Q12015 FINANCIAL & OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2015

HIGHLIGHTS

- Averaged 2,291 boe/d of production during q1 2015 (excludes 190 boe/d of test production).
- Maintained low production expenses of $6.60/Boe.
- Tested two step-out montney wells in the dawson-sunrise area of northeast bc with one encountering liquids-rich gas (ip 30 of 447 boe/d) and the other encountering light oil (ip 30 of 442 boe/d).
- Tested the horizontal baldonnel well at stoddart, bc encountering light oil (380 boe/d).

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") (the "Arrangement") whereby Crocotta transferred its oil and natural gas assets located in British Columbia ("BC Assets") to Leucrotta. 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 (one whole warrant being an "Arrangement 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 March 31**		
($000s, except per share amounts)	**2015**	2014	% Change
Oil and natural gas sales	**4,291**	7,825	(45)
Funds from operations(1)	**1,166**	4,848	(76)
Per share - basic and diluted	**0.01**	0.05	(80)
Net (loss) earnings	**(1,816)**	2,175	(183)
Per share - basic and diluted	**(0.01)**	0.02	(150)
Capital expenditures and acquisitions	**17,649**	19,730	(11)
Working capital (deficiency)	**8,520**	(1,452)	687
Common shares outstanding (000s)			
Weighted average - basic and diluted	**165,227**	105,613	56
End of period - basic	**165,227**	-	na
End of period - diluted	**185,099**	-	na

(1) Funds from 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 March 31		
	2015	2014	% Change
Daily production			
Oil and NGLs (bbls/d)	**387**	357	8
Natural gas (mcf/d)	**11,428**	8,753	31
Oil equivalent (boe/d)	**2,291**	1,815	26
Revenue			
Oil and NGLs ($/bbl)	**42.93**	93.48	(54)
Natural gas ($/mcf)	**2.72**	6.12	(56)
Oil equivalent ($/boe)	**20.81**	47.89	(57)
Royalties			
Oil and NGLs ($/bbl)	**5.13**	2.43	111
Natural gas ($/mcf)	**0.09**	0.17	(47)
Oil equivalent ($/boe)	**1.32**	1.31	1
Production expenses			
Oil and NGLs ($/bbl)	**6.60**	6.86	(4)
Natural gas ($/mcf)	**1.10**	1.14	(4)
Oil equivalent ($/boe)	**6.60**	6.86	(4)
Transportation expenses			
Oil and NGLs ($/bbl)	**2.75**	2.44	13
Natural gas ($/mcf)	**0.26**	0.15	73
Oil equivalent ($/boe)	**1.78**	1.22	46
Operating netback [1]			
Oil and NGLs ($/bbl)	**28.45**	81.75	(65)
Natural gas ($/mcf)	**1.27**	4.66	(73)
Oil equivalent ($/boe)	**11.11**	38.50	(71)
Depletion and depreciation ($/boe)	**(8.06)**	(10.44)	(23)
General and administrative expenses ($/boe)	**(6.01)**	(3.53)	70
Share based compensation ($/boe)	**(6.86)**	(0.94)	630
Finance expenses ($/boe)	**(0.25)**	(5.37)	(95)
Finance income ($/boe)	**0.61**	-	100
Deferred tax recovery (expense) ($/boe)	**0.65**	(4.92)	(113)
Net (loss) earnings ($/boe)	**(8.81)**	13.30	(166)

(1) Funds from 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 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 Q1 2015, Leucrotta completed and tested two Montney step-out wells with one encountering liquids-rich gas and the other encountering light oil. As previously announced, the IP30 rates of the wells were 447 boe/d (61% oil and liquids) and 442 boe/d (37% oil and liquids), respectively. The oil well was of particular significance given estimated oil in place of 26 million barrels per section and success of other operators in the area developing Montney oil. While further delineation is needed to determine the extent of the oil pool, such accumulations are generally over a larger area and could be a very material oil resource play for Leucrotta.

The original Lower Montney discovery well at Doe (B4-19) continues to outperform and was upgraded to 1.1 million boes in the latest independent reserve report. The well has been on production for over a year and is still producing over 600 boe/d.

