LEUCROTTA EXPLORATION INC.

Q2 2015 FINANCIAL & OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

HIGHLIGHTS

- Increased cash and working capital to $83.5 million by sale of assets for $79.3 million.
- Increased Montney land position in the Greater Dawson area to 172 net sections.
- Subsequent to quarter-end:
  - Reduced pipeline commitments, pending formal assignment, to increase financial and capital flexibility
  - Approved a capital budget of $20 million for the remainder of 2015 and Q1 2016
  - Completed the Stoddart facilities allowing the previously drilled and tested Baldonnel light oil well to commence production

Leucrotta commenced active oil and natural gas operations on August 6, 2014 as a result of the closing of an arrangement agreement between Leucrotta, Crocotta Energy Inc. ("Crocotta") and Long Run Exploration Ltd. ("Long Run") whereby Crocotta transferred its oil and natural gas assets located in British Columbia ("BC Assets") to Leucrotta (the "Arrangement"). Long Run acquired all of the issued and outstanding common shares of Crocotta in exchange for 0.415 of a common share of Long Run. Immediately prior to the exchange for Long Run common shares, Crocotta transferred the BC Assets to Leucrotta and each Crocotta shareholder received 1.0 common share of Leucrotta and 0.2 of a Leucrotta common share purchase warrant.

The financial and operating results below present the historic financial position, results of operations and cash flows of the transferred BC Assets for all prior periods up to and including August 6, 2014 on a carve-out basis as if they had operated as a stand-alone entity subject to Crocotta's control (carve-out financial statements). The financial position, results of operations and cash flows from June 10, 2014 (the date of incorporation of Leucrotta) to August 6, 2014 include both the BC Assets and Leucrotta on a combined basis and from August 6, 2014 forward include the actual historical results of Leucrotta after assuming the BC Assets upon close of the Arrangement.

FINANCIAL	**Three Months Ended June 30**			**Six Months Ended June 30**		
($000s, except per share amounts)	**2015**	2014	% Change	**2015**	2014	% Change
Oil and natural gas sales	**2,777**	7,110	(61)	**7,068**	14,935	(53)
Funds from (used in) operations[1]	**(207)**	3,626	(106)	**959**	8,474	(89)
Per share - basic and diluted	**-**	0.03	(100)	**0.01**	0.08	(88)
Net earnings	**31,519**	887	3,453	**29,703**	3,062	870
Per share - basic and diluted	**0.19**	0.01	1,800	**0.18**	0.03	500
Capital expenditures and acquisitions	**4,168**	16,609	(75)	**21,817**	36,339	(40)
Proceeds from property dispositions	**79,342**	-	100	**79,342**	-	100
Working capital				**83,487**	125	66,690
Common shares outstanding (000s)						
Weighted average - basic and diluted	**165,227**	105,613	56	**165,227**	105,613	56
End of period - basic				**165,227**	-	100
End of period - diluted				**185,074**	-	100

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

OPERATING RESULTS [2]	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Daily production						
Oil and NGLs (bbls/d)	**243**	337	(28)	**314**	347	(10)
Natural gas (mcf/d)	**7,320**	9,330	(22)	**9,362**	9,043	4
Oil equivalent (boe/d)	**1,463**	1,892	(23)	**1,874**	1,854	1
Revenue						
Oil and NGLs ($/bbl)	**48.46**	87.74	(45)	**45.07**	90.68	(50)
Natural gas ($/mcf)	**2.56**	5.21	(51)	**2.66**	5.65	(53)
Oil equivalent ($/boe)	**20.86**	41.30	(49)	**20.83**	44.51	(53)
Royalties						
Oil and NGLs ($/bbl)	**5.26**	1.96	168	**5.18**	2.20	135
Natural gas ($/mcf)	**0.01**	0.15	(93)	**0.06**	0.16	(63)
Oil equivalent ($/boe)	**0.90**	1.11	(19)	**1.16**	1.21	(4)
Production expenses						
Oil and NGLs ($/bbl)	**8.61**	6.83	26	**7.38**	6.85	8
Natural gas ($/mcf)	**1.43**	1.14	25	**1.23**	1.14	8
Oil equivalent ($/boe)	**8.58**	6.83	26	**7.38**	6.85	8
Transportation expenses						
Oil and NGLs ($/bbl)	**2.63**	2.82	(7)	**2.71**	2.62	3
Natural gas ($/mcf)	**0.32**	0.16	100	**0.29**	0.16	81
Oil equivalent ($/boe)	**2.03**	1.30	56	**1.88**	1.26	49
Operating netback [1]						
Oil and NGLs ($/bbl)	**31.96**	76.13	(58)	**29.80**	79.01	(62)
Natural gas ($/mcf)	**0.80**	3.76	(79)	**1.08**	4.19	(74)
Oil equivalent ($/boe)	**9.35**	32.06	(71)	**10.41**	35.19	(70)
Depletion and depreciation ($/boe)	**(7.56)**	(12.50)	(40)	**(7.87)**	(11.49)	(32)
General and administrative expenses ($/boe)	**(10.78)**	(4.05)	166	**(7.88)**	(3.80)	107
Share based compensation ($/boe)	**(12.21)**	(1.16)	953	**(8.96)**	(1.05)	753
Finance expenses ($/boe)	**(0.81)**	(7.02)	(88)	**(0.47)**	(6.22)	(92)
Finance income ($/boe)	**0.42**	-	100	**0.54**	-	100
Gain on sale of assets ($/boe)	**343.66**	-	100	**134.80**	-	100
Deferred tax expense ($/boe)	**(85.24)**	(2.19)	3,792	**(33.04)**	(3.52)	839
Net earnings ($/boe)	**236.83**	5.14	4,508	**87.53**	9.11	861

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

(2) "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.

PRESIDENT'S MESSAGE

In Q2 2015, Leucrotta sold one of its producing properties for a net $79.3 million in cash while retaining 172 net sections of Montney lands plus all critical infrastructure for its Montney development including the 100% owned and operated 25 mmcf/d sweet gas plant, the acid gas injection well needed for future sour expansion, and the pipeline connection to Alliance Pipeline. The sold property was producing approximately 1,300 boe/d. The sale resulted in cash and working capital increasing to $83.5 million as at the end of Q2 2015 not including the newly constructed gas plant equipment held for sale (approximately $15 million).

Leucrotta has also recently signed agreements, pending formal assignment, to reduce its 5 year commitment on Alliance Pipeline to approximately half of the original amount and pushing out most of the year one commitment to October 2016.

With maximum financial and operating flexibility created, Leucrotta will be able to systematically execute its business plan to delineate and develop its large resource base in the Montney. Given current uncertainty in commodity prices, Leucrotta has chosen a conservative capital budget of $20 million that will entail drilling two step-out delineation horizontal wells, one development well, and two vertical test wells plus tying in the previously drilled 13-07 Montney oil well at Mica. The program will start in mid-September and is expected to be completed in Q1 2016. Leucrotta management will continue to review the capital budget through this period of volatile commodity prices.

