Q3 2019 RESULTS

FINANCIAL AND OPERATING RESULTS FOR THE
THREE AND NINE MONTHS ENDED **SEPTEMBER 30, 2019**

HIGHLIGHTS

- Achieved adjusted funds flow of $1.8 million in Q3 2019.
- Maintained production at 3,065 boe/d in Q3 2019 from 3,119 boe/d in Q2 2019.
- Maintained working capital of $2.2 million at September 30, 2019.

FINANCIAL RESULTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
($000s, except per share amounts)	**2019**	2018	% Change	**2019**	2018	% Change
OIL AND NATURAL GAS SALES	**6,113**	7,182	(15)	**20,775**	24,935	(17)
CASH FLOW FROM OPERATING ACTIVITIES	**950**	1,975	(52)	**8,367**	12,485	(33)
Per share - basic and diluted	**-**	0.01	(100)	**0.04**	0.06	(33)
ADJUSTED FUNDS FLOW[1]	**1,825**	3,339	(45)	**7,950**	13,074	(39)
Per share - basic	**0.01**	0.02	(50)	**0.04**	0.07	(43)
Per share - diluted	**0.01**	0.02	(50)	**0.04**	0.06	(33)
NET (LOSS) EARNINGS	**(1,181)**	(148)	698	**611**	118	418
Per share - basic and diluted	**(0.01)**	(-)	100	**-**	-	-
CAPITAL EXPENDITURES & ACQUISITIONS	**2,841**	12,155	(77)	**10,837**	26,015	(58)
PROCEEDS ON SALE OF EQUIPMENT[2]	**1,625**	-	100	**4,767**	-	100
WORKING CAPITAL				**2,153**	5,578	(61)
COMMON SHARES OUTSTANDING (000S)						
Weighted average - basic	**200,525**	200,522	-	**200,525**	200,518	-
Weighted average - diluted	**200,525**	200,522	-	**200,710**	204,101	(2)
End of period - basic				**200,525**	200,525	-
End of period - fully diluted				**226,646**	227,082	(-)

1) Adjusted funds flow and adjusted funds flow 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 "Cash Flow from Operating Activities and Adjusted Funds Flow" section in the MD&A for a reconciliation from cash flow from operating activities.

(2) The sale of equipment for proceeds of $4.8 million is exclusive of $2.7 million deposit received in Q4 2018.

OPERATING RESULTS [1]	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	% Change	**2019**	2018	% Change
Daily production						
Oil and NGLs (bbls/d)	**829**	888	(7)	**838**	989	(15)
Natural gas (mcf/d)	**13,414**	14,724	(9)	**13,669**	16,066	(15)
Oil equivalent (boe/d)	**3,065**	3,342	(8)	**3,116**	3,667	(15)
Revenue						
Oil and NGLs ($/bbl)	**47.81**	64.32	(26)	**51.96**	63.71	(18)
Natural gas ($/mcf)	**2.00**	1.42	41	**2.38**	1.76	35
Oil equivalent ($/boe)	**21.68**	23.36	(7)	**24.42**	24.91	(2)
Royalties						
Oil and NGLs ($/bbl)	**-**	5.97	(100)	**-**	2.05	(100)
Natural gas ($/mcf)	**-**	-	-	**-**	-	-
Oil equivalent ($/boe)	**-**	1.59	(100)	**-**	0.55	(100)
Net operating expenses [2]						
Oil and NGLs ($/bbl)	**8.55**	6.11	40	**8.31**	6.87	21
Natural gas ($/mcf)	**0.88**	0.80	10	**0.86**	0.84	2
Oil equivalent ($/boe)	**6.17**	5.13	20	**6.01**	5.52	9
Net transportation and marketing expenses [2]						
Oil and NGLs ($/bbl)	**1.23**	1.05	17	**1.33**	1.65	(19)
Natural gas ($/mcf)	**1.07**	0.47	128	**1.01**	0.43	135
Oil equivalent ($/boe)	**4.99**	2.36	111	**4.79**	2.32	106
Operating netback [2]						
Oil and NGLs ($/bbl)	**38.03**	51.19	(26)	**42.32**	53.14	(20)
Natural gas ($/mcf)	**0.05**	0.15	(67)	**0.51**	0.49	4
Oil equivalent ($/boe)	**10.52**	14.28	(26)	**13.62**	16.52	(18)
Depletion and depreciation ($/boe)	**(9.69)**	(9.60)	1	**(9.53)**	(9.40)	1
General and administrative expenses ($/boe)	**(3.88)**	(3.56)	9	**(4.16)**	(3.63)	15
Share based compensation ($/boe)	**(0.34)**	(1.58)	(78)	**(0.61)**	(3.39)	(82)
Gain (loss) on sale of equipment ($/boe)	**(0.41)**	-	100	**1.69**	-	100
Finance expense ($/boe)	**(0.40)**	(0.25)	60	**(0.33)**	(0.22)	50
Finance income ($/boe)	**0.03**	0.23	(87)	**0.03**	0.25	(88)
Net (loss) earnings ($/boe)	**(4.17)**	(0.48)	769	**0.71**	0.13	446

(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) Net operating expenses, net transportation and marketing expenses and operating netback do 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 and the “Net Operating Expenses”, “Net Transportation and Marketing Expenses” and “Operating Netback” sections in the MD&A for reconciliations from operating expenses, transportation and marketing expenses, and net earnings (loss) per boe, respectively.

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

November 25, 2019

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, 2019 and the audited financial statements and MD&A for the year ended December 31, 2018. 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") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

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 "adjusted funds flow", "adjusted funds flow per share", "operating netback", "net operating expenses", and "net transportation and marketing expenses" 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.

On January 1, 2019, Leucrotta adopted IFRS 16, Leases using the modified retrospective approach and as such prior period comparatives were not restated. The impact of the adoption of IFRS 16 to the non-GAAP measures noted below was an increase of $22 thousand ($0.08/boe) and $64 thousand ($0.07/boe) for the three and nine months ended September 30, 2019, respectively, to adjusted funds flow representing the payment of lease obligations relating to the Company's office lease that were previously recorded as general and administrative expenses. The non-GAAP measures of operating netback, net operating expenses, and net transportation and marketing expenses were not impacted. Refer to the "Significant Accounting Policies" section of this MD&A for further details regarding the adoption of IFRS 16.

Management uses adjusted funds flow 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 abandonment obligations and to repay debt, if any. Adjusted funds flow is a non-GAAP measure and has been defined by the Company as cash flow from operating activities excluding the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents adjusted funds flow per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of net earnings (loss) per share. Adjusted funds flow is reconciled from cash flow from operating activities under the heading "Cash Flow from Operating Activities and Adjusted Funds Flow".

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, net operating expenses, and net transportation and marketing expenses, represents the cash margin for every barrel of oil equivalent sold. Operating netback per boe is reconciled to net earnings (loss) per boe under the heading "Operating Netback".

Net operating expenses is calculated as operating expenses less processing revenues. Management uses net operating expenses to determine the current periods' cash cost of operating expenses less processing revenue and net operating expenses per boe is used to measure operating efficiency on a comparative basis. The measure approximates the Company's operating expenses relative to its produced volumes by excluding third party operating costs.

Net transportation and marketing expenses is calculated as transportation expenses less marketing revenues. Management uses net transportation and marketing expenses to determine the current periods' cash cost of transportation expenses less marketing revenue and net transportation and marketing expenses per boe is used to measure transportation efficiency on a comparative basis as well as the Company's ability to mitigate the cost of excess committed capacity.

UPDATE

In Q3 2019, Leucrotta's capital was spent predominantly on the initial upgrades of the recently acquired Two Rivers Facility. By early Q4 2019, all approvals were received to continue the expansion of the facility to accommodate the previously completed 10-08 Upper Montney well with an anticipated on-stream date of early February 2020. The 10-08 well is expected to add 800-1,000 boe/d (approximately 40% light oil) of initial production.

