in Dawson-Sunrise and testing the step-out Montney natural gas well in Dawson-Sunrise and the Baldonnel light oil well in Stoddart. During the nine months ended September 30, 2015 the Company sold a portion of its oil and natural gas properties and equipment located in Dawson, BC for a cash consideration of $79.3 million. The sold assets were producing approximately 1,300 boe/d.

LIQUIDITY AND CAPITAL RESOURCES

Management uses working capital as a measure to assess the Company's financial position and is reconciled as follows:

($000s)	**September 30, 2016**	December 31, 2015	% Change
Current assets	**44,195**	58,740	(25)
Less:			
Current liabilities	**(6,316)**	(13,107)	(52)
Working capital	**37,879**	45,633	(17)

At September 30, 2016, the Company had working capital of $37.9 million and $nil had been drawn on the revolving credit facility.

The Company has a $5.0 million revolving operating demand loan credit facility with a Canadian chartered bank. The revolving credit facility bears interest at prime plus a range of 0.50% to 2.50% and is secured by a $100 million fixed and floating charge debenture on the assets of the Company. At September 30, 2016, $nil had been drawn on the revolving credit facility. At September 30, 2016, the Company had outstanding letters of guarantee of $1.9 million which reduce the amount that can be borrowed under the credit facility. The next review of the revolving credit facility by the bank is scheduled on or before May 1, 2017.

The Company has $1.0 million in a restricted corporate account to cross-guarantee a margin account for the President of the Company. The President is charged a fee by the Company and the margin account is also restricted until the cross-guarantee is removed. The margin account holds $6.7 million of securities of Leucrotta common shares and a margin payable of $1.0 million. The cross-guarantee is intended to be temporary in nature and will be removed as soon as practicable. Throughout late 2014 and into 2016, significant trading restrictions (blackouts) have been placed on all insiders of the Company due to the fact that Leucrotta is a small entity in a large emerging play whereby most operations are material. The cross-guarantee has allowed the President to comply with corporate governance mandates. The $1.0 million has been segregated on the statement of financial position as restricted cash at September 30, 2016.

The ongoing global economic conditions have continued to impact the liquidity in financial and capital markets, restrict access to financing, and cause significant volatility in commodity prices. Despite the economic downturn and financial market volatility, the Company was able to create financial flexibility with the sale of oil and gas properties and equipment for $79.3 million in Q2 2015 and has a working capital balance of $37.9 million. In Q3 2016 the Company sold certain gas plant equipment for cash proceeds of $4.0 million. Management anticipates that the Company will continue to have adequate liquidity to fund budgeted capital investments through a combination of its cash balance, cash flow, equity, and debt if required. Leucrotta's capital program is flexible and can be adjusted as needed based upon the current economic environment. The Company will continue to monitor the economic environment and the possible impact on its business and strategy and will make adjustments as necessary.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations and commitments at September 30, 2016:

($000s)	**Total**	**Less than One Year**	**One to Three Years**	**After Three Years**
Accounts payable and accrued liabilities	6,316	6,316	-	-
Decommissioning obligations	7,722	-	-	7,722
Office leases	1,226	583	643	-
Firm transportation agreements	26,413	3,257	14,761	8,395
Total contractual obligations	41,677	10,156	15,404	16,117

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting common shares, Class A preferred shares, issuable in series, and Class B preferred shares, issuable in series. The voting common shares of the Company commenced trading on the TSXV on August 19, 2014 under the symbol "LXE". The following table summarizes the common shares outstanding and the number of shares exercisable into common shares from options, warrants, and other instruments:

(000s)	**September 30, 2016**	November 21, 2016
Voting common shares	**165,227**	165,227
Warrants	**15,150**	15,150
Stock options	**8,920**	8,920
Total	**189,297**	189,297