Leucrotta's original Lower Montney Turbidite well at Doe continues to perform on a curve indicating that it will recover 6 bcf of gas plus liquids (1.2 million boes) based on internal estimates. Using forward 2016 pricing[1], this well would generate a return of 139% and pay out in 11 months. Leucrotta's one budgeted development well will be located on the Doe property.

The 13-07 Montney Turbidite oil well had tested 447 boepd (61% oil and liquids)[2] over a 30-day test period and then shut-in until the solution gas could be tied in. Leucrotta has recently acquired firm pipeline capacity and will now be able to tie in the solution gas and start producing the well in the fourth quarter of 2015.

At Stoddart, Leucrotta recently completed the battery and water handling facility to accommodate the production from the Baldonnel oil well previously drilled. The Stoddart well had tested 315 barrels of light oil at a low draw-down on the well. Since production commenced in early August, the well has outperformed the previous test and Leucrotta plans to slowly increase the daily production until the well is optimized. Leucrotta has approximately 45 sections of land prospective for Baldonnel oil and if successful, would drill 4 to 8 wells per section to develop this potentially large light oil resource.

Leucrotta has chosen a conservative path given the current uncertainties in the environment and will look to continue to maintain an exceptionally strong balance sheet while systematically executing its Montney plans.

Information Regarding Oil and Gas Volumes

(1) Forward 2016 pricing as follows: Oil - $46/bbl USD West Texas Intermediate; Natural Gas - $2.97/mcf; foreign exchange $USD/$CAD - 0.76. Readers should note that estimated values disclosed do not represent fair market value.
(2) Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

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

August 24, 2015

The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three and six months ended June 30, 2015 and the audited financial statements and MD&A for the year ended December 31, 2014. 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") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and in Canadian currency (except where noted as being in another currency).

DESCRIPTION OF BUSINESS

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

FREQUENTLY RECURRING TERMS

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

NON-GAAP MEASURES

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

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

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

COMMON-CONTROL TRANSACTION

On June 12, 2014, Crocotta Energy Inc. ("Crocotta") and Long Run Exploration Ltd. ("Long Run") entered into an arrangement agreement (the "Arrangement") whereby Long Run would acquire all of the issued and outstanding common shares of Crocotta in exchange for 0.415 of a common share of Long Run. Immediately prior to the exchange for Long Run common shares, Crocotta transferred its oil and natural gas assets located in British Columbia, Canada ("BC Assets") to Leucrotta and each Crocotta shareholder received 1.0 common share of Leucrotta and 0.2 of a Leucrotta common share purchase warrant (one whole warrant being an "Arrangement Warrant"). On August 6, 2014 the holders of common shares of Crocotta approved the Arrangement.

In addition to the BC assets being transferred from Crocotta to Leucrotta, any debt of Crocotta in excess of an aggregate of $100 million, transaction costs in excess of $5.0 million, and certain approved capital expenditures were also transferred. The amount of debt transferred from Crocotta was $15.3 million. Leucrotta commenced active oil and natural gas operations with the transfer of the BC Assets upon close of the Arrangement on August 6, 2014.

Since the shareholders of Leucrotta and Crocotta upon the close of the Arrangement were the same, this transaction was deemed a common-control transaction. Financial and Operational Results below present the historic financial position, results of operations and cash flows of Crocotta's BC Assets for all prior periods up to and including August 6, 2014 on a carve-out basis as if they had operated as a stand-alone entity subject to Crocotta's control. The financial position, results of operations and cash flows from June 10, 2014 (the date of incorporation of Leucrotta) to August 6, 2014 include both the BC Assets and Leucrotta on a combined basis and from August 6, 2014 forward include the actual historical results of Leucrotta after assuming the BC Assets upon close of the Arrangement.

SALE OF ASSETS

During the three months ended June 30, 2015, the Company sold a portion of its oil and natural gas properties and equipment located in the Greater Dawson area in Northeast British Columbia for a cash consideration of $79.3 million. The sold assets were producing approximately 1,300 boe/d.

SUMMARY OF FINANCIAL RESULTS

($000s, except per share amounts)	Three Months Ended June 30 2015	2014	% Change	Six Months Ended June 30 2015	2014	% Change
Oil and natural gas sales	**2,777**	7,110	(61)	**7,068**	14,935	(53)
Funds from (used in) operations	**(207)**	3,626	(106)	**959**	8,474	(89)
Per share - basic and diluted	**-**	0.03	(100)	**0.01**	0.08	(88)
Net earnings	**31,519**	887	3,453	**29,703**	3,062	870
Per share - basic and diluted	**0.19**	0.01	1,800	**0.18**	0.03	500
Total assets				**261,578**	120,491	117
Total long-term liabilities				**6,318**	1,894	234
Working capital				**83,487**	125	66,690

The Company experienced a significant reduction in oil and natural gas sales and funds from (used in) operations for the first six months of 2015 compared to the same period in 2014 due to the very large decline of oil, NGLs, and natural gas commodity prices during that time. The second quarter of 2015 was further impacted from the sale of certain oil and natural gas properties and equipment resulting in lower production. Net earnings in 2015 was also impacted by the sale of the oil and natural gas properties and equipment as the Company recorded a gain on sale of $45.7 million thus significantly increasing net earnings for the three and six months ended June 30, 2015 over the same periods in 2014.

Total assets, long-term liabilities and working capital have all substantially increased at June 30, 2015 compared to June 30, 2014 as the result of the Arrangement, share issuances and property acquisitions in the third quarter of 2014. Working capital has steadily declined from the original share issuances due to capital expenditures over the last few quarters but then significantly increased in the second quarter of 2015 as a result of the sale of the oil and natural gas properties and equipment. As at June 30, 2015, the Company has spent approximately $17.7 million on gas plant equipment and has decided to delay the construction of the gas plant due to the rapid decline and ongoing volatility of oil, NGLs, and natural gas commodity prices. The Company plans to complete fabrication of certain components and then sell them to help strengthen the Company's positive working capital.

PRODUCTION	Three Months Ended June 30 2015	2014	% Change	Six Months Ended June 30 2015	2014	% Change
Average Daily Production						
Oil and NGLs (bbls/d)	**243**	337	(28)	**314**	347	(10)
Natural gas (mcf/d)	**7,320**	9,330	(22)	**9,362**	9,043	4
Combined (boe/d)	**1,463**	1,892	(23)	**1,874**	1,854	1

Daily production for the second quarter of 2015 decreased 23% to 1,463 boe/d from 1,892 boe/d for the comparative quarter in 2014. The decrease in production was due to the sale of oil and natural gas properties and equipment in Northeast BC during the quarter. The sold properties were producing approximately 1,300 boe/d. Year-to-date was not materially impacted as the sale occurred late in the second quarter.

Production was down in Q2 2015 from 2,291 boe/d in Q1 2015 also due to the sale of oil and natural gas properties and equipment in Northeast BC during the quarter as well as normal production declines.