Production remained relatively stable at 3,065 boe/d for the quarter as wells continue to outperform expectations. Production is estimated to remain fairly flat throughout Q4 2019 with an increase in early 2020 when the 10-08 well is placed on production. Leucrotta's product mix was 27% liquids for Q3 2019 with an estimated increase to over 40% liquids with focus on the volatile oil window combined with the installation of a gas plant capable of increased liquids extraction. Light oil and condensate ultimate recoveries [(1)] within the volatile light

oil window are estimated at over 200 thousand barrels per well based on one-mile laterals. The substantial amount of oil recovered per well combined with low drilling cost yield a competitive finding and development (less than $20 per barrel) even when excluding all the associated gas and liquids.

Leucrotta maintained a strong balance sheet with $2.2 million net positive working capital and a $20 million credit facility at the end of Q3 2019. For the remainder of 2019 and into 2020, Leucrotta will remain conservative and protect the balance sheet given significant volatility seen in both the oil and gas markets. Leucrotta estimates it will continue to have positive working capital at year-end.

During Q4 2019, Leucrotta acquired additional gas transport at stated tolls that will allow the Company to deliver approximately 15 mmcf/d of gas into the Chicago market for 5 years. The delivery to this larger market will reduce the volatility previously experienced in the AECO market.

Leucrotta has been able to materially de-risk a large light oil resource in the Lower Montney over a minimum of 140 net sections of land and is working to de-risk additional Lower Montney lands as well as the Upper Montney and Basal Montney (Below Lower Montney) on Leucrotta's land base. Infrastructure currently in place combined with up to 1,000 de-risked locations [(2)] will allow for Leucrotta to rapidly and materially increase production once the decision is made to move to the development phase.

We look forward to reporting on the results of the new wells and other business developments in the near future.

(1) The estimated ultimate recoveries (EUR) referenced in this MD&A are an internal estimate prepared by a Qualified Reserves Evaluator ("QRE") and are based on an average of the proved plus probable estimates used by GLJ for booked undeveloped horizontal wells in the Lower Montney formation as per the year-end 2018 corporate reserves evaluation effective December 31 2018. The curves represent an internal "best-estimate" expectation.

EUR - Estimated Ultimate Recovery is defined as "those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom.

(2) Potential drilling locations - This MD&A discloses drilling locations in four categories: (i) proved undeveloped locations; (ii) probable undeveloped locations; (iii) unbooked locations; and (iv) an aggregate total of (i), (ii) and (iii).
Of the 1000 total potential/possible locations referenced in the MD&A, only the following have been assigned reserves at December 31, 2018 as independently evaluated by GLJ, in accordance with National Instrument 51-101 ("NI 51-101"):

- 19 Proved Undeveloped
- 34 Probable Undeveloped

The remaining 947 potential/possible locations are unbooked.

Unbooked locations are based on the Company's prospective acreage and internal estimates as to the number of wells that can be drilled per section. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by management as an estimation of the Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

SUMMARY OF FINANCIAL RESULTS	**Three Months Ended September 30**			**Nine Months Ended September 30**		
($000s, except per share amounts)	**2019**	2018	% Change	**2019**	2018	% Change
Oil and natural gas sales	**6,113**	7,182	(15)	**20,775**	24,935	(17)
Cash flow from operating activities	**950**	1,975	(52)	**8,367**	12,485	(33)
Per share - basic and diluted	**-**	0.01	(100)	**0.04**	0.06	(33)
Adjusted funds flow	**1,825**	3,339	(45)	**7,950**	13,074	(39)
Per share - basic	**0.01**	0.02	(50)	**0.04**	0.07	(43)
Per share - diluted	**0.01**	0.02	(50)	**0.04**	0.06	(33)
Net (loss) earnings	**(1,181)**	(148)	698	**611**	118	418
Per share - basic and diluted	**(0.01)**	(-)	100	**-**	-	-
Total assets				**317,652**	310,848	2
Total long-term liabilities				**14,704**	8,826	67
Working capital				**2,153**	5,578	(61)

The Company experienced a decrease in oil and natural gas sales, cash flow from operating activities, and adjusted funds flow for the three and nine months ended September 30, 2019 compared to the same periods in 2018. This was mainly due to lower oil and NGLs commodity prices and the decline of flush production from Q1 2018 resulting from successful drilling at Doe/Mica, BC.

PRODUCTION	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	% Change	**2019**	2018	% Change
Average Daily Production						
Oil and NGLs (bbls/d)	**829**	888	(7)	**838**	989	(15)
Natural gas (mcf/d)	**13,414**	14,724	(9)	**13,669**	16,066	(15)
Combined (boe/d)	**3,065**	3,342	(8)	**3,116**	3,667	(15)

Daily production decreased to 3,065 boe/d and 3,116 boe/d for the three and nine months ended September 30, 2019, respectively, from 3,342 boe/d and 3,667 boe/d for the comparative periods in 2018. The decrease in production was the result of natural declines off flush production in the first half of 2018 from successful drilling in 2017 at Doe/Mica, BC. Production in Q3 2019 remained consistent with 3,119 boe/d in Q2 2019.

Leucrotta's production profile for the third quarter of 2019 was consistent with the comparative quarter in 2018. The Q3 2019 weighting was 73% natural gas (Q3 2018 - 73%) and 27% oil and NGLs (Q3 2018 - 27%).

OIL AND NATURAL GAS SALES	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018	% Change	**2019**	2018	% Change
Oil and NGLs	**3,645**	5,256	(31)	**11,889**	17,204	(31)
Natural gas	**2,468**	1,926	28	**8,886**	7,731	15
Total	**6,113**	7,182	(15)	**20,775**	24,935	(17)
Average Sales Price						
Oil and NGLs ($/bbl)	**47.81**	64.32	(26)	**51.96**	63.71	(18)
Natural gas production sales and transportation revenue ($/mcf)	**2.00**	1.42	41	**2.38**	1.76	35
Combined ($/boe)	**21.68**	23.36	(7)	**24.42**	24.91	(2)

Revenue totaled $6.1 million and $20.8 million for the three and nine months ended September 30, 2019, respectively, compared to $7.2 million and $24.9 million for the comparative periods in 2018. The decrease was mainly due to the decline in production from the comparative periods and lower oil and NGLs pricing partially mitigated by higher natural gas pricing.

PROCESSING AND MARKETING REVENUE	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018	% Change	**2019**	2018	% Change
Sale of purchased natural gas	**-**	66	(100)	**-**	361	(100)
Processing revenue	**132**	185	(29)	**410**	607	(32)
Marketing revenue	**27**	152	(82)	**178**	456	(61)
Total	**159**	403	(61)	**588**	1,424	(59)

The purchase and sale of natural gas is done to optimize firm transportation capacity. See also "Net transportation and marketing expenses" section.

Processing revenue relates to fees received from third parties for gas processed through the Company's gas plant. Marketing revenue relates to unutilized firm transportation assigned to third parties for a contracted fee in which the Company receives a premium.

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		
	2019	2018	% Change	**2019**	2018	% Change
Oil and NGLs						
Corporate price ($CDN/bbl)	**47.81**	64.32	(26)	**51.96**	63.71	(18)
Canadian light sweet ($CDN/bbl)	**69.26**	75.64	(8)	**69.58**	74.52	(7)
West Texas Intermediate ("WTI") ($US/bbl)	**56.47**	69.46	(19)	**57.04**	66.74	(15)
Natural gas						
Corporate price ($CDN/mcf)	**2.00**	1.42	41	**2.38**	1.76	35
AECO ($CDN/mcf)	**1.00**	1.28	(22)	**1.57**	1.51	4
Chicago City Gate ($US/mmbtu)	**2.10**	2.77	(24)	**2.48**	2.79	(11)
Exchange rate						
$US/$CAD exchange rate	**0.7573**	0.7651	(1)	**0.7524**	0.7769	(3)

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 sales points and marketing contracts negotiated for products, 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 as well as the diversification of sales points and marketing contracts for products.

The Company's corporate average oil and NGLs prices were 69.0% and 74.7% of Canadian light sweet prices for the three and nine months ended September 30, 2019, respectively, down from 85.0% and 85.5% for the comparative periods in 2018 mainly due to significant declines in butane and propane prices that are not linked to the Canadian light sweet index price. Leucrotta's liquids mix during the third quarter of 2019 was approximately 67% oil, condensate and pentanes, 11% butane and 22% propane (Q3 2018 - 66% oil, condensate and pentanes, 11% butane and 23% propane).