SUMMARY OF QUARTERLY RESULTS

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Average Daily Production								
Oil and NGLs (bbls/d)	**300**	319	412	479	157	243	387	486
Natural gas (mcf/d)	**4,138**	4,549	5,031	3,585	2,244	7,320	11,428	12,309
Combined (boe/d)	**989**	1,078	1,251	1,076	531	1,463	2,291	2,538
($000s, except per share amounts)								
Oil and natural gas sales	**2,309**	1,953	2,301	2,819	972	2,777	4,291	6,801
Funds from (used in) operations	**(124)**	(491)	(283)	464	(808)	(207)	1,166	2,995
Per share - basic and diluted	**-**	-	-	-	(0.01)	-	0.01	0.02
Net earnings (loss)	**(4,994)**	(2,758)	(2,773)	(15,205)	(3,086)	31,519	(1,816)	(171)
Per share - basic and diluted	**(0.03)**	(0.02)	(0.02)	(0.09)	(0.02)	0.19	(0.01)	-

In Q2 and Q3 2015, production decreased significantly due to the sale of certain oil and gas properties which were producing approximately 1,300 boe/d at the time of disposition. Production increased again in Q4 2015 and Q1 2016 from the successful drilling activities in Northeast BC and then decreased in Q2 and Q3 2016 due to natural declines. In 2015 and the first nine months of 2016, the production declines caused a large decrease in oil and natural gas sales, funds from operations and net earnings. Q2 2015 net earnings saw a significant boost from a gain on the sale of oil and gas properties and equipment of $45.7 million. Q3 2015 had an impairment loss on non-core lands of $0.9 million contributing to the net loss. Also contributing to the net losses starting in Q4 2014 was increased share based compensation resulting from the warrants issued in Q3 2014 and stock options issued in Q4 2014 and Q4 2015. The large net loss in Q4 2015 was mainly the result of impairment charges on non-Montney assets and derecognizing the deferred income tax asset. The increased loss in Q3 2016 from Q2 2016 was the result of a loss on the sale of certain gas plant equipment of $2.6 million.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make estimates, judgments, and assumptions in the application of IFRS that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period then ended. Certain of these estimates may change from period to period resulting in a material impact on the Company's results from operations, financial position, and change in financial position.

RISK ASSESSMENT

The acquisition, exploration, and development of oil and natural gas properties involves many risks common to all participants in the oil and natural gas industry. Leucrotta's exploration and development activities are subject to various business risks such as unstable commodity prices, interest rate and foreign exchange fluctuations, the uncertainty of replacing production and reserves on an economic basis, government regulations, taxes, and safety and environmental concerns. While management realizes these risks cannot be eliminated, they are committed to monitoring and mitigating these risks.

Reserves and reserve replacement

The recovery and reserve estimates on Leucrotta's properties are estimates only and the actual reserves may be materially different from that estimated. The estimates of reserve values are based on a number of variables including price forecasts, projected production volumes and future production and capital costs. All of these factors may cause estimates to vary from actual results.

Leucrotta's future oil and natural gas reserves, production, and funds from operations to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Leucrotta's reserves will depend on its abilities to acquire suitable prospects or properties and discover new reserves.

To mitigate this risk, Leucrotta has assembled a team of experienced technical professionals who have expertise operating and exploring in areas the Company has identified as being the most prospective for increasing reserves on an economic basis. To further mitigate reserve replacement risk, Leucrotta has targeted a majority of its prospects in areas which have multi-zone potential, year-round access, and lower drilling costs and employs advanced geological and geophysical techniques to increase the likelihood of finding additional reserves.

Operational risks

Leucrotta's operations are subject to the risks normally incidental to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells. Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risk, such as commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns. The Company may use financial derivatives or physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors. As required under the terms of the Company's credit facility, the Company is subject to an upper limit on fixed price contracts of 65% of its future production up to a three year period.

Foreign exchange risk
The prices received by the Company for the production of crude oil, natural gas, and NGLs are primarily determined in reference to US dollars, but are settled with the Company in Canadian dollars. The Company's cash flow from commodity sales will therefore be impacted by fluctuations in foreign exchange rates. The Company currently does not have any foreign exchange contracts in place.

Interest rate risk
The Company is exposed to interest rate risk when it borrows funds at floating interest rates. The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations. The amount drawn on the Company's credit facility at September 30, 2016 was $nil.