Leucrotta's production profile for the second quarter of 2015 was comprised of 83% natural gas and 17% oil and NGLs which was consistent with the comparative quarter in 2014 and the first quarter of 2015.

REVENUE ($000s)	Three Months Ended June 30 2015	2014	% Change	Six Months Ended June 30 2015	2014	% Change
Oil and NGLs	**1,070**	2,688	(60)	**2,563**	5,688	(55)
Natural gas	**1,707**	4,422	(61)	**4,505**	9,247	(51)
Total	**2,777**	7,110	(61)	**7,068**	14,935	(53)
Average Sales Price						
Oil and NGLs ($/bbl)	**48.46**	87.74	(45)	**45.07**	90.68	(50)
Natural gas ($/mcf)	**2.56**	5.21	(51)	**2.66**	5.65	(53)
Combined ($/boe)	**20.86**	41.30	(49)	**20.83**	44.51	(53)

Revenue totaled $2.8 million for the second quarter of 2015, down 61% from $7.1 million for the comparative quarter in 2014. The decrease in revenue was due to significant declines in oil, NGLs, and natural gas commodity prices as well as decreased production from the sale of oil and gas properties and equipment.

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

Commodity Pricing	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Oil and NGLs						
Corporate price ($CDN/bbl)	**48.46**	87.74	(45)	**45.07**	90.68	(50)
Canadian light sweet ($CDN/bbl)	**68.88**	104.14	(34)	**61.08**	101.95	(40)
West Texas Intermediate ("WTI") ($US/bbl)	**57.94**	102.99	(44)	**53.29**	100.84	(47)
Natural gas						
Corporate price ($CDN/mcf)	**2.56**	5.21	(51)	**2.66**	5.65	(53)
AECO price ($CDN/mcf)	**2.67**	4.70	(43)	**2.71**	5.21	(48)
Exchange rate						
$US/$CAD exchange rate	**0.8137**	0.9164	(11)	**0.8101**	0.9115	(11)

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

The Company's corporate average oil and NGLs prices were 70.4% and 73.8% of Canadian light sweet prices for the three and six months ended June 30, 2015, respectively, down from 84.3% and 88.9% for the comparative periods in 2014. The oil and NGLs prices for first six months of 2014 were abnormally high as propane prices were receiving a higher than normal premium over their historic prices and, in fact, were priced very close to WTI and actually above the Canadian light sweet oil price in January 2014. Propane, which makes up 25% of the Company's liquids mix, has seen prices decrease significantly from an average of 59% of WTI in the first six months of 2014 to 36% of WTI in the first six months of 2015.

Corporate average natural gas prices were 95.9% and 98.2% of AECO price for the three and six months ended June 30, 2015, respectively, down from 110.9% and 108.4% for the respective comparative periods in 2014. The decrease in the Company's corporate natural gas price compared to AECO was due to new marketing contracts starting in the fourth quarter of 2014 of which a portion of the Company's natural gas sales are priced off indexes other than AECO and were significantly lower than AECO for the first six months of 2015.

Leucrotta's liquids mix during the second quarter of 2015 was approximately 63% oil, condensate and pentanes, 12% butane and 25% propane which was consistent with prior quarters.

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

ROYALTIES	Three Months Ended June 30			Six Months Ended June 30		
($000s)	**2015**	2014	% Change	**2015**	2014	% Change
Oil and NGLs	**116**	60	93	**295**	138	114
Natural gas	**4**	131	(97)	**98**	267	(63)
Total	**120**	191	(37)	**393**	405	(3)
Average Royalty Rate (% of sales)						
Oil and NGLs	**10.8**	2.2	391	**11.5**	2.4	379
Natural gas	**0.2**	3.0	(93)	**2.2**	2.9	(24)
Combined	**4.3**	2.7	59	**5.6**	2.7	107

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

For the second quarter of 2015, oil, NGLs, and natural gas royalties totaled $0.1 million (4.3% of revenue) compared to $0.2 million (2.7% of revenue) for the comparative quarter in 2014. Year-to-date in 2015, oil, NGLs, and natural gas royalties totaled $0.4 million (5.6% of revenue) compared to $0.4 million (2.7% of revenue) for the comparative period in 2014.

Oil and NGLs royalties have increased to 10.8% and 11.5% for the three and six months ended June 30, 2015, respectively, from 2.2% and 2.4% in the comparative periods in 2014. The increase in oil and NGLs royalties is due to BC summer drilling credits and BC deep gas royalty credits (which also effect royalties on NGLs) being used up as revenue is generated from producing wells associated with the credits.

Natural gas royalties have decreased to 0.2% and 2.2% for the three and six months ended June 30, 2015, respectively, from 3.0% and 2.9% in the comparative periods in 2014. Natural gas royalties as a percentage of revenues was down significantly from 2014 due to declining natural gas prices, declining well production rates, and also increased gas cost allowance from capital expenditures all factoring into the sliding scale calculation resulting in lower royalty rates.

PRODUCTION EXPENSES	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Oil and NGLs ($/bbl)	**8.61**	6.83	26	**7.38**	6.85	8
Natural gas ($/mcf)	**1.43**	1.14	25	**1.23**	1.14	8
Combined ($/boe)	**8.58**	6.83	26	**7.38**	6.85	8

Per unit production expenses increased to $8.58/boe and $7.38/boe for the three and six months ended June 30, 2015, respectively, from $6.83/boe and $6.85/boe in the comparative periods in 2014. The increase in production expenses on a per boe basis is due to the sale of oil and natural gas properties and equipment during the second quarter of 2015 which lowered overall production and also left a larger percentage of higher-cost properties within the Company including non-core properties acquired in the third quarter of 2014. Light oil production from the Dawson and Stoddart areas in Northeast BC will carry higher production expenses than the Company's current average rate when they commence commercial production in the future due to water handling and disposal, emulsion hauling and treating, and other normal costs associated with the production of oil.

TRANSPORTATION EXPENSES	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Oil and NGLs ($/bbl)	**2.63**	2.82	(7)	**2.71**	2.62	3
Natural gas ($/mcf)	**0.32**	0.16	100	**0.29**	0.16	81
Combined ($/boe)	**2.03**	1.30	56	**1.88**	1.26	49

Transportation expenses are mainly third-party pipeline tariffs incurred to deliver production to the purchasers at main hubs. Transportation costs increased to $2.03/boe and $1.88/boe for the three and six months ended June 30, 2015, respectively, compared to $1.30/boe and $1.26/boe for the comparative periods in 2014. The increase was mainly due to higher transportation fees charged by natural gas purchasers starting in November 2014 and also higher transportation costs associated with production from the properties acquired during the third quarter of 2014.