Corporate average natural gas prices were 200.0% and 151.6% of AECO prices for the three and nine months ended September 30, 2019, respectively, up from 110.9% and 116.6% for the comparative periods in 2018 due to new marketing contracts in effect for 2019 with a portion of natural gas sales priced off indexes other than AECO. The Company received Chicago indexed pricing on the first 7,000 mcf/d, AECO pricing plus $0.31/mcf on the next 6,000 mcf/d, and ATP pricing on production above this in the Doe/Mica core area. The impact of this market diversification contract was more significant in Q3 2019 due to AECO prices declining 22% from Q3 2018 to Q3 2019 but realized pricing increased 41% from the comparative period in 2018.

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 has a natural gas physical production sales contract to sell 7,932 MMBtu/d at USD $2.26/MMBtu from May 1, 2019 to October 31, 2019.

ROYALTIES	**Three Months Ended September 30**			**Nine Months Ended September 30**		
($000s)	**2019**	2018	% Change	**2019**	2018	% Change
Oil and NGLs	**-**	488	(100)	**-**	553	(100)
Natural gas	**-**	-	-	**-**	-	-
Total	**-**	488	(100)	**-**	553	(100)
Average Royalty Rate (% of sales)						
Oil and NGLs	**-**	9.3	(100)	**-**	3.2	(100)
Natural gas	**-**	-	-	**-**	-	-
Combined	**-**	6.8	(100)	**-**	2.2	(100)

The Company pays royalties to provincial governments (Crown). 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.

During the three and nine months ended September 30, 2019, the Company realized credits of $0.4 million (September 30, 2018 - $nil) and $1.6 million (September 30, 2018 - $1.4 million), respectively, to offset royalties otherwise payable. These credits stem from the British Columbia Government's Infrastructure Royalty Credit Program resulting from infrastructure built and wells drilled and tied-into the related infrastructure and has $0.7 million of credits remaining.

Further credits to reduce royalties are expected in the future as royalties continue to be payable on wells already tied-into completed and approved infrastructure projects and as new infrastructure is built and wells are drilled and tied-into related infrastructure that was approved for credits under the program and become royalty payable. The timing of receipt of future credits is dependent on commodity prices and production levels and thus cannot be readily forecast; correspondingly, royalty rates reported in future quarters will vary, likely materially, as these credits are recognized. This credit program is in addition to BC's Natural Gas Deep Well Royalty Credit Program where the Company currently has $1.3 million in remaining royalty credits.

NET OPERATING EXPENSES	**Three Months Ended September 30**			**Nine Months Ended September 30**		
($000s)	**2019**	2018	% Change	**2019**	2018	% Change
Oil and NGLs	**653**	499	31	**1,902**	1,856	2
Natural gas	**1,219**	1,263	(3)	**3,620**	4,281	(15)
Operating expenses	**1,872**	1,762	6	**5,522**	6,137	(10)
Less: processing revenue	**(132)**	(185)	(29)	**(410)**	(607)	(32)
Net operating expenses (non-GAAP)	**1,740**	1,577	10	**5,112**	5,530	(8)
Average net operating expenses						
Oil and NGLs ($/bbl)	**8.55**	6.11	40	**8.31**	6.87	21
Natural gas ($/mcf)	**0.88**	0.80	10	**0.86**	0.84	2
Combined ($/boe)	**6.17**	5.13	20	**6.01**	5.52	9

Per unit net operating expenses were $6.17/boe and $6.01 /boe for the three and nine months ended September 30, 2019, respectively, up from $5.13/boe and $5.52/boe in the comparative periods in 2018. The increase for the three and nine months ended September 30, 2019 from the comparative periods in 2018 in oil and NGLs net operating expenses per boe was the result of putting the Mica 13-07 light oil well back on production which has higher operating costs associated. The Company also faced increased maintenance costs, carbon taxes and property taxes. Net operating costs for Q3 2019 have decreased from $6.86/boe in Q2 2019.

NET TRANSPORTATION AND MARKETING EXPENSES	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018	% Change	**2019**	2018	% Change
Oil and NGLs transportation	**94**	85	11	**305**	444	(31)
Natural gas transportation	**1,341**	793	69	**3,947**	2,428	63
Transportation expenses	**1,435**	878	63	**4,252**	2,872	48
Purchased natural gas	**-**	65	(100)	**-**	270	(100)
Transportation and marketing expenses	**1,435**	943	52	**4,252**	3,142	35
Less: sale of purchased natural gas	**-**	(66)	(100)	**-**	(361)	(100)
Less: marketing revenue	**(27)**	(152)	(82)	**(178)**	(456)	(61)
Net transportation and marketing expenses (non-GAAP)	**1,408**	725	94	**4,074**	2,325	75
Average net transportation and marketing expenses						
Oil and NGLs ($/bbl)	**1.23**	1.05	17	**1.33**	1.65	(19)
Natural gas ($/mcf)	**1.07**	0.47	128	**1.01**	0.43	135
Combined ($/boe)	**4.99**	2.36	111	**4.79**	2.32	106

Net transportation and marketing expenses are mainly third-party pipeline tariffs from firm transportation agreements to deliver production to the purchasers at main hubs. Net transportation and marketing expenses increased to $4.99/boe and $4.79/boe for the three and nine months ended September 30, 2019, respectively, compared to $2.36/boe and $2.32/boe for the comparative periods in 2018.

The significant increase in natural gas transportation during the three and nine months ended September 30, 2019 compared to the same periods in 2018 was mainly due to the Company transporting natural gas to Chicago to receive higher Chicago indexed pricing on a portion of the Company's production.

OPERATING NETBACK	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	% Change	**2019**	2018	% Change
Oil and NGLs ($/bbl)						
Revenue	**47.81**	64.32	(26)	**51.96**	63.71	(18)
Royalties	**-**	(5.97)	(100)	**-**	(2.05)	(100)
Net operating expenses	**(8.55)**	(6.11)	40	**(8.31)**	(6.87)	21
Net transportation and marketing expenses	**(1.23)**	(1.05)	17	**(1.33)**	(1.65)	(19)
Operating netback	**38.03**	51.19	(26)	**42.32**	53.14	(20)
Natural gas ($/mcf)						
Revenue	**2.00**	1.42	41	**2.38**	1.76	35
Royalties	**-**	-	-	**-**	-	-
Net operating expenses	**(0.88)**	(0.80)	10	**(0.86)**	(0.84)	2
Net transportation and marketing expenses	**(1.07)**	(0.47)	128	**(1.01)**	(0.43)	135
Operating netback	**0.05**	0.15	(67)	**0.51**	0.49	4
Combined ($/boe)						
Revenue	**21.68**	23.36	(7)	**24.42**	24.91	(2)
Royalties	**-**	(1.59)	(100)	**-**	(0.55)	(100)
Net operating expenses	**(6.17)**	(5.13)	20	**(6.01)**	(5.52)	9
Net transportation and marketing expenses	**(4.99)**	(2.36)	111	**(4.79)**	(2.32)	106
Operating netback	**10.52**	14.28	(26)	**13.62**	16.52	(18)

During the three and nine months ended September 30, 2019, Leucrotta generated an operating netback of $10.52/boe and $13.62/boe, respectively, down from $14.28/boe and $16.52/boe for the comparative periods in 2018. The decrease in oil and NGLs operating netback was mainly due to lower oil and NGLs commodity pricing and higher net operating costs associated with the Mica 13-07 light oil well being put back on production. Higher natural gas prices were realized in 2019 due to a portion of sales receiving Chicago indexed pricing but this was partially offset by the higher net transportation and marketing expenses associated with transporting the natural gas to Chicago. AECO prices for the three months ended September 30, 2019 were down 22% from the comparative quarter in 2018 but up 4% for the nine months ended September 30, 2019 from the comparative period in 2018, therefore negatively impacting Q3 2019 more than the full nine month period in 2019.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($/boe)	**2019**	2018 (1)	% Change	**2019**	2018 (1)	% Change
Operating netback	**10.52**	14.28	(26)	**13.62**	16.52	(18)
Depletion and depreciation	**(9.69)**	(9.60)	1	**(9.53)**	(9.40)	1
General and administrative expenses	**(3.88)**	(3.56)	9	**(4.16)**	(3.63)	15
Share based compensation	**(0.34)**	(1.58)	(78)	**(0.61)**	(3.39)	(82)
Gain (loss) on sale of equipment	**(0.41)**	-	100	**1.69**	-	100
Finance expense	**(0.40)**	(0.25)	60	**(0.33)**	(0.22)	50
Finance income	**0.03**	0.23	(87)	**0.03**	0.25	(88)
Net (loss) earnings	**(4.17)**	(0.48)	769	**0.71**	0.13	446

(1) IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the "Significant Accounting Policies" section of this MD&A.