Commodity price risk
Oil and natural gas prices are impacted by not only the relationship between the Canadian and US dollar but also by world economic events that dictate the levels of supply and demand. The Company's oil, natural gas, and NGLs production is marketed and sold on the spot market to area aggregators based on daily spot prices that are adjusted for product quality and transportation costs. The Company's cash flow from product sales will therefore be impacted by fluctuations in commodity prices. In addition, the Company may enter into commodity price contracts to manage future cash flows. At September 30, 2016, the Company did not have any commodity price contracts outstanding.

Credit risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial asset fail to meet or discharge their obligation to the Company. A substantial portion of the Company's accounts receivable and deposits are with customers and joint interest partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally grants unsecured credit but routinely assesses the financial strength of its customers and joint interest partners.

The Company sells the majority of its production to three petroleum and natural gas marketers and therefore is subject to concentration risk. Historically, the Company has not experienced any collection issues with its oil and natural gas marketers. Joint interest receivables are typically collected within one to three months of the joint interest invoice being issued to the partner. The Company attempts to mitigate the risk from joint interest receivables by obtaining partner approval for significant capital expenditures prior to the expenditure being incurred. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint interest partners; however, in certain circumstances, the Company may cash call a partner in advance of expenditures being incurred.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents, restricted cash, and accounts receivable on the statement of financial position. At September 30, 2016, $1.5 million (93%) of the Company's outstanding accounts receivable were current and $0.1 million (6%) were outstanding for more than 90 days. During the period ended September 30, 2016, the Company did not deem any outstanding accounts receivable to be uncollectable.

Cash and cash equivalents consists of bank balances placed with a financial institution with strong investment grade ratings which management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual, quarterly, and monthly capital expenditure budgets, which are monitored and updated as required, and requires authorizations for expenditures on projects to assist with the management of capital. In managing liquidity risk, the Company ensures that it has access to additional financing, including potential equity issuances and additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The Company has commitments for firm transportation over five years for a total of $26.4 million. The Company has a working capital balance of $37.9 million, including $41.4 million of cash. Management anticipates that the Company will continue to have adequate liquidity to fund budgeted capital investments through a combination of its cash balance, cash flow, equity, and debt if required.

Safety and Environmental Risks

The oil and natural gas business is subject to extensive regulation pursuant to various municipal, provincial, national, and international conventions and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, or emissions of various substances produced in association with oil and natural gas operations. Leucrotta is committed to meeting and exceeding its environmental and safety responsibilities. Leucrotta has implemented an environmental and safety policy that is designed, at a minimum, to comply with current governmental regulations set for the oil and natural gas industry. Changes to governmental regulations are monitored to ensure compliance. Environmental reviews are completed as part of the due diligence process when evaluating acquisitions. Environmental and safety updates are presented and discussed at each Board of Directors meeting. Leucrotta maintains adequate insurance commensurate with industry standards to cover reasonable risks and potential liabilities associated with its activities as well as insurance coverage for officers and directors executing their corporate duties. To the knowledge of management, there are no legal proceedings to which Leucrotta is a party or of which any of its property is the subject matter, nor are any such proceedings known to Leucrotta to be contemplated.

TEST RESULTS AND PRODUCTION RATES

Test rates for the A13-19 Lower Montney Turbidite horizontal gas well were disclosed in a press release on April 27, 2016. The well was production tested for 68 hours and was producing 1,290 boe/d (87% gas, 13% Condensate), excluding load fluid and energizing fluid at the end of the test. At the end of the test, flowing wellhead pressure was stable and production rates were increasing.

Test rates for the 8-18 Lower Montney Turbidite horizontal gas well were disclosed in a press release dated April 7, 2015. The well was production tested for 39 days and was produced at an average rate of 375 boe/d (82% gas, 18% Condensate), excluding load fluid and energizing fluid. At the end of the test, flowing wellhead pressure and production rates were stable.

Test rates for the 8-22 Lower Montney Turbidite horizontal oil well were disclosed in a press release on February 29, 2016. The well was production tested for 8 days and was producing at an average rate of 713 boe/d (50% gas, 50% Oil and Condensate), excluding load fluid and energizing fluid at the end of the test. At the end of the test, flowing wellhead pressure was stable and production rates were increasing.

The A4-19 Upper Montney horizontal gas well produced for a period of four months and was last producing at a rate of 700 boe/d (90% gas, 10% Condensate).