OPERATING NETBACK	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Oil and NGLs ($/bbl)						
Revenue	**48.46**	87.74	(45)	**45.07**	90.68	(50)
Royalties	**(5.26)**	(1.96)	168	**(5.18)**	(2.20)	135
Production expenses	**(8.61)**	(6.83)	26	**(7.38)**	(6.85)	8
Transportation expenses	**(2.63)**	(2.82)	(7)	**(2.71)**	(2.62)	3
Operating netback	**31.96**	76.13	(58)	**29.80**	79.01	(62)
Natural gas ($/mcf)						
Revenue	**2.56**	5.21	(51)	**2.66**	5.65	(53)
Royalties	**(0.01)**	(0.15)	(93)	**(0.06)**	(0.16)	(63)
Production expenses	**(1.43)**	(1.14)	25	**(1.23)**	(1.14)	8
Transportation expenses	**(0.32)**	(0.16)	100	**(0.29)**	(0.16)	81
Operating netback	**0.80**	3.76	(79)	**1.08**	4.19	(74)
Combined ($/boe)						
Revenue	**20.86**	41.30	(49)	**20.83**	44.51	(53)
Royalties	**(0.90)**	(1.11)	(19)	**(1.16)**	(1.21)	(4)
Production expenses	**(8.58)**	(6.83)	26	**(7.38)**	(6.85)	8
Transportation expenses	**(2.03)**	(1.30)	56	**(1.88)**	(1.26)	49
Operating netback	**9.35**	32.06	(71)	**10.41**	35.19	(70)

During the three and six months ended June 30, 2015, Leucrotta generated an operating netback of $9.35/boe and $10.41/boe, respectively, down significantly from $32.06/boe and $35.19/boe for the comparative periods in 2014. The decrease was mainly due to the significant declines in oil, NGL, and natural gas prices as well as increased production expenses and transportation costs.

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

	Three Months Ended June 30			Six Months Ended June 30		
($/boe)	**2015**	2014	% Change	**2015**	2014	% Change
Operating netback (non-GAAP)	**9.35**	32.06	(71)	**10.41**	35.19	(70)
Depletion and depreciation	**(7.56)**	(12.50)	(40)	**(7.87)**	(11.49)	(32)
General and administrative expenses	**(10.78)**	(4.05)	166	**(7.88)**	(3.80)	107
Share based compensation	**(12.21)**	(1.16)	953	**(8.96)**	(1.05)	753
Finance expenses	**(0.81)**	(7.02)	(88)	**(0.47)**	(6.22)	(92)
Finance income	**0.42**	-	100	**0.54**	-	100
Gain on sale of assets	**343.66**	-	100	**134.80**	-	100
Deferred tax expense	**(85.24)**	(2.19)	3,792	**(33.04)**	(3.52)	839
Net earnings (GAAP)	**236.83**	5.14	4,508	**87.53**	9.11	861

DEPLETION AND DEPRECIATION	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Depletion and depreciation ($000s)	**1,007**	2,151	(53)	**2,669**	3,856	(31)
Depletion and depreciation ($/boe)	**7.56**	12.50	(40)	**7.87**	11.49	(32)

The Company calculates depletion on property, plant, and equipment based on proved plus probable reserves. Depletion and depreciation for the three and six months ended June 30, 2015 was $7.56/boe and $7.87/boe, respectively, down from $12.50/boe and $11.49/boe for the comparative periods in 2014. The decrease was mainly due to a significant increase in proved plus probable reserves over the prior periods. The $7.56/boe depletion rate for Q2 2015 was consistent with $8.06/boe for Q1 2015.

GENERAL AND ADMINISTRATIVE	Three Months Ended June 30			Six Months Ended June 30		
($000s)	**2015**	2014	% Change	**2015**	2014	% Change
G&A expenses (gross)	**1,468**	844	74	**2,889**	1,610	79
G&A capitalized	**(7)**	(16)	(56)	**(169)**	(96)	76
G&A recoveries	**(26)**	(131)	(80)	**(47)**	(241)	(80)
G&A expenses (net)	**1,435**	697	106	**2,673**	1,273	110
G&A expenses ($/boe)	**10.78**	4.05	166	**7.88**	3.80	107

General and administrative expenses ("G&A") were $10.78/boe and $7.88/boe for the three and six months ended June 30, 2015, respectively, compared to $4.05/boe and $3.80/boe for the comparative periods in 2014. The increase in the first half of 2015 over 2014 is due to G&A for prior periods up to August 6, 2014 being allocated to the BC Assets from total Crocotta G&A based on the percentage of capital expenditures related to the BC Assets relative to the overall capital expenditures of Crocotta. Capital expenditures on the BC Assets were significantly lower in prior periods resulting in lower G&A allocations. This allocation is not reflective of the Company's G&A after August 6, 2014. G&A of $1.5 million ($1.4 million net) in Q2 2015 was consistent with $1.4 million ($1.2 million net) for Q1 2015. G&A expenses per boe were up from $6.01/boe in the first quarter of 2015 due to spreading approximately the same gross G&A costs over a lower production volume.

SHARE BASED COMPENSATION	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Share based compensation ($000s)	**1,625**	200	713	**3,040**	353	761
Share based compensation ($/boe)	**12.21**	1.16	953	**8.96**	1.05	753

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

Share based compensation expense increased to $1.6 million ($12.21/boe) for the second quarter of 2015 from $0.2 million ($1.16/boe) for the comparative quarter in 2014. Share based compensation expense increased to $3.0 million ($8.96/boe) for the first half of 2015 from $0.4 million ($1.05/boe) in 2014. The significant increase in 2015 was due to the warrants issued in Q3 2014 and stock options issued in Q4 2014.

FINANCE EXPENSES	Three Months Ended June 30			Six Months Ended June 30		
($000s)	**2015**	2014	% Change	**2015**	2014	% Change
Interest expense	**73**	1,196	(94)	**85**	2,063	(96)
Accretion of decommissioning obligations	**34**	12	183	**73**	23	217
Finance expenses	**107**	1,208	(91)	**158**	2,086	(92)
Finance expenses ($/boe)	**0.81**	7.02	(88)	**0.47**	6.22	(92)

Interest expense relates mainly to prior periods up to August 6, 2014 before the Company raised cash from share issuances. The amounts were estimated by applying Crocotta's average interest rate on bank debt for each period to the net investment in BC Assets. Equity in the BC Assets is shown as a net investment in place of Shareholders' Equity because a direct ownership by shareholders in the BC Assets did not exist. All excess cash flows are assumed to be distributed to Crocotta and all cash flow deficiencies and capital expenditures are assumed to be funded by Crocotta through the net investment.

Accretion expense has increased with new wells being drilled over the past year and property acquisitions in Q3 2014.

FINANCE INCOME

For the three and six months ended June 30, 2015, finance income totaled $0.1 million and $0.2 million, respectively. This amount was $nil for the comparative quarters in 2014. Finance income relates to interest earned on cash in the bank.

DEFERRED INCOME TAXES

The deferred income tax expense on earnings before taxes for the three and six months ended June 30, 2015 was $11.3 million and $11.2 million, respectively, compared to $0.4 million and $1.2 million for the comparative periods in 2014. The significant increase in deferred income tax expense relates mainly to the large gain on sale of assets recorded in the second quarter of 2015.