DEPLETION AND DEPRECIATION	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018 (1)	% Change	**2019**	2018 (1)	% Change
Depletion and depreciation ($000s)	**2,733**	2,951	(7)	**8,107**	9,411	(14)
Depletion and depreciation ($/boe)	**9.69**	9.60	1	**9.53**	9.40	1

(1) IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the "Significant Accounting Policies" section of this MD&A.

The Company calculates depletion on property, plant, and equipment mainly based on proved plus probable reserves. Some facilities in Stoddart and certain gas plant equipment, 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, 2019 was $9.69/boe and $9.53/boe, respectively, consistent with $9.60/boe and $9.40/boe for the comparative periods in 2018.

Included in depletion and depreciation expense for the three and nine months ended September 30, 2019, is $23 thousand (September 30, 2018 - $nil) and $68 thousand (September 30, 2018 - $nil), respectively, related to the right-of-use asset for the Company's head office lease and $nil (September 30, 2018 - $nil) and $63 thousand (September 30, 2018 - $nil), respectively, related to land lease expiries.

GENERAL AND ADMINISTRATIVE	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018 (1)	% Change	**2019**	2018 (1)	% Change
G&A expenses (gross)	**1,176**	1,261	(7)	**3,743**	4,021	(7)
G&A capitalized	**(80)**	(165)	(52)	**(204)**	(390)	(48)
G&A recoveries	**(1)**	-	100	**(3)**	(2)	50
G&A expenses (net)	**1,095**	1,096	(-)	**3,536**	3,629	(3)
G&A expenses ($/boe)	**3.88**	3.56	9	**4.16**	3.63	15

(1) IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the "Significant Accounting Policies" section of this MD&A.

General and administrative ("G&A") expenses were $3.88/boe and $4.16/boe for the three and nine months ended September 30, 2019, respectively, compared to $3.56/boe and $3.63/boe for the comparative periods in 2018. G&A expenses in the first nine months of 2019 were consistent to the comparative periods in 2018 but increased on a per boe basis due to decreased production in 2019 compared to 2018.

SHARE BASED COMPENSATION	Three Months Ended September 30			Nine Months Ended September 30		
	2019	2018	% Change	**2019**	2018	% Change
Share based compensation ($000s)	**96**	486	(80)	**516**	3,398	(85)
Share based compensation ($/boe)	**0.34**	1.58	(78)	**0.61**	3.39	(82)

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.

Share based compensation expense decreased to $0.1 million and $0.5 million for the three and nine months ended September 30, 2019, respectively, compared to $0.5 million and $3.4 million for the comparative periods in 2018. In May 2018, the expiry term for previously granted stock options, performance warrants and purchase warrants was extended to 6 years from the original term of 4 or 5 years. The incremental fair value of the modifications was $3.8 million and $3.4 million was recognized during the nine months ended September 30, 2018 based on the percentage of modified awards that were vested as at May 30, 2018 with the remaining expense to be recognized ratably as the awards vest. The incremental fair value was estimated immediately before and as at the date of modification using a Black-Scholes-Merton option pricing model.

No stock options or warrants were granted during the three and nine months ended September 30, 2019.

FINANCE EXPENSE	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018 [1]	% Change	**2019**	2018 [1]	% Change
Interest expense	**53**	28	89	**124**	72	72
Accretion of decommissioning obligations	**60**	50	20	**156**	147	6
Finance expense	**113**	78	45	**280**	219	28
Finance expense ($/boe)	**0.40**	0.25	60	**0.33**	0.22	50

(1) IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the "Significant Accounting Policies" section of this MD&A.

Interest expense includes interest payments on the credit facility and the interest expense on lease obligations. Interest expense increased during the nine months ended September 30, 2019 compared to the same period in 2018 due to higher fees for maintaining the credit facility and letters of guarantee.

Accretion expense remained consistent for the three and nine months ended September 30, 2019 compared to the same periods in 2018.

FINANCE INCOME

Finance income relates to interest earned on cash in the bank. Finance income totaled $8 thousand and $21 thousand for the three and nine months ended September 30, 2019, respectively, down from $0.1 million and $0.2 million in the comparative periods in 2018. The decrease corresponds to the decrease in the Company's cash balance over the comparative periods.

DEFERRED INCOME TAXES

The Company has not realized the net deferred income tax asset based on the independently evaluated reserve report as cash flows are not expected to be sufficient to realize the deferred income tax asset at this time.

As the Company has not recognized its deferred income tax asset, there was no financial impact as a result of the Alberta corporate income tax rate reduction that is considered substantively enacted under IFRS for the period ending September 30, 2019.

Estimated tax pools at September 30, 2019 total approximately $320.8 million (December 31, 2018 - $325.3 million).

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

The following is a reconciliation of cash flow from operating activities to adjusted funds flow for the periods noted:

	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018 [1]	% Change	**2019**	2018 [1]	% Change
Cash flow from operating activities	**950**	1,975	(52)	**8,367**	12,485	(33)
Add (deduct):						
Decommissioning expenditures	**56**	82	(32)	**93**	176	(47)
Change in non-cash working capital	**819**	1,282	(36)	**(510)**	413	(223)
Adjusted funds flow (non-GAAP)	**1,825**	3,339	(45)	**7,950**	13,074	(39)

(1) IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the "Significant Accounting Policies" section of this MD&A.

Adjusted funds flow was $1.8 million ($0.01 per basic and diluted share) and $8.0 million ($0.04 per basic and diluted share) for the three and nine months ended September 30, 2019, respectively, compared to $3.3 million ($0.02 per basic and diluted share) and $13.1 million ($0.07 per basic share and $0.06 per diluted share) for the comparative periods in 2018. The decrease was mainly the result of lower production and lower oil and NGLs pricing which was partially offset by higher natural gas pricing with increased net transportation and marketing expenses to transport the natural gas to Chicago.

Cash flow from operating activities decreased for the three and nine months ended September 30, 2019 to $1.0 million ($nil per basic and diluted share) and $8.4 million ($0.04 per basic and diluted share), respectively, from $2.0 million ($0.01 per basic and diluted share) and $12.5 million ($0.06 per basic and diluted share) for the comparative periods in 2018. The decrease period over period is due to similar reasons as stated above. Cash flow from operating activities differs from adjusted funds flow due to the inclusion of changes in non-cash working capital and expenditures on decommissioning obligations.

NET EARNINGS (LOSS)

Net loss for the three months ended September 30, 2019 was $1.2 million ($0.01 per basic and diluted share) compared to $0.1 million ($nil per basic and diluted share) for the comparative period in 2018. For the nine months ended September 30, 2019, the Company had net earnings of $0.6 million ($nil per basic and diluted share) compared to $0.1 million ($nil per basic and diluted share) for the comparative period in 2018.

Despite the aforementioned decrease in cash flow from operating activities during 2019 from 2018, net earnings in 2018 were negatively impacted by non-cash share based compensation expense related to the expiry term extension of existing stock options, performance warrants and purchase warrants in 2018.

CAPITAL EXPENDITURES	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2019**	2018	% Change	**2019**	2018	% Change
Property acquisitions	**52**	-	100	**1,543**	-	100
Land	**228**	248	(8)	**821**	1,278	(36)
Drilling, completions, and workovers	**754**	9,900	(92)	**3,827**	18,992	(80)
Equipment	**1,722**	1,887	(9)	**4,444**	5,296	(16)
Geological and geophysical	**85**	83	2	**202**	387	(48)
Office equipment	**-**	37	(100)	**-**	62	(100)
Total expenditures	**2,841**	12,155	(77)	**10,837**	26,015	(58)

Capital expenditures decreased significantly during the three and nine months ended September 30, 2019 compared to the same periods in 2018. The Company finished completing a liquids-rich Upper Montney well (B8-22) in Mica, BC and drilled an exploratory well in a zone below the Lower Montney zone in Mica, BC. The Company closed three property acquisitions in Two Rivers, BC during the nine months ended September 30, 2019, one being a strategic infrastructure acquisition and the other two undeveloped land acquisitions. During the three months ended September 30, 2019, the Company began the expansion of acquired infrastructure in Two Rivers, BC.