A pressure transient analysis or well-test interpretation has not been carried out on these wells and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein may not necessarily be indicative of long term performance or of ultimate recovery.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.

More particularly and without limitation, this MD&A contains forward looking statements and information relating to the Company's risk management program, oil, NGLs, and natural gas production, capital programs, oil, NGLs, and natural gas commodity prices, production expenses, working capital, and the ability to sell certain fabricated gas plant components. The forward-looking statements and information are based on certain key expectations and assumptions made by the Company, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities, and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs, and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty, and environmental legislation. The forward-looking statements and information contained in this document are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

ADDITIONAL INFORMATION

Additional information related to the Company may be found on the SEDAR website at www.sedar.com.

Leucrotta Exploration Inc.
Condensed Statements of Financial Position
(unaudited)

($000s)	Note	**September 30 2016**	December 31 2015
Assets			
Current assets			
Cash and cash equivalents		**41,357**	53,804
Restricted cash		**1,000**	2,131
Accounts receivable		**1,623**	2,535
Prepaid expenses and deposits		**215**	270
		44,195	58,740
Property, plant, and equipment	(4)	**104,587**	108,553
Exploration and evaluation assets	(5)	**91,343**	85,745
		195,930	194,298
		240,125	253,038
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**6,316**	13,107
Decommissioning obligations	(7)	**7,722**	6,673
		14,038	19,780
Shareholders' Equity			
Shareholders' capital	(8)	**213,875**	283,587
Contributed surplus		**11,759**	8,405
Reserve from common-control transaction	(8)	**-**	(69,712)
Retained earnings		**453**	10,978
		226,087	233,258
		240,125	253,038
Commitments	(12)		

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

Leucrotta Exploration Inc.

Condensed Statements of Operations and Comprehensive (Loss) Earnings

(unaudited)

		Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per share amounts)	**Note**	**2016**	2015	**2016**	2015
Revenue					
Oil and natural gas sales		**2,309**	972	**6,563**	8,040
Royalties		**(200)**	(139)	**(431)**	(532)
		2,109	833	**6,132**	7,508
Expenses					
Production		**1,012**	492	**3,010**	2,995
Transportation		**332**	223	**1,019**	860
Depletion and depreciation	(4)	**1,408**	699	**3,960**	3,368
Asset impairment		**-**	943	**-**	943
General and administrative		**992**	1,191	**3,366**	3,864
Share based compensation	(9)	**868**	1,257	**3,007**	4,297
Loss (gain) on sale of assets	(4)	**2,563**	-	**2,563**	(45,736)
Finance income		**(119)**	(268)	**(393)**	(450)
Finance expense		**47**	37	**125**	195
		7,103	4,574	**16,657**	(29,664)
(Loss) earnings before taxes		**(4,994)**	(3,741)	**(10,525)**	37,172
Taxes					
Deferred income tax (recovery) expense		**-**	(655)	**-**	10,555
Net (loss) earnings and comprehensive (loss) earnings		**(4,994)**	(3,086)	**(10,525)**	26,617
Net (loss) earnings per share					
Basic and diluted	(10)	**(0.03)**	(0.02)	**(0.06)**	0.16

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

Leucrotta Exploration Inc.
Condensed Statements of Shareholders' Equity
(unaudited)

($000s)	Shareholders' Capital	Contributed Surplus	Reserve from common-control transaction	Retained Earnings (Deficit)	Total Equity
Balance, December 31, 2014	283,587	1,955	(69,712)	(434)	215,396
Net earnings	-	-	-	26,617	26,617
Share based compensation	-	4,984	-	-	4,984
Balance, September 30, 2015	283,587	6,939	(69,712)	26,183	246,997
Balance, December 31, 2015	283,587	8,405	(69,712)	10,978	233,258
Net loss	-	-	-	(10,525)	(10,525)
Share based compensation	-	3,354	-	-	3,354
Reclassification	(69,712)	-	69,712	-	-
Balance, September 30, 2016	213,875	11,759	-	453	226,087

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

Leucrotta Exploration Inc.
Condensed Statements of Cash Flows
(unaudited)