Estimated tax pools at June 30, 2015 total approximately $164.5 million (December 31, 2014 - $223.0 million).

FUNDS FROM (USED IN) OPERATIONS

Funds used in operations for the second quarter of 2015 was $0.2 million ($nil per basic and diluted share) compared to funds from operations of $3.6 million ($0.03 per basic and diluted share) for the comparative quarter in 2014. Year-to-date in 2015 funds from operations was $1.0 million ($0.01 per basic and diluted share) compared to $8.5 million ($0.08 per basic and diluted share) in 2014. The significant decrease was mainly due to the large decline in oil, NGLs, and natural gas commodity prices combined with lower production due to the sale of certain oil and natural gas properties.

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

	Three Months Ended June 30			**Six Months Ended June 30**		
($000s)	**2015**	2014	% Change	**2015**	2014	% Change
Cash flow from operating activities (GAAP)	**2,119**	4,795	(56)	**2,666**	9,081	(71)
Deduct:						
Change in non-cash working capital	**(2,326)**	(1,169)	99	**(1,707)**	(607)	181
Funds from (used in) operations (non-GAAP)	**(207)**	3,626	(106)	**959**	8,474	(89)

NET EARNINGS

Net earnings has dramatically increased during the three and six month periods ended June 30, 2015 to $31.5 million and $29.7 million, respectively, from $0.9 million and $3.1 million for the comparative periods in 2014. The large increase in 2015 was mainly the result of the significant gain on the sale of oil and gas properties and equipment which was partially offset by the decline in oil, NGLs, and natural gas commodity prices and increased share based compensation.

CAPITAL EXPENDITURES	**Three Months Ended June 30**			**Six Months Ended June 30**		
($000s)	**2015**	2014	% Change	**2015**	2014	% Change
Property acquisitions	**-**	3,802	(100)	**-**	3,802	(100)
Land	**149**	7,287	(98)	**361**	21,647	(98)
Drilling, completions, and workovers	**145**	3,531	(96)	**6,534**	7,760	(16)
Equipment	**3,846**	1,986	94	**14,666**	3,018	386
Geological and geophysical	**28**	3	833	**256**	112	129
Total expenditures	**4,168**	16,609	(75)	**21,817**	36,339	(40)
Property dispositions	**79,342**	-	100	**79,342**	-	100

During the second quarter of 2015 the Company had capital expenditures of $4.2 million compared to capital expenditures of $16.6 million for the comparative quarter in 2014. Year-to-date in 2015 the Company had capital expenditures of $21.8 million compared to capital expenditures of $36.3 million in 2014.

During the first half of 2015 the Company spent the majority of its expenditures on gas plant equipment and the completion and testing of its light oil Montney well in Dawson and testing the step-out Montney natural gas well in Dawson and the Baldonnel light oil well in Stoddart. The gas plant expenditures totaled $11.7 million during the first half of 2015 for a total of $17.7 million spent on the project to date. The Company has decided to delay the construction of the gas plant due to the rapid decline in oil, NGLs, and natural gas commodity prices. The Company plans to complete fabrication of certain components and then sell them to help strengthen the Company's positive working capital.

During the second quarter of 2015 the Company sold a portion of its oil and natural gas properties and equipment located in the Greater Dawson area in Northeast British Columbia for a cash consideration of $79.3 million. The sold assets were producing approximately 1,300 boe/d.

The first half of 2014 was concentrated on further accumulating land positions in the Montney at Dawson and the Baldonnel at Stoddart in Northeast BC.

LIQUIDITY AND CAPITAL RESOURCES

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

($000s)	**June 30, 2015**	December 31, 2014	% Change
Current assets	**90,205**	45,105	100
Less:			
Current liabilities	**(6,718)**	(20,102)	(67)
Working capital	**83,487**	25,003	234

At June 30, 2015, the Company had working capital of $83.5 million and $nil had been drawn on the revolving credit facility. The large increase in working capital from December 31, 2014 stems mainly from the sale of oil and gas properties and equipment for $79.3 million during the second quarter of 2015.

The Company has a $10.0 million revolving operating demand loan credit facility with a Canadian chartered bank. The revolving credit facility bears interest at prime plus a range of 0.50% to 2.50% and is secured by a $100 million fixed and floating charge debenture on the assets of the Company. At June 30, 2015, the Company had outstanding letters of guarantee of $5.7 million which reduce the amount that can be borrowed under the credit facility. The next review of the revolving credit facility by the bank is scheduled on or before November 1, 2015.

During the first quarter of 2015, the Company deposited $1.0 million in a restricted corporate account to cross-guarantee a margin account for the President of the Company. The President is charged a fee by the Company and the margin account is also restricted until the cross-guarantee is removed. As at June 30, 2015, the margin account holds $4.0 million of securities of Leucrotta common shares and a margin payable of $922 thousand. The cross-guarantee is intended to be temporary in nature and will be removed as soon as practicable. Throughout late 2014 and into 2015, significant trading restrictions (blackouts) have been placed on all insiders of the Company due to the fact that Leucrotta is a small entity in a large emerging play whereby most operations are material. The cross-guarantee has allowed the President to comply with corporate governance mandates. The $1.0 million has been segregated on the statement of financial position as restricted cash at June 30, 2015.

The ongoing global economic conditions have continued to impact the liquidity in financial and capital markets, restrict access to financing, and cause significant volatility in commodity prices. Despite the economic downturn and financial market volatility, the Company was able to obtain a $25.0 million credit facility and raise $93.3 million during 2014 in connection with the Arrangement to commence operations with the BC Assets transferred from Crocotta. Further financial flexibility was obtained with the sale of oil and gas properties and equipment for $79.3 million partially offset by the reduction of the credit facility from $25.0 million to $10.0 million as a result of the disposition. Management anticipates that the Company will continue to have adequate liquidity to fund budgeted capital investments through a combination of cash flow, equity, and debt. 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 June 30, 2015:

($000s)	**Total**	**Less than One Year**	**One to Three Years**	**After Three Years**
Accounts payable and accrued liabilities	6,718	6,718	-	-
Decommissioning obligations	6,318	-	-	6,318
Office leases	1,955	583	1,174	198
Plant and equipment	4,149	4,149	-	-
Firm transportation agreements	81,342	6,255	30,223	44,864
Total contractual obligations	100,482	17,705	31,397	51,380

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)	**June 30, 2015**	August 24, 2015
Voting common shares	**165,227**	165,227
Warrants	**15,150**	15,150
Stock options	**4,697**	4,697
Total	**185,074**	185,074