The Company also completed its sale of certain equipment for proceeds of $5.9 million (deposit of $2.7 million was received in Q4 2018 and the remainder in Q1 2019) resulting in a gain on the sale of equipment of $1.6 million. During the three months ended September 30, 2019, the Company sold additional equipment for proceeds of $1.6 million resulting in a marginal loss of $0.1 million.

During the first nine months of 2018 the Company drilled and completed three Lower Montney delineation wells. One well was drilled in Alberta and two wells were drilled at Mica, BC (one drilled north of the Peace River). The Company also tied-in its Mica 12-06 and Mica 1-24 light oil Montney wells which commenced production during the year.

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, 2019**	December 31, 2018	% Change
Current assets	**5,448**	11,131	(51)
Less:			
Current liabilities	**(3,295)**	(9,029)	(64)
Working capital	**2,153**	2,102	2

At September 30, 2019, the Company had working capital of $2.2 million and $nil had been drawn on the credit facility.

The Company has a $20.0 million operating demand loan credit facility with a Canadian chartered bank. The 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. The undrawn portion of the credit facility is subject to a standby fee in the range of 0.20% to 0.45%. At September 30, 2019, the Company had outstanding letters of guarantee of $3.6 million which reduce the amount that can be borrowed under the credit facility.

The Company has $1.2 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 $2.1 million of securities of Leucrotta common shares and a margin payable of $1.2 million. The cross-guarantee is not intended to be long-tem in nature and will be removed as soon as practicable. The cross-guarantee has allowed the President to comply with corporate governance mandates. The $1.2 million has been segregated on the statement of financial position as restricted cash at September 30, 2019 (December 31, 2018 - $1.0 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, 2019:

($000s)	**Total**	**Less than One Year**	**One to Three Years**	**After Three Years**
Accounts payable and accrued liabilities	3,208	3,208	-	-
Lease obligations	190	87	103	-
Decommissioning obligations	14,601	-	-	14,601
Operating leases	466	224	242	-
Firm transportation agreements	8,271	7,652	619	-
Total contractual obligations	26,736	11,171	964	14,601

Transportation commitments include contracts to transport natural gas and NGLs through third-party owned pipeline systems. The Company currently has commitments of 19.7 mmcf/d escalating to 33.3 mmcf/d in November 2019. Subsequent to September 30, 2019, the Company committed to 15.0 mmcf/d of firm transportation to deliver natural gas to Chicago through October 31, 2024 totalling $19.1 million.

Operating leases include month-to-month equipment leases and the non-lease variable components of the head office lease.

OFF BALANCE SHEET ARRANGEMENTS

The Company has certain lease arrangements, all of which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. All leases other than the fixed payment component of the head office lease have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

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, 2019**	November 25, 2019
Voting common shares	**200,525**	200,525
Warrants	**14,965**	14,965
Stock options	**11,156**	11,156
Total	**226,646**	226,646

SUMMARY OF QUARTERLY RESULTS

	Q3 2019	Q2 2019	Q1 2019	Q4 2018 (1)	Q3 2018 (1)	Q2 2018 (1)	Q1 2018 (1)	Q4 2017 (1)
Average Daily Production								
Oil and NGLs (bbls/d)	**829**	861	824	850	888	938	1,144	1,290
Natural gas (mcf/d)	**13,414**	13,550	14,049	14,115	14,724	15,297	18,216	15,071
Combined (boe/d)	**3,065**	3,119	3,166	3,202	3,342	3,487	4,180	3,802
($000s, except per share amounts)								
Oil and natural gas sales	**6,113**	6,560	8,102	7,113	7,182	7,327	10,426	9,301
Cash flow from operating activities	**950**	3,688	3,729	3,764	1,975	4,579	5,931	3,294
Per share - basic and diluted	**-**	0.02	0.02	0.02	0.01	0.02	0.03	0.02
Adjusted funds flow	**1,825**	2,017	4,108	2,875	3,339	3,348	6,387	4,462
Per share - basic and diluted	**0.01**	0.01	0.02	0.01	0.02	0.02	0.03	0.02
Net earnings (loss)	**(1,181)**	(882)	2,674	(161)	(148)	(2,280)	2,546	(5,072)
Per share - basic and diluted	**(0.01)**	(-)	0.01	(-)	(-)	(0.01)	0.01	(0.03)

(1) IFRS 16 was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the "Significant Accounting Policies" section of this MD&A.

Production, oil and natural gas sales, cash flow from operating activities and adjusted funds flow increased significantly in each quarter of 2017 and Q1 2018 from the successful drilling at Doe/Mica, BC. Natural declines on flush production from new wells lowered Q2 2018 to Q3 2019 production. The loss in Q4 2017 was the result of a $6.2 million expense related to non-core exploration and evaluation assets. The increased loss in Q2 2018 from Q1 2018 was the result of non-cash share based compensation expense related to the expiry term extension of existing stock options, performance warrants and purchase warrants. The higher net earnings in Q1 2019 from Q4 2018 was mainly the result of a $1.6 million gain on the sale of equipment and higher oil, NGLs and natural gas commodity pricing.

SIGNIFICANT ACCOUNTING POLICIES

All accounting policies are consistent with those of the previous financial year with the exception of those noted below. Refer to note 3 of the audited financial statements for the year ended December 31, 2018 for the Company's significant accounting policies.

IFRS 16, Leases

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" ("IFRS 16") which provides a single recognition and measurement model for lessees to recognize assets and liabilities for contracts that are, or contain, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The Company includes ROU assets in property, plant, and equipment on the statement of financial position. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition,

the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The average depreciation term of the ROU asset is 2.6 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in earnings if the carrying amount of the ROU asset has been reduced to zero. Lease payments are applied against the lease obligation, with a portion reflected as interest expense using the effective interest rate method. The Company presents the lease liability as its own line item on the statement of financial position.

The Company has elected to use the modified retrospective approach upon adoption and therefore the comparative information has not been restated. The effect of initially applying the standard was a $0.3 million increase to ROU assets, with a corresponding lease liability recorded. The ROU asset was measured at the amount equal to the lease liability on January 1, 2019 with no impact on opening deficit. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate used to determine the lease obligation on adoption was approximately 5.0%. The ROU assets and lease liabilities recognized relate to the Company's head office lease.

The Company has elected to apply the practical expedient of not recognizing right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term and are not considered material at September 30, 2019.

The difference in operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognized on the statement of financial position at January 1, 2019 is primarily due to the impact of discounting using the Company's incremental borrowing rate at January 1, 2019 and a portion of the head office lease being variable and considered a non-lease component.

The following shows the impact of IFRS 16 implementation on the operating lease commitments previously disclosed:

	January 1, 2019
Office lease commitments	**907**
Non-lease component and variable payments included in the above	**(634)**
Lease component of lease commitment	**273**
Impact of discounting	**(19)**
Lease obligation recognized discounted using incremental borrowing rate	**254**

The adoption of IFRS 16 had the following impact on the Company's Q3 2019 financial results, compared to what would have occurred had the new accounting policy not been adopted: cash flow used in financing activities for the three and nine months ended September 30, 2019 was $22 thousand ($0.08/boe) and $64 thousand ($0.07/boe) higher, respectively, due to the deduction of the lease payments while cash flow from operating activities increased $22 thousand ($0.08/boe) and $64 thousand ($0.07/boe), respectively. For the three and nine months ended September 30, 2019, general and administrative expenses decreased by $24 thousand ($0.09/boe) and $72 thousand ($0.08/boe), respectively, offset by increases to depletion and depreciation expense of $23 thousand ($0.08/boe) and $68 thousand ($0.08/boe), respectively, and finance expense of $2 thousand ($0.01/boe) and $8 thousand ($0.01/boe), respectively.