In Q1 2015, Leucrotta also tested its horizontal Baldonnel oil well at Stoddart. The Baldonnel zone is a high water cut carbonate zone analogous to the Mississippian zone in Southeast Saskatchewan and is estimated to have over 15 million barrels of oil in place per section. As previously announced, the well was producing over 1,500 barrels of water and 315 barrels of light oil at a low draw-down on the well. The Company is very encouraged by this rate and will construct a battery and water disposal to produce the well. 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 currently has positive working capital of $8.5 million plus has newly fabricated equipment that it will sell over the remainder of the year. Given the sale of the equipment, Leucrotta will have approximately $20 million cash plus a bank credit facility of $25 million for investing in future capital operations.

Leucrotta's business plan is to increase production and cash flow through development drilling at Doe and slowly delineate its large resource base in the Montney with a combination of recompletions, vertical drills and horizontal drills. We expect to provide details on the fall capital program by mid-June.

(1) Information Regarding Oil and Gas Volumes
Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

OOIP and OGIP are not a defined terms within National Instrument 51-101 and are considered equivalent to Discovered Petroleum Initially In Place ("DPIIP"). DPIIP is defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH") as the quantity of hydrocarbons that are estimated to be in place within a known accumulation. DPIIP is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DPIIP except for those portions identified as proved or probable reserves.

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

May 25, 2015

The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three months ended March 31, 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") 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 operations", "funds from 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 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 operations is a non-GAAP measure and has been defined by the Company as net earnings (loss) plus non-cash items (depletion and depreciation, share based compensation, non-cash finance expenses, 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 operations per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of earnings (loss) per share. Funds from operations is reconciled from cash flow from operating activities under the heading "Funds from Operations".

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

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.

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SUMMARY OF FINANCIAL RESULTS

	Three Months Ended March 31		
($000s, except per share amounts)	**2015**	2014	% Change
Oil and natural gas sales	**4,291**	7,825	(45)
Funds from operations	**1,166**	4,848	(76)
Per share - basic and diluted	**0.01**	0.05	(80)
Net (loss) earnings	**(1,816)**	2,175	(183)
Per share - basic and diluted	**(0.01)**	0.02	(150)
Total assets	**235,942**	107,011	120
Total long-term liabilities	**8,270**	1,684	391
Working capital (deficiency)	**8,520**	(1,452)	687

The Company experienced a significant reduction in oil and natural gas sales, funds from operations, and net earnings for the first quarter of 2015 compared to the same period in 2014 due to the large decline of oil, NGL, and natural gas commodity prices during that time. These items have also decreased significantly from Q4 2014 for the same reason.

Total assets, long-term liabilities and working capital have all substantially increased at March 31, 2015 compared to March 31, 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. As at March 31, 2015, the Company has spent approximately $15.0 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, NGL, 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 March 31		
	2015	2014	% Change
Average Daily Production			
Oil and NGLs (bbls/d)	**387**	357	8
Natural gas (mcf/d)	**11,428**	8,753	31
Combined (boe/d)	**2,291**	1,815	26

Daily production for the first quarter of 2015 increased 26% to 2,291 boe/d from 1,815 boe/d for the comparative quarter in 2014. The increase in production was mainly due to successful drilling activity in Northeast BC during the past year. Production was down from 2,538 boe/d in Q4 2014 due to normal production declines and some flush production in Q4 2014. Also, the production and revenues from three test wells that produced during only a part of the first quarter of 2015 is not included and has been netted against capital expenditures for the completion and testing of those wells. Had this production been included, it would have added an average of 190 boe/d of oil and condensate to Q1 2015 production.

Leucrotta's production profile for the first 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 fourth quarter of 2014.

REVENUE	Three Months Ended March 31		
($000s)	**2015**	2014	% Change
Oil and NGLs	**1,493**	3,000	(50)
Natural gas	**2,798**	4,825	(42)
Total	**4,291**	7,825	(45)
Average Sales Price			
Oil and NGLs ($/bbl)	**42.93**	93.48	(54)
Natural gas ($/mcf)	**2.72**	6.12	(56)
Combined ($/boe)	**20.81**	47.89	(57)

Revenue totaled $4.3 million for the first quarter of 2015, down 45% from $7.8 million for the comparative quarter in 2014. The decrease in revenue was due to significant declines in oil, NGL and natural gas commodity prices despite the increased production.