SUMMARY OF QUARTERLY RESULTS

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Average Daily Production								
Oil and NGLs (bbls/d)	**243**	387	486	325	337	357	305	107
Natural gas (mcf/d)	**7,320**	11,428	12,309	12,548	9,330	8,753	8,387	5,797
Combined (boe/d)	**1,463**	2,291	2,538	2,416	1,892	1,815	1,703	1,074
($000s, except per share amounts)								
Oil and natural gas sales	**2,777**	4,291	6,801	7,586	7,068	7,825	5,062	2,231
Funds from (used in) operations	**(207)**	1,166	2,995	3,740	3,626	4,848	2,430	(179)
Per share - basic and diluted	**-**	0.01	0.02	0.03	0.03	0.05	0.02	-
Net earnings (loss)	**31,519**	(1,816)	(171)	199	887	2,175	333	(1,080)
Per share - basic and diluted	**0.19**	(0.01)	-	-	0.01	0.02	-	(0.01)

The Company had experienced significant increases in production over the previous two years prior to 2015 stemming from successful drilling activities at Northeast BC. Production declined in Q1 2015 as no new wells came on production to offset natural declines. In Q2 2015 production decreased significantly due to the sale of certain oil and gas properties which were producing approximately 1,300 boe/d at the time of disposition. In 2015 the production declines, combined with a very significant decrease in oil, NGLs and natural gas commodity prices starting in Q4 2014, caused a large decrease in oil and natural gas sales, funds from operations and net earnings. Q2 2015 net earnings saw a significant boost from a gain on the sale of oil and gas properties and equipment. Also contributing to the net loss in Q1 2015 and Q4 2014 was increased share based compensation resulting from the warrants issued in Q3 2014 and stock options issued in Q4 2014. From Q3 2013 to Q3 2014 production had steadily increased from successful drilling and led to substantial increases in revenue, funds from operations and net earnings over that time span.

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.

RISK ASSESSMENT

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

Reserves and reserve replacement

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

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

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

Operational risks

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

Market risk

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

Foreign exchange risk

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

Interest rate risk

The Company is exposed to interest rate risk as 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.

Commodity price risk

Oil and natural gas prices are impacted by not only the relationship between the Canadian and US dollar but also by world economic events that dictate the levels of supply and demand. The Company's oil, natural gas, and NGLs production is marketed and sold on the spot market to area aggregators based on daily spot prices that are adjusted for product quality and transportation costs. The Company's cash flow from product sales will therefore be impacted by fluctuations in commodity prices. In addition, the Company may enter into commodity price contracts to manage future cash flows. At June 30, 2015, the Company did not have any commodity price contracts outstanding.

Credit risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial asset fail to meet or discharge their obligation to the Company. A substantial portion of the Company's accounts receivable and deposits are with customers and joint venture 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 venture 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 venture receivables are typically collected within one to three months of the joint venture invoice being issued to the partner. The Company attempts to mitigate the risk from joint venture 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 venture 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 June 30, 2015, $1.3 million (81%) of the Company's outstanding accounts receivable were current. During the period ended June 30, 2015, the Company did not deem any outstanding accounts receivable to be uncollectable.

Liquidity risk

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

The Company has commitments in 2015 of $4.1 million for plant and equipment related to its gas plant expansion in Northeast BC. These commitments can be funded fully with existing working capital without drawing on the Company's credit facility. With declining commodity prices over the past three quarters, the Company has decided to delay this gas plant project and plans to fulfill its outstanding commitments and complete the fabrication of the components committed to, with the intent to sell each component and create more financial flexibility going forward. At June 30, 2015 the Company has expended a total of $17.7 million on this project. The Company has also committed to firm transportation over five years for a total of $81.3 million. With the decline of commodity prices and resulting delay of the gas plant project, it is unlikely the Company fulfills all of the firm transportation commitment itself. The Company plans to mitigate this risk by selling off a portion of this this firm transportation. The Company has recently signed agreements, pending formal assignment, to reduce its 5 year commitment on Alliance Pipeline to approximately half of the original amount and pushing out most of the year one commitment to October 2016. Transportation is a saleable commodity and management expects there to be an available market in the area to transact in the current environment.

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, oil, NGLs, and natural gas commodity prices, production expenses, working capital, and the ability to sell the fabricated gas plant components and firm transportation capacity. 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.
Statements of Financial Position
(unaudited)

($000s)	Note	**June 30 2015**	December 31 2014
Assets			
Current assets			
Cash and cash equivalents		**87,372**	41,329
Restricted cash	(4)	**1,000**	-
Accounts receivable		**1,649**	3,391
Prepaid expenses and deposits		**184**	385
		90,205	45,105
Property, plant, and equipment	(6)	**68,548**	89,853
Exploration and evaluation assets	(7)	**102,759**	96,550
Deferred income taxes		**66**	11,276
		171,373	197,679
		261,578	242,784
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**6,718**	20,102
Decommissioning obligations	(9)	**6,318**	7,286
		13,036	27,388
Shareholders' Equity			
Shareholders' capital	(10)	**283,587**	283,587
Contributed surplus		**5,398**	1,955
Reserve from common-control transaction		**(69,712)**	(69,712)
Retained earnings (deficit)		**29,269**	(434)
		248,542	215,396
		261,578	242,784

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

Leucrotta Exploration Inc.
Statements of Operations and Comprehensive Earnings
(unaudited)

		Three Months Ended June 30		Six Months Ended June 30	
($000s, except per share amounts)	**Note**	**2015**	2014	**2015**	2014
Revenue					
Oil and natural gas sales		**2,777**	7,110	**7,068**	14,935
Royalties		**(120)**	(191)	**(393)**	(405)
		2,657	6,919	**6,675**	14,530
Expenses					
Production		**1,142**	1,176	**2,503**	2,297
Transportation		**270**	224	**637**	423
Depletion and depreciation	(6)	**1,007**	2,151	**2,669**	3,856
General and administrative		**1,435**	697	**2,673**	1,273
Share based compensation	(11)	**1,625**	200	**3,040**	353
Gain on sale of assets	(5)	**(45,736)**	-	**(45,736)**	-
Finance income		**(56)**	-	**(182)**	-
Finance expense		**107**	1,208	**158**	2,086
		(40,206)	5,656	**(34,238)**	10,288
Earnings before taxes		**42,863**	1,263	**40,913**	4,242
Taxes					
Deferred income tax expense		**11,344**	376	**11,210**	1,180
Net earnings and comprehensive earnings		**31,519**	887	**29,703**	3,062
Net earnings per share					
Basic and diluted	(12)	**0.19**	0.01	**0.18**	0.03

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

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

($000s)	Shareholders' Capital	Net Investment in BC Assets	Contributed Surplus	Reserve from common-control transaction	Retained Earnings (Deficit)	Total Equity
Balance, January 1, 2014	-	80,139	1,824	-	-	81,963
Net earnings	-	3,062	-	-	-	3,062
Net contributions from Crocotta Energy Inc.	-	29,289	-	-	-	29,289
Share based compensation	-	-	392	-	-	392
Balance, June 30, 2014	-	112,490	2,216	-	-	114,706
Balance, January 1, 2015	283,587	-	1,955	(69,712)	(434)	215,396
Net earnings	-	-	-	-	29,703	29,703
Share based compensation	-	-	3,443	-	-	3,443
Balance, June 30, 2015	283,587	-	5,398	(69,712)	29,269	248,542