($000s)	Note	Three Months ended September 30 2016	2015	Nine Months ended September 30 2016	2015
Operating Activities					
Net (loss) earnings		**(4,994)**	(3,086)	**(10,525)**	26,617
Depletion and depreciation	(4)	**1,408**	699	**3,960**	3,368
Asset impairment		**-**	943	**-**	943
Share based compensation	(9)	**868**	1,257	**3,007**	4,297
Finance expense		**47**	37	**125**	195
Interest paid		**(16)**	(3)	**(28)**	(88)
Loss (gain) on sale of assets	(4)	**2,563**	-	**2,563**	(45,736)
Deferred income tax (recovery) expense		**-**	(655)	**-**	10,555
Decommissioning expenditures	(7)	**-**	(57)	**-**	(57)
Change in non-cash working capital	(11)	**1,237**	405	**1,515**	1,112
		1,113	(460)	**617**	1,206
Investing Activities					
Capital expenditures - property, plant, and equipment	(4)	**(4,340)**	(3,107)	**(5,605)**	(15,984)
Capital expenditures - exploration and evaluation assets	(5)	**(1,435)**	(4,769)	**(5,251)**	(13,709)
Disposition of oil and natural gas properties and equipment	(4)	**4,000**	-	**4,000**	79,342
Change in non-cash working capital	(11)	**3,896**	2,195	**(6,208)**	(10,953)
		2,121	(5,681)	**(13,064)**	38,696
Change in cash and cash equivalents		**3,234**	(6,141)	**(12,447)**	39,902
Cash and cash equivalents, beginning of period		**38,123**	87,372	**53,804**	41,329
Cash and cash equivalents, end of period		**41,357**	81,231	**41,357**	81,231

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

1. REPORTING ENTITY

Leucrotta Exploration Inc. ("Leucrotta" or the "Company") is an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in northeastern British Columbia, Canada. Leucrotta was incorporated in Alberta, Canada under the Business Corporations Act (Alberta) on June 10, 2014 under the name of 1828073 Alberta Ltd., and subsequently changed its name to Leucrotta Exploration Inc. on July 15, 2014. The Company commenced trading on the TSX Venture Exchange ("TSXV") on August 19, 2014 under the symbol "LXE".

The Company conducts many of its activities jointly with others and these condensed interim financial statements reflect only the Company's proportionate interest in such activities.

The Company's place of business is located at 700, 639 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 0M9.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as prescribed by IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all of the information and disclosure required in annual financial statements and should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2015.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 21, 2016.

(b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgments made by management in the preparation of these condensed interim financial statements were consistent with those applied to the financial statements as at and for the year ended December 31, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2015. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements except as noted below.

On January 1, 2016, the Company adopted the amendments made to IFRS 11 – Joint Arrangements, which provided new guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business. There was no impact to the Company as a result of adopting the amended standard.

4. PROPERTY, PLANT, AND EQUIPMENT

Cost	Total
Balance, December 31, 2014	105,393
Additions	23,490
Dispositions	(41,411)
Transfer from exploration and evaluation assets	40,726
Change in decommissioning obligation	1,011
Capitalized share based compensation	202
Balance, December 31, 2015	129,411
Additions	**5,605**
Dispositions	**(6,563)**
Change in decommissioning obligation estimates	**952**
Balance, September 30, 2016	**129,405**

Accumulated Depletion, Depreciation, and Impairment	Total
Balance, December 31, 2014	15,540
Depletion and depreciation	8,607
Impairment	4,588
Dispositions	(7,877)
Balance, December 31, 2015	20,858
Depletion and depreciation	**3,960**
Balance, September 30, 2016	**24,818**

Net Book Value	Total
December 31, 2014	89,853
December 31, 2015	108,553
September 30, 2016	**104,587**

During the three and nine months ended September 30, 2016 and 2015 there was no directly attributable general and administrative costs that were capitalized as expenditures on property, plant, and equipment. During the three months ended September 30, 2016 the Company sold certain gas plant equipment for cash proceeds of $4.0 million.

Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended September 30, 2016 included an estimated $69.0 million (2015 - $82.6 million) for future development costs associated with proved plus probable undeveloped reserves and excluded approximately $1.4 million (2015 - $2.5 million) for the estimated salvage value of production equipment and facilities and $nil (2015 - $23.8 million) of assets under construction and are not subject to depletion.