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 and financial position. See note 2d in the notes to the Company's audited financial statements for the year ended December 31, 2018 for full descriptions of the use of estimates and judgments as well as note 3 of the condensed interim financial statements for the period ended September 30, 2019 for estimates, judgments and assumptions on adoption of IFRS 16.

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 adjusted funds flow 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 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, 2019 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. The Company has a natural gas physical production sales contract to sell 7,932 MMBtu/d at USD $2.26/MMBtu from May 1, 2019 to October 31, 2019.

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 billing 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, 2019, $1.6 million (99%) of the Company's outstanding accounts receivable were current and $9 thousand (1%) were outstanding for more than 90 days. During the period ended September 30, 2019, the Company deemed $37 thousand of outstanding accounts receivable to be uncollectable (September 30, 2018 - $nil).

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 a working capital balance of $2.2 million, including $2.3 million of cash, and an available $20.0 million credit facility. 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.

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, and working capital. 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 2019**	December 31 2018
Assets			
Current assets			
Cash and cash equivalents		**2,265**	2,729
Restricted cash		**1,160**	1,000
Accounts receivable		**1,627**	2,896
Prepaid expenses and deposits		**396**	192
Equipment held for sale	(4)	**-**	4,314
		5,448	11,131
Property, plant, and equipment	(5)	**188,263**	187,432
Exploration and evaluation assets	(6)	**123,941**	118,480
		312,204	305,912
		317,652	317,043
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**3,208**	6,673
Current portion of lease obligations	(7)	**87**	-
Credit facility	(8)	**-**	2,356
		3,295	9,029
Lease obligations	(7)	**103**	-
Decommissioning obligations	(9)	**14,601**	9,572
		17,999	18,601
Shareholders' Equity			
Shareholders' capital	(10)	**288,837**	288,837
Contributed surplus		**19,674**	19,074
Deficit		**(8,858)**	(9,469)
		299,653	298,442
		317,652	317,043
Commitments	(16)		
Subsequent event	(16)		

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**	**2019**	2018	**2019**	2018
Revenue					
Oil and natural gas sales	(14)	**6,113**	7,182	**20,775**	24,935
Processing and marketing	(14)	**159**	403	**588**	1,424
Royalties	(14)	**-**	(488)	**-**	(553)
		6,272	7,097	**21,363**	25,806
Expenses					
Operating		**1,872**	1,762	**5,522**	6,137
Transportation and marketing	(15)	**1,435**	943	**4,252**	3,142
Depletion and depreciation	(5,6)	**2,733**	2,951	**8,107**	9,411
General and administrative		**1,095**	1,096	**3,536**	3,629
Share based compensation	(11)	**96**	486	**516**	3,398
Loss (gain) on sale of equipment	(4)	**117**	-	**(1,440)**	-
Finance income		**(8)**	(71)	**(21)**	(248)
Finance expense		**113**	78	**280**	219
		7,453	7,245	**20,752**	25,688
Net (loss) earnings and comprehensive (loss) earnings		**(1,181)**	(148)	**611**	118
Net (loss) earnings per share					
Basic and diluted	(12)	**(0.01)**	(-)	**-**	-

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	Deficit	Total Equity
Balance, December 31, 2017	288,787	14,398	(9,426)	293,759
Net earnings	-	-	118	118
Exercise of stock options	50	(15)	-	35
Share based compensation	-	4,374	-	4,374
Balance, September 30, 2018	288,837	18,757	(9,308)	298,286
Balance, December 31, 2018	288,837	19,074	(9,469)	298,442
Net earnings	**-**	**-**	**611**	**611**
Share based compensation	**-**	**600**	**-**	**600**
Balance, September 30, 2019	**288,837**	**19,674**	**(8,858)**	**299,653**

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 2019	2018	Nine Months Ended September 30 2019	2018
Operating Activities					
Net (loss) earnings		**(1,181)**	(148)	**611**	118
Depletion and depreciation	(5,6)	**2,733**	2,951	**8,107**	9,411
Share based compensation	(11)	**96**	486	**516**	3,398
Finance expense		**113**	78	**280**	219
Interest paid		**(53)**	(28)	**(124)**	(72)
Loss (gain) on sale of equipment	(4)	**117**	-	**(1,440)**	-
Decommissioning expenditures	(9)	**(56)**	(82)	**(93)**	(176)
Change in non-cash working capital	(13)	**(819)**	(1,282)	**510**	(413)
		950	1,975	**8,367**	12,485
Financing Activities					
Credit facility	(8)	**-**	-	**(2,356)**	-
Payment of lease obligations	(7)	**(22)**	-	**(64)**	-
Exercise of stock options		**-**	9	**-**	35
		(22)	9	**(2,420)**	35
Investing Activities					
Capital expenditures - property, plant, and equipment	(5)	**(2,363)**	(2,481)	**(4,897)**	(6,007)
Capital expenditures - exploration and evaluation assets	(6)	**(426)**	(9,674)	**(4,397)**	(20,008)
Property acquisitions	(5,6)	**(52)**	-	**(1,543)**	-
Sale of equipment	(4)	**1,625**	-	**4,767**	-
Change in non-cash working capital	(13)	**758**	455	**(341)**	(5,434)
		(458)	(11,700)	**(6,411)**	(31,449)
Change in cash and cash equivalents		**470**	(9,716)	**(464)**	(18,929)
Cash and cash equivalents, beginning of period		**1,795**	14,534	**2,729**	23,747
Cash and cash equivalents, end of period		**2,265**	4,818	**2,265**	4,818

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, 2018.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 25, 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

The condensed interim 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. Except for the changes described in note 3, 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, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes described below, the condensed interim financial statements have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2018. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

(a) Accounting pronouncement adopted

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" ("IFRS 16") which provides a single recognition and measurement model for lessees to recognize assets and liabilities for contracts that are, or contain, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The Company includes ROU assets in property, plant, and equipment on the statement of financial position. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The average depreciation term of the ROU asset is 2.6 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in earnings if the carrying amount of the ROU asset has been reduced to zero. Lease payments are applied against the lease obligation, with a portion reflected as interest expense using the effective interest rate method. The Company presents the lease liability as its own line item on the statement of financial position.

The Company has elected to use the modified retrospective approach upon adoption and therefore the comparative information has not been restated. The effect of initially applying the standard was a $0.3 million increase to ROU assets, with a corresponding lease liability recorded. The ROU asset was measured at the amount equal to the lease liability on January 1, 2019 with no impact on opening deficit. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate used to determine the lease obligation on adoption was approximately 5.0%. The ROU assets and lease liabilities recognized relate to the Company's head office lease.

The Company has elected to apply the practical expedient of not recognizing right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term and are not considered material at September 30, 2019.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- Incremental borrowing rate: The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the ROU assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term.

- Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

The difference in operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognized on the statement of financial position at January 1, 2019 is primarily due to the impact of discounting using the Company's incremental borrowing rate at January 1, 2019 and a portion of the head office lease being variable and considered a non-lease component.

The following shows the impact of IFRS 16 implementation on the operating lease commitments previously disclosed:

	January 1, 2019
Office lease commitments	**907**
Non-lease component and variable payments included in the above	**(634)**
Lease component of lease commitment	**273**
Impact of discounting	**(19)**
Lease obligation recognized discounted using incremental borrowing rate (note 5 and 7)	**254**

4. EQUIPMENT HELD FOR SALE

	Net Book Value
Balance, December 31, 2017	-
Cost transferred from property, plant, and equipment	4,794
Accumulated depreciation transferred from property, plant, and equipment	(480)
Balance, December 31, 2018	4,314
Sale of equipment	**(4,314)**
Balance, September 30, 2019	**-**

During the nine months ended September 30, 2019, the Company sold certain equipment for proceeds of $5.9 million (USD $4.4 million) resulting in a gain of $1.6 million. During the fourth quarter of 2018, the Company received deposits totaling $2.7 million (USD $2.0 million) relating to the sale with the remaining balance of $3.1 million (USD $2.4 million) received in the first quarter of 2019. The $2.7 million deposit was recognized in cash with an offsetting amount recognized in accounts payable as at December 31, 2018 and upon the sale closing the accounts payable was reversed.