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

Leucrotta Exploration Inc.
Statements of Cash Flows
(unaudited)

		Three Months ended June 30		Six Months ended June 30	
($000s)	**Note**	**2015**	2014	**2015**	2014
Operating Activities					
Net earnings		**31,519**	887	**29,703**	3,062
Depletion and depreciation	(6)	**1,007**	2,151	**2,669**	3,856
Share based compensation	(11)	**1,625**	200	**3,040**	353
Finance expense		**107**	1,208	**158**	2,086
Interest paid		**(73)**	(1,196)	**(85)**	(2,063)
Gain on sale of assets	(5)	**(45,736)**	-	**(45,736)**	-
Deferred income tax expense		**11,344**	376	**11,210**	1,180
Change in non-cash working capital	(13)	**2,326**	1,169	**1,707**	607
		2,119	4,795	**2,666**	9,081
Financing Activities					
Net contributions from Crocotta Energy Inc.		**-**	14,560	**-**	29,289
		-	14,560	**-**	29,289
Investing Activities					
Capital expenditures - property, plant, and equipment	(6)	**(3,408)**	(5,198)	**(12,877)**	(10,434)
Capital expenditures - exploration and evaluation assets	(7)	**(760)**	(11,411)	**(8,940)**	(25,905)
Disposition of oil and natural gas properties and equipment	(5)	**79,342**	-	**79,342**	-
Change in restricted cash	(4)	**-**	-	**(1,000)**	-
Change in non-cash working capital	(13)	**(5,743)**	(2,746)	**(13,148)**	(2,031)
		69,431	(19,355)	**43,377**	(38,370)
Change in cash and cash equivalents		**71,550**	-	**46,043**	-
Cash and cash equivalents, beginning of period		**15,822**	-	**41,329**	-
Cash and cash equivalents, end of period		**87,372**	-	**87,372**	-

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".

On June 12, 2014, Crocotta Energy Inc. ("Crocotta") and Long Run Exploration Ltd. ("Long Run") entered into an arrangement agreement (the "Arrangement") whereby Long Run would acquire all of the issued and outstanding common shares of Crocotta in exchange for 0.415 of a common share of Long Run. Immediately prior to the exchange of Crocotta shares for Long Run shares, Crocotta issued 1.0 common share of Leucrotta and 0.2 of a Leucrotta common share purchase warrant (one whole warrant being an "Arrangement Warrant") to each shareholder of Crocotta. On August 6, 2014 the holders of common shares of Crocotta approved the Arrangement.

In connection with the Arrangement, Crocotta transferred its oil and natural gas assets located in British Columbia, Canada ("BC Assets") to Leucrotta along with any net debt of Crocotta in excess of the aggregate of $100 million, transaction costs in excess of $5.0 million, and certain approved capital expenditures. Leucrotta commenced active oil and natural gas operations with the transfer of the BC Assets upon close of the Arrangement on August 6, 2014.

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, including IAS 34, Interim Financial Reporting.

The condensed interim financial statements were authorized for issuance by the Board of Directors on August 24, 2015.

(b) Basis of measurement

The condensed interim financial statements present the historic financial position, results of operations and cash flows of the transferred BC Assets for all prior periods up to and including August 6, 2014 on a carve-out basis as if they had operated as a stand-alone entity subject to Crocotta's control (carve-out financial statements). The financial position, results of operations and cash flows from June 10, 2014 (the date of incorporation of Leucrotta) to August 6, 2014 include both the BC Assets and Leucrotta on a combined basis and from August 6, 2014 forward include the actual historical results of Leucrotta after assuming the BC Assets upon close of the Arrangement. The carve-out financial statements have been prepared by management in accordance with IFRS.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgments made by management in the preparation of these condensed interim financial statements were consistent with those applied to the financial statements as at and for the year ended December 31, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2014. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

4. RESTRICTED CASH

During the six months ended June 30, 2015, the Company deposited $1.0 million in a restricted corporate account to cross-guarantee a margin account for the President of the Company. The President is charged a fee by the Company and the margin account is also restricted until the cross-guarantee is removed. As at June 30, 2015, the margin account holds $4.0 million of securities of Leucrotta common shares and a margin payable of $922 thousand. The cross-guarantee is intended to be temporary in nature and will be removed as soon as practicable. Throughout late 2014 and into 2015, significant trading restrictions (blackouts) have been placed on all insiders of the Company due to the fact that Leucrotta is a small entity in a large emerging play whereby most operations are material. The cross-guarantee has allowed the President to comply with corporate governance mandates.

5. DISPOSITION OF OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

During the three months ended June 30, 2015, the Company sold a portion of its assets located in the Greater Dawson area in Northeast British Columbia for a cash consideration of approximately $79.3 million. The sold assets were producing approximately 1,300 boe/d.

Book value of net assets disposed	
Property, plant, and equipment	31,565
Exploration and evaluation assets	3,097
Decommissioning obligations	(1,056)
	33,606
Consideration	
Cash	79,342
Gain on sale of assets	45,736

6. PROPERTY, PLANT, AND EQUIPMENT

Cost	**Total**
Balance, January 1, 2014	70,474
Business acquisition	2,723
Additions	26,492
Transfer from exploration and evaluation assets	790
Change in decommissioning obligation estimates	4,768
Capitalized share based compensation	146
Balance, December 31, 2014	105,393
Additions	**12,877**
Dispositions	**(39,311)**
Change in decommissioning obligation estimates	**15**
Capitalized share based compensation	**37**
Balance, June 30, 2015	**79,011**

Accumulated Depletion, Depreciation, and Impairment	**Total**
Balance, January 1, 2014	7,718
Depletion and depreciation	7,822
Balance, December 31, 2014	15,540
Depletion and depreciation	**2,669**
Dispositions	**(7,746)**
Balance, June 30, 2015	**10,463**

Net Book Value	**Total**
January 1, 2014	62,756
December 31, 2014	89,853
June 30, 2015	**68,548**

During the three and six months ended June 30, 2015 and 2014 there was no directly attributable general and administrative costs that were capitalized as expenditures on property, plant, and equipment.

Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended June 30, 2015 included an estimated $129.1 million (2014 - $72.0 million) for future development costs associated with proved plus probable undeveloped reserves and excluded approximately $2.5 million (2014 - $0.9 million) for the estimated salvage value of production equipment and facilities and approximately $21.2 million (2014 - $nil) of assets under construction.

7. EXPLORATION AND EVALUATION ASSETS

	Total
Balance, January 1, 2014	22,948
Business acquisition	13,339
Additions	61,206
Transfer to property, plant, and equipment	(790)
Lease expiries	(406)
Capitalized share based compensation	253
Balance, December 31, 2014	96,550
Additions	**8,940**
Dispositions	**(3,097)**
Capitalized share based compensation	**366**
Balance, June 30, 2015	**102,759**

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on exploration and evaluation assets during the period, consisting primarily of undeveloped land and drilling costs until the drilling of the well is complete and the results have been evaluated. All expenditures for the three and six months ended June 30, 2015 and year ended December 31, 2014 related to Northeast BC.