5. EXPLORATION AND EVALUATION ASSETS

	Total
Balance, December 31, 2014	96,550
Additions	36,767
Dispositions	(3,097)
Transfer to property, plant, and equipment	(40,726)
Impairment	(4,628)
Capitalized share based compensation	879
Balance, December 31, 2015	85,745
Additions	**5,251**
Capitalized share based compensation	**347**
Balance, September 30, 2016	**91,343**

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on exploration and evaluation assets during the period, consisting primarily of undeveloped land and drilling costs until the drilling of the well is complete and the results have been evaluated. All expenditures for the three and nine months ended September 30, 2016 and year ended December 31, 2015 related to Northeast BC.

During the three and nine months ended September 30, 2016, approximately $0.1 million (2015 - $0.1 million) and $0.2 million (2015 - $0.3 million), respectively, of directly attributable general and administrative costs were capitalized as expenditures on exploration and evaluation assets.

6. CREDIT FACILITY

The Company has a $5.0 million revolving operating demand loan credit facility with a Canadian chartered bank. The revolving credit facility bears interest at prime plus a range of 0.50% to 2.50% and is secured by a $100 million fixed and floating charge debenture on the assets of the Company. At September 30, 2016, $nil had been drawn on the revolving credit facility. At September 30, 2016, the Company had outstanding letters of guarantee of $1.9 million which reduce the amount that can be borrowed under the credit facility. The next review of the revolving credit facility by the bank is scheduled on or before May 1, 2017.

The Company's credit facility includes a covenant requiring the Company to maintain an adjusted working capital ratio of not less than one-to-one. The working capital ratio, as defined by its creditor, is calculated as current assets plus any undrawn amounts available on its credit facility less current liabilities excluding any current portion drawn on the credit facility. The Company was compliant with this covenant at September 30, 2016.

7. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows (adjusted for inflation at 2% per year) required to settle the decommissioning obligations is approximately $11.4 million which is estimated to be incurred over the next 35 years. At September 30, 2016, a risk-free rate of 1.52% (December 31, 2015 – 2.0%) was used to calculate the net present value of the decommissioning obligations.

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Balance, beginning of period	**6,673**	7,286
Provisions incurred	**-**	466
Provisions settled	**-**	(90)
Dispositions	**-**	(1,673)
Revisions in estimated cash flows	**-**	90
Revisions due to change of discount rates	**952**	455
Accretion	**97**	139
Balance, end of period	**7,722**	6,673

8. SHAREHOLDERS' CAPITAL

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting common shares, Class A preferred shares, issuable in series, and Class B preferred shares, issuable in series. No non-voting common shares or preferred shares have been issued.

Voting Common Shares	**Number**	**Amount**
Balance, December 31, 2014 and 2015	165,227	283,587
Reclassification of Reserve from common-control transaction	-	(69,712)
Balance, September 30, 2016	**165,227**	**213,875**

In connection with the arrangement on June 12, 2014 involving Crocotta Energy Inc. ("Crocotta") and Long Run Exploration Ltd., the reserve created from the common-control transaction represents the difference between the fair value of the Leucrotta shares issued to existing Crocotta shareholders and the net book value of the acquired assets and assumed liabilities, and has been reclassified to Shareholders' Capital as at September 30, 2016.

9. SHARE BASED COMPENSATION PLANS

Stock options

The Company has authorized and reserved for issuance 16.5 million common shares under a stock option plan enabling certain officers, directors, employees, and consultants to purchase common shares. The Company will not issue options exceeding 10% of the shares outstanding at the time of the option grants (the performance warrants described below are aggregated with any options for the 10% limit). Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of the grant and an option's maximum term is ten years. At September 30, 2016, 8.9 million options were outstanding at an average exercise price of $1.09 per share.

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2014	4,672	1.29
Granted	4,248	0.87
Forfeited	(25)	0.93
Balance, December 31, 2015	8,895	1.09
Granted	**25**	**1.40**
Balance, September 30, 2016	**8,920**	**1.09**
Exercisable, September 30, 2016	1,566	1.29

During the three and nine months ended September 30, 2016, the Company recognized $0.4 million (2015 - $0.4 million) and $1.2 million (2015 - $1.1 million), respectively, of share based compensation related to the stock options. At September 30, 2016 there was $1.1 million remaining as unrecognized share based compensation related to the stock options.