During the three months ended September 30, 2019, the Company sold additional equipment for proceeds of $1.6 million resulting in a loss of $0.1 million.

5. PROPERTY, PLANT, AND EQUIPMENT

Cost	Total
Balance, December 31, 2017	192,078
Additions	9,284
Transfer from exploration and evaluation assets	37,167
Transfer to equipment held for sale	(4,794)
Change in decommissioning obligations	830
Capitalized share based compensation	217
Balance, December 31, 2018	234,782
Property acquisition	**1,556**
Additions	**4,897**
Dispositions	**(2,000)**
Change in decommissioning obligations	**3,868**
Initial recognition of right-of-use assets (note 3)	**254**
Capitalized share based compensation	**42**
Balance, September 30, 2019	**243,399**

Accumulated Depletion, Depreciation, and Impairment	Total
Balance, December 31, 2017	35,683
Transfer to equipment held for sale	(480)
Depletion and depreciation	12,147
Balance, December 31, 2018	47,350
Dispositions	**(258)**
Depletion and depreciation	**8,044**
Balance, September 30, 2019	**55,136**

Net Book Value	Total
December 31, 2018	187,432
September 30, 2019	**188,263**

The Company closed a property acquisition during the nine months ended September 30, 2019 for cash consideration of $0.5 million. Net assets acquired consisted of strategic pipeline and facility infrastructure in the Company's core Montney area less decommissioning obligations acquired of $1.1 million. There are no producing wells and no reserves assigned to the wells acquired through the transaction.

During the three and nine months ended September 30, 2019, $40 thousand (September 30, 2018 - $0.1 million) and $0.1 million (September 30, 2018 - $0.2 million), respectively, of directly attributable general and administrative costs were capitalized as expenditures on property, plant, and equipment.

Depletion and depreciation

The calculation of depletion and depreciation expense as at September 30, 2019 included an estimated $328.2 million (September 30, 2018 - $166.1 million) for future development costs associated with proved plus probable undeveloped reserves and excluded approximately $3.8 million (September 30, 2018 - $3.7 million) for the estimated salvage value of production equipment and facilities.

Included in depletion and depreciation expense for the three and nine months ended September 30, 2019, is $23 thousand and $68 thousand, respectively, related to the right-of-use asset for the Company's head office lease. At September 30, 2019, the net book value of this right-of-use asset is $0.2 million.

6. EXPLORATION AND EVALUATION ASSETS

	Total
Balance, December 31, 2017	127,422
Additions	27,396
Transfer to property, plant, and equipment	(37,167)
Capitalized share based compensation	829
Balance, December 31, 2018	118,480
Property acquisitions	**1,085**
Additions	**4,397**
Land lease expiries	**(63)**
Capitalized share based compensation	**42**
Balance, September 30, 2019	**123,941**

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. The Company closed two property acquisitions during the nine months ended September 30, 2019 for cash consideration of $1.1 million. Net assets acquired consisted of undeveloped land in the Company's core Montney area.

During the three and nine months ended September 30, 2019, $40 thousand (September 30, 2018 - $0.1 million) and $0.1 million (September 30, 2018 - $0.2 million), respectively, of directly attributable general and administrative costs were capitalized as expenditures on exploration and evaluation assets.

Land lease expiries for the three and nine months ended September 30, 2019 were $nil (September 30, 2018 - $nil) and $63 thousand (September 30, 2018 - $nil), respectively, and have been included in depletion and depreciation expense.

7. LEASE OBLIGATIONS

Effective January 1, 2019, the Company applied the IFRS 16 accounting policy and recognized its office lease contract as a right-of-use asset. Lease obligations are discounted with an effective interest rate of 5.0% and right-of-use asset is amortized based on the lease term. The Company's office lease expires October 31, 2021 and has no renewal option in the lease agreement.

	Total
Balance, December 31, 2018	**-**
Liabilities recognized on adoption of IFRS 16 (note 3)	**254**
Lease payments	**(72)**
Interest expense	**8**
Balance, September 30, 2019	**190**
Current	**87**
Long-term	**103**
	190

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is $0.2 million. The Company's minimum lease payments are as follows:

	September 30, 2019
Within one year	96
Later than one year but not later than two years	96
Later than two years	8
Minimum lease payments	200
Amount representing interest expense	(10)
Present value of net lease payments	**190**

8. CREDIT FACILITY

The Company has a $20.0 million operating demand loan credit facility with a Canadian chartered bank. The 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. The undrawn portion of the credit facility is subject to a standby fee in the range of 0.20% to 0.45%. At September 30, 2019, $nil had been drawn on the credit facility. At September 30, 2019, the Company had outstanding letters of guarantee of $3.6 million which reduce the amount that can be borrowed under the credit facility.

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, 2019.

9. 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 $20.1 million (December 31, 2018 - $15.7 million) which is estimated to be incurred over the next 31 years. At September 30, 2019, a risk-free rate of 1.54% (December 31, 2018 - 2.12%) was used to calculate the net present value of the decommissioning obligations.

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Balance, beginning of period	**9,572**	8,718
Provisions incurred	**65**	458
Provisions settled	**(93)**	(176)
Property acquisitions (note 5)	**1,098**	-
Revisions in estimated cash flows	**56**	301
Revisions due to change of discount rates	**3,747**	71
Accretion	**156**	200
Balance, end of period	**14,601**	9,572

Included in revisions due to change of discount rates is $2.3 million resulting from the difference between the fair value discount rate on the acquisition date and the subsequent revaluation using the risk-free rate.

10. 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, 2017	200,497	288,787
Exercise of stock options	28	50
Balance, December 31, 2018 and September 30, 2019	**200,525**	**288,837**

11. SHARE BASED COMPENSATION PLANS

Stock options

The Company has authorized and reserved for issuance 20.1 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, 2019, 11.2 million options were outstanding at a weighted average exercise price of $1.25 per share.

	Number of Options	**Weighted Average Exercise Price ($)**
Balance, December 31, 2017	11,470	1.25
Granted	25	1.70
Exercised	(28)	1.24
Forfeited	(45)	1.47
Balance, December 31, 2018	11,422	1.25
Forfeited	**(266)**	**1.28**
Balance, September 30, 2019	**11,156**	**1.25**
Exercisable, September 30, 2019	**10,294**	**1.20**

During the three and nine months ended September 30, 2019, the Company recognized $0.1 million (September 30, 2018 - $0.5 million) and $0.4 million (September 30, 2018 - $2.4 million), respectively, of share based compensation related to the stock options (including the stock option modification, see below). At September 30, 2019 there was $0.2 million remaining as unrecognized share based compensation related to both the original stock option grants and the modification incremental fair value.

Stock option modification

In May 2018, the expiry term for previously granted stock options was extended to 6 years from the original term of 4 or 5 years. The incremental fair value of the stock option modification was $1.5 million and $1.4 million was recognized during the nine months ended September 30, 2018 based on the percentage of modified options that were vested. The incremental fair value was estimated immediately before and as at the date of modification using a Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	Prior to modification	Post modification
Risk-free interest rate (%)	1.9	2.0
Expected life (years)	1.8	3.5
Expected volatility (%)	39.4	45.5
Expected dividend yield (%)	-	-
Forfeiture rate (%)	-	-
Weighted average fair value of options granted ($ per option)	0.86	0.99

Performance Warrants

The Company has 7.3 million performance warrants outstanding to certain officers, directors, employees, and consultants to purchase common shares at an exercise price of $1.70 expiring on August 15, 2020 that are subject to both time vesting, which has been met, and performance vesting as follows:

30 day Volume Weighted Average Trading Price of the Common Shares ($)	Percentage of Warrants Vested
1.87	20%
2.04	40%
2.21	60%
2.38	80%
2.55	100%

	Number of Warrants	Exercise Price
Balance, December 31, 2017	7,491	1.70
Forfeited	(6)	1.70
Balance, December 31, 2018	7,485	1.70
Forfeited	(170)	1.70
Balance, September 30, 2019	**7,315**	**1.70**

During the three and nine months ended September 30, 2019, the Company recognized $nil (September 30, 2018 - $0.1 million) and $0.2 million (September 30, 2018 - $0.7 million), respectively, of share based compensation related to the performance warrants (including the performance warrant modification, see below). At September 30, 2019 there was $nil remaining as unrecognized share based compensation related to the performance warrants.