During the three and six months ended June 30, 2015, approximately $nil (2014 - $0.1 million) and $0.2 million (2014 - $0.2 million), respectively, of directly attributable general and administrative costs were capitalized as expenditures on exploration and evaluation assets.

Lease expiries for the three months ended June 30, 2015 were $nil. Lease expiries of $0.4 million for the year ended December 31, 2014 have been included in depletion and depreciation on the statement of operations and comprehensive earnings.

8. CREDIT FACILITY

During the three months ended June 30, 2015, in conjunction with the disposition of certain oil and natural gas properties and equipment (see note 5), the Company revised its revolving operating demand loan credit facility with a Canadian chartered bank to $10.0 million. The revolving credit facility bears interest at prime plus a range of 0.50% to 2.50% and is secured by a $100 million fixed and floating charge debenture on the assets of the Company. At June 30, 2015, $nil had been drawn on the revolving credit facility. At June 30, 2015, the Company had outstanding letters of guarantee of $5.7 million which reduce the amount that can be borrowed under the credit facility. The next review of the revolving credit facility by the bank is scheduled on or before November 1, 2015.

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 fully compliant with this covenant at June 30, 2015.

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 $12.1 million which is estimated to be incurred over the next 43 years. At June 30, 2015, a risk-free rate of 2.3% (December 31, 2014 – 2.2%) was used to calculate the net present value of the decommissioning obligations.

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
Balance, beginning of period	**7,286**	1,546
Provisions incurred	**-**	588
Acquisitions	**-**	892
Dispositions	**(1,056)**	-
Revaluation of liabilities acquired	**-**	2,582
Revisions in estimated cash flows	**-**	887
Revisions due to change of discount rates	**15**	711
Accretion	**73**	80
Balance, end of period	**6,318**	7,286

Revaluation of liabilities acquired during the year ended December 31, 2014 is the revaluation of acquired decommissioning obligations using the risk-free discount rate. At the date of acquisition, the acquired decommissioning obligations were fair valued using a credit-adjusted discount 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.

As at June 30, 2015 and December 31, 2014 there were 165.2 million common shares outstanding.

11. SHARE BASED COMPENSATION PLANS

Stock options

The Company has authorized and reserved for issuance 16.5 million common shares under a stock option plan enabling certain officers, directors, employees, and consultants to purchase common shares. The Company will not issue options exceeding 10% of the shares outstanding at the time of the option grants (the performance warrants described below are aggregated with any options for the 10% limit). Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of the grant and an option's maximum term is ten years. At June 30, 2015, 4.7 million options were outstanding at an average exercise price of $1.29 per share.

	Number of Options	**Weighted Average Exercise Price ($)**
Balance, January 1, 2014	-	-
Granted	4,672	1.29
Balance, December 31, 2014	4,672	1.29
Granted	**50**	**0.93**
Forfeited	**(25)**	**0.93**
Balance, June 30, 2015	**4,697**	**1.29**

During the three and six months ended June 30, 2015, the Company recognized $0.4 million (2014 - $nil) and $0.7 million (2014 - $nil), respectively, of share based compensation related to the stock options. At June 30, 2015 there was $1.5 million remaining as unrecognized share based compensation related to the stock options.

Performance Warrants

During the three and six months ended June 30, 2015, the Company recognized $0.6 million (2014 - $nil) and $1.2 million (2014 - $nil), respectively, of share based compensation related to the performance warrants. At June 30, 2015 there was $2.8 million remaining as unrecognized share based compensation related to the performance warrants. No new performance warrants were granted during the three and six months ended June 30, 2015.

Purchase Warrants

During the three and six months ended June 30, 2015, the Company recognized $0.7 million (2014 - $nil) and $1.5 million (2014 - $nil), respectively, of share based compensation related to the purchase warrants. At June 30, 2015 there was $2.1 million remaining as unrecognized share based compensation related to the purchase warrants. No new purchase warrants were granted during the three and six months ended June 30, 2015.

Share based compensation

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

No stock options were granted during the three months ended June 30, 2015. The fair value of the stock options granted during the six months ended June 30, 2015 were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	Six Months Ended June 30, 2015
Risk-free interest rate (%)	**0.5**
Expected life (years)	**3.5**
Expected volatility (%)	**54.6**
Expected dividend yield (%)	**-**
Forfeiture rate (%)	**5.7**
Weighted average fair value of options granted ($ per option)	**0.37**

12. PER SHARE AMOUNTS

For the purposes of computing per share amounts, the number of shares outstanding for the periods prior to the Arrangement is deemed to be the number of shares issued by the Company to the shareholders of Crocotta upon closing of the Arrangement. For the period after the Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Company on August 6, 2014 and the shares issued subsequent to August 6, 2014. At June 30, 2015 there were 4.7 million stock options, 7.7 million purchase warrants and 7.5 million performance warrants that were anti-dilutive.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Weighted average number of shares - basic	**165,227**	105,613	**165,227**	105,613
Dilutive effect of share based compensation plans	**-**	-	**-**	-
Weighted average number of shares - diluted	**165,227**	105,613	**165,227**	105,613

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Accounts receivable	**2,128**	1,199	**1,742**	469
Prepaid expenses and deposits	**107**	(8)	**201**	50
Accounts payable and accrued liabilities	**(5,652)**	(2,768)	**(13,384)**	(1,943)
Change in non-cash working capital	**(3,417)**	(1,577)	**(11,441)**	(1,424)
Relating to:				
Investing	**(5,743)**	(2,746)	**(13,148)**	(2,031)
Operating	**2,326**	1,169	**1,707**	607
Change in non-cash working capital	**(3,417)**	(1,577)	**(11,441)**	(1,424)

14. COMMITMENTS

The following is a summary of the Company's contractual obligations and commitments at June 30, 2015:

	2015	2016	2017	2018	2019	Thereafter	Total
Office leases	291	583	585	496	-	-	1,955
Plant and equipment	4,149	-	-	-	-	-	4,149
Firm transportation agreements	974	10,536	15,355	19,227	19,227	16,023	81,342
	5,414	11,119	15,940	19,723	19,227	16,023	87,446

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
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

Transfer Agent

Valiant Trust Company
600, 530 - 8th Avenue SW
Calgary, Alberta T2P 3S8

Legal Counsel

Gowling Lafleur Henderson LLP
1600, 421 - 7th Avenue SW
Calgary, Alberta T2P 4K9

Auditors

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

Independent Engineers

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

LEUCROTTA

Leucrotta Exploration Inc.

Suite 700, 639 - 5th Avenue SW
Calgary, Alberta T2P 0M9
P 403 705 4525
F 403 705 4526

Robert J. Zakresky, President & CEO
P 403 705 4525

Nolan Chicoine, VP Finance & CFO
P 403 705 4525

Forward-Looking Statements

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