Performance Warrants

During the three and nine months ended September 30, 2016, the Company recognized $0.4 million (2015 - $0.6 million) and $1.1 million (2015 - $1.9 million), respectively, of share based compensation related to the performance warrants. At September 30, 2016 there was $0.5 million remaining as unrecognized share based compensation related to the performance warrants. No new performance warrants were granted during the three and nine months ended September 30, 2016.

Purchase Warrants

During the three and nine months ended September 30, 2016, the Company recognized $0.3 million (2015 - $0.5 million) and $1.0 million (2015 - $2.1 million), respectively, of share based compensation related to the purchase warrants. At September 30, 2016 there was $0.5 million remaining as unrecognized share based compensation related to the purchase warrants. No new purchase warrants were granted during the three and nine months ended September 30, 2016.

Share based compensation

The Company accounts for its share based compensation plans using the fair value method. Under this method, compensation cost is charged to earnings over the vesting period for stock options and warrants granted to officers, directors, employees, and consultants with a corresponding increase to contributed surplus.

The fair value of the stock options granted during the nine months ended September 30, 2016 were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	Nine Months Ended September 30	
	2016	2015
Risk-free interest rate (%)	**0.5**	0.5
Expected life (years)	**3.5**	3.5
Expected volatility (%)	**63.3**	54.6
Expected dividend yield (%)	**-**	-
Forfeiture rate (%)	**5.0**	5.7
Weighted average fair value of options granted ($ per option)	**0.63**	0.37

10. PER SHARE AMOUNTS

There were 8.9 million stock options, 7.7 million purchase warrants and 7.5 million performance warrants that were excluded from the weighted-average share calculations for the three and nine month periods ended September 30, 2016 and 2015 because they were anti-dilutive.

The following table summarizes the weighted average number of shares used in the basic and diluted per share calculations:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Weighted average number of shares - basic	**165,227**	165,227	**165,227**	165,227
Dilutive effect of share based compensation plans	**-**	-	**-**	-
Weighted average number of shares - diluted	**165,227**	165,227	**165,227**	165,227

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Restricted cash	**1,131**	-	**1,131**	(1,000)
Accounts receivable	**(289)**	(580)	**912**	1,162
Prepaid expenses and deposits	**(119)**	(77)	**55**	124
Accounts payable and accrued liabilities	**4,410**	3,257	**(6,791)**	(10,127)
Change in non-cash working capital	**5,133**	2,600	**(4,693)**	(9,841)
Relating to:				
Investing	**3,896**	2,195	**(6,208)**	(10,953)
Operating	**1,237**	405	**1,515**	1,112
Change in non-cash working capital	**5,133**	2,600	**(4,693)**	(9,841)

12. COMMITMENTS

The following is a summary of the Company's contractual obligations and commitments at September 30, 2016:

	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Office leases	145	585	496	-	-	-	1,226
Firm transportation agreements	357	3,866	7,883	7,882	6,425	-	26,413
	502	4,451	8,379	7,882	6,425	-	27,639

CORPORATE INFORMATION

OFFICERS AND DIRECTORS

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President, CEO & Director

Nolan Chicoine, MPAcc, CA
VP Finance & CFO

Terry L. Trudeau, P.Eng.
VP Operations & COO

R.D. (Rick) Sereda, M.Sc., P.Geol.
VP Exploration

Helmut R. Eckert, P.Land
VP Land

Peter Cochrane, P.Eng.
VP Engineering

Daryl H. Gilbert, P.Eng.
Chairman of the Board

John A. Brussa, B.A., LL.B.
Director

Don Cowie
Director

Kelvin B. Johnston, P.Geol.
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Forward-Looking Statements

This Interim Report may contain forward-looking information that involves a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: risks associated with the oil and gas industry (e.g. operational risks in exploration, development and production; changes and/or delays in the development of capital assets; uncertainty of reserve estimates; uncertainty of estimates and projections relating to production and costs; commodity price fluctuations; environmental risks; and industry competition).