Performance warrant modification

In May 2018, the expiry term for previously granted performance warrants was extended to 6 years from the original term of 5 years. The incremental fair value of the performance warrant modification was $1.0 million and $0.7 million was recognized during the nine months ended September 30, 2018 based on the percentage of modified performance warrants that were vested. The incremental fair value was estimated immediately before and as at the date of modification using a Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	Prior to modification	Post modification
Risk-free interest rate (%)	1.9	1.9
Expected life (years)	1.2	2.2
Expected volatility (%)	36.0	38.0
Expected dividend yield (%)	-	-
Forfeiture rate (%)	-	-
Weighted average fair value of warrants granted ($ per warrant)	0.32	0.45

Purchase Warrants

The Company has 7.65 million purchase warrants outstanding to certain officers, directors, employees, and consultants to purchase common shares at an exercise price of $2.04 expiring on September 15, 2020 that are fully vested.

	Number of Warrants	Exercise Price
Balance, December 31, 2017 and 2018 and September 30, 2019	**7,650**	**2.04**
Exercisable, September 30, 2019	**7,650**	**2.04**

During the three and nine months ended September 30, 2019, the Company recognized $nil (September 30, 2018 - $nil) and $nil (September 30, 2018 - $1.3 million), respectively, of share based compensation related to the purchase warrants (including the purchase warrant modification, see below). At September 30, 2019 there was $nil remaining as unrecognized share based compensation related to the purchase warrants.

Purchase warrant modification

In May 2018, the expiry term for previously granted purchase warrants was extended to 6 years from the original term of 5 years. The incremental fair value of the purchase warrant modification was $1.3 million and $1.3 million was recognized during the nine months ended September 30, 2018 based on the percentage of modified purchase warrants that were vested. The incremental fair value was estimated immediately before and as at the date of modification using a Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	Prior to modification	Post modification
Risk-free interest rate (%)	1.9	1.9
Expected life (years)	1.3	2.3
Expected volatility (%)	35.3	39.7
Expected dividend yield (%)	-	-
Forfeiture rate (%)	-	-
Weighted average fair value of warrants granted ($ per warrant)	0.28	0.44

12. PER SHARE AMOUNTS

The following table summarizes the weighted average number of shares used in the basic and diluted net earnings (loss) per share calculations:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Weighted average number of shares - basic	**200,525**	200,522	**200,525**	200,518
Dilutive effect of share based compensation plans	**-**	-	**185**	3,583
Weighted average number of shares - diluted	**200,525**	200,522	**200,710**	204,101

For the three months ended September 30, 2019, 11.2 million stock options (September 30, 2018 - 11.4 million), 7.7 million purchase warrants (September 30, 2018 - 7.7 million) and 7.3 million performance warrants (September 30, 2018 - 7.5 million) were anti-dilutive due to the net loss.

For the nine months ended September 30, 2019, 9.1 million stock options (September 30, 2018 - 2.6 million), 7.7 million purchase warrants (September 30, 2018 - 7.7 million) and 7.3 million performance warrants (September 30, 2018 - nil) were anti-dilutive and were not included in the diluted net earnings per share calculation.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Restricted cash	**-**	-	**(160)**	-
Accounts receivable	**(352)**	(847)	**1,269**	1,022
Prepaid expenses and deposits	**(353)**	(183)	**(204)**	(41)
Accounts payable and accrued liabilities	**644**	203	**(3,465)**	(6,828)
Deposit on equipment held for sale (note 4)	**-**	-	**2,729**	-
Change in non-cash working capital	**(61)**	(827)	**169**	(5,847)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Relating to:				
Investing	**758**	455	**(341)**	(5,434)
Operating	**(819)**	(1,282)	**510**	(413)
Change in non-cash working capital	**(61)**	(827)	**169**	(5,847)

14. REVENUE

The Company sells its production pursuant to fixed or variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Under the contracts, the Company is required to deliver variable volumes of oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table presents the Company's oil and natural gas revenues disaggregated by revenue source:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Oil and condensate	**3,211**	4,150	**9,996**	13,971
Other natural gas liquids	**434**	1,106	**1,893**	3,233
Natural gas	**2,468**	1,926	**8,886**	7,731
Oil and natural gas sales	**6,113**	7,182	**20,775**	24,935

Under certain marketing arrangements the Company will transfer title of its natural gas production to a third-party marketing company who will subsequently redeliver the natural gas production to an end customer by utilizing the Company's pipeline capacity. This portion representing the sale of transportation services is presented within natural gas revenue which is disaggregated in the below table by type:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Natural gas production sales	**1,433**	1,181	**5,576**	5,486
Transportation revenue	**1,035**	745	**3,310**	2,245
Natural gas sales	**2,468**	1,926	**8,886**	7,731

The following table presents the Company's processing and marketing revenues disaggregated by revenue source:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Sale of purchased natural gas	**-**	66	**-**	361
Processing revenue	**132**	185	**410**	607
Marketing revenue	**27**	152	**178**	456
Processing and marketing revenue	**159**	403	**588**	1,424

The Company's revenue was generated entirely in the province of British Columbia. The majority of revenue resulted from sales whereby the transaction price was based on index prices. Of total oil and natural gas sales, three customers represented combined

sales of 84% for the nine month period ended September 30, 2019 (September 30, 2018 – two customers represented combined sales of 95%).

During the three and nine months ended September 30, 2019, the Company realized credits of $0.4 million (September 30, 2018 - $nil) and $1.6 million (September 30, 2018 - $1.4 million), respectively, to offset royalties otherwise payable. These credits stem from the British Columbia Government's Infrastructure Royalty Credit Program resulting from infrastructure built and wells drilled and tied-into the related infrastructure and has $0.7 million of credits remaining.

The Company has a natural gas physical production sales contract to sell 7,932 MMBtu/d at USD $2.26/MMBtu from May 1, 2019 to October 31, 2019.

15. TRANSPORTATION AND MARKETING EXPENSES

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2019	2018	**2019**	2018
Pipeline tariffs from firm transportation agreements	**1,435**	878	**4,252**	2,872
Purchased natural gas	**-**	65	**-**	270
Transportation and marketing expenses	**1,435**	943	**4,252**	3,142

16. COMMITMENTS

The following is a summary of the Company's contractual obligations and commitments at September 30, 2019:

	2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Operating leases	56	224	186	-	-	-	466
Firm transportation agreements	1,979	6,292	-	-	-	-	8,271
	2,035	6,516	186	-	-	-	8,737

Transportation commitments include contracts to transport natural gas and NGLs through third-party owned pipeline systems. The Company currently has commitments of 19.7 mmcf/d escalating to 33.3 mmcf/d in November 2019. Subsequent to September 30, 2019, the Company committed to 15.0 mmcf/d of firm transportation to deliver natural gas to Chicago through October 31, 2024 totalling $19.1 million.

Operating leases include short-term equipment leases and the non-lease variable components of the head office lease.

CORPORATE INFORMATION

OFFICERS AND DIRECTORS

Robert J. Zakresky, CA
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.
Director

Brian Krausert, B.Sc.
Director

Tom J. Medvedic, CA
Director

BANK

National Bank of Canada
1800, 311 – 6th Avenue SW
Calgary, Alberta T2P 3H2

LEGAL COUNSEL

Gowling WLG (Canada) LLP
1600, 421 – 7th Avenue SW
Calgary, Alberta T2P 4K9

INDEPENDENT ENGINEERS

GLJ Petroleum Consultants Ltd.
4100, 400 – 3rd Avenue SW
Calgary, Alberta T2P 4H2

TRANSFER AGENT

Computershare
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

AUDITORS

KPMG LLP
3100, 205 – 5th Avenue SW
Calgary, Alberta T2P 4B9

For further information, please visit our website at **www.leucrotta.ca** or contact:

Robert J. Zakresky
President & CEO
P 403.705.4525

Nolan Chicoine
VP Finance & CFO
P 403.705.4525

Leucrotta Exploration Inc.
Suite 700, 639 – 5th Avenue SW
Calgary, Alberta T2P 0M9
P 403.705.4525
F 403.705.4526

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).