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

Commodity Pricing	Three Months March 31		
	2015	2014	% Change
Oil and NGLs			
Corporate price ($CDN/bbl)	**42.93**	93.48	(54)
Edmonton light sweet ($CDN/bbl)	**51.85**	99.76	(48)
West Texas Intermediate ($US/bbl)	**48.63**	98.68	(51)
Natural gas			
Corporate price ($CDN/mcf)	**2.72**	6.12	(56)
AECO price ($CDN/mcf)	**2.75**	5.63	(51)
Exchange rate			
CDN/US dollar average exchange rate	**0.8066**	0.9066	(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 and higher heat content natural gas production that is priced higher than AECO reference prices. The Company's corporate average oil and NGLs prices were 82.7% of Canadian light sweet prices for the first quarter of 2015, down from 93.7% for the comparative quarter in 2014. 93.7% for the first quarter of 2014 was abnormally high as propane prices were receiving a higher than normal premium over their historic prices and, in fact, were priced very close to West Texas Intermediate and actually above the Canadian light sweet oil price in January 2014. Corporate average natural gas prices were 98.9% of AECO price for the first quarter of 2015, down from to 108.7% for the comparative quarter 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 quarter of 2015.

Leucrotta's liquids mix during the first quarter of 2015 was approximately 64% oil, condensate and pentanes, 12% butane and 24% propane.

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 March 31		
($000s)	**2015**	2014	% Change
Oil and NGLs	**179**	78	129
Natural gas	**94**	136	(31)
Total	**273**	214	28
Average Royalty Rate (% of sales)			
Oil and NGLs	**12.0**	2.6	362
Natural gas	**3.4**	2.8	21
Combined	**6.4**	2.7	137

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 first quarter of 2015, oil, NGLs, and natural gas royalties totaled $0.3 million (6.4% of revenue) compared to $0.2 million (2.7% of revenue) for the comparative quarter in 2014. Oil royalties have increased to 12.0% in Q1 2015 compared to 2.6% in Q1 2014. Natural gas royalties have increased to 3.4% in Q1 2015 compared to 2.8% in Q1 2014. The increase in royalties is due to BC summer drilling credits and BC deep gas royalty credits being used up as revenue is generated from producing wells associated with the credits. Oil royalties as a percentage of revenues was consistent with the fourth quarter of 2014, however, natural gas royalties as a percentage of revenues was down significantly from the fourth quarter of 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 March 31		
	2015	2014	% Change
Oil and NGLs ($/bbl)	**6.60**	6.86	(4)
Natural gas ($/mcf)	**1.10**	1.14	(4)
Combined ($/boe)	**6.60**	6.86	(4)

Per unit production expenses for the first quarter of 2015 were $6.60/boe which is consistent with the comparative quarter in 2014 of $6.86/boe and also $6.61/boe in the fourth quarter of 2014. Production expenses related to the testing of the three wells during the first quarter of 2015 was not included as these costs were capitalized as part of the completion and testing of the well, consistent with the treatment of the exclusion of revenues, production volumes and royalties from these test wells. Light oil production from Dawson-Sunrise and Stoddart 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 March 31		
	2015	2014	% Change
Oil and NGLs ($/bbl)	**2.75**	2.44	13
Natural gas ($/mcf)	**0.26**	0.15	73
Combined ($/boe)	**1.78**	1.22	46

Transportation expenses are mainly third-party pipeline tariffs incurred to deliver production to the purchasers at main hubs. Transportation costs increased to $1.78/boe for the first quarter of 2015 compared to $1.22/boe for the comparative quarter 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. Transporation expenses of $1.78/boe in Q1 2015 were consistent with $1.85/boe from Q4 2014.

OPERATING NETBACK	Three Months Ended March 31		
	2015	2014	% Change
Oil and NGLs ($/bbl)			
Revenue	**42.93**	93.48	(54)
Royalties	**(5.13)**	(2.43)	111
Production expenses	**(6.60)**	(6.86)	(4)
Transportation expenses	**(2.75)**	(2.44)	13
Operating netback	**28.45**	81.75	(65)
Natural gas ($/mcf)			
Revenue	**2.72**	6.12	(56)
Royalties	**(0.09)**	(0.17)	(47)
Production expenses	**(1.10)**	(1.14)	(4)
Transportation expenses	**(0.26)**	(0.15)	73
Operating netback	**1.27**	4.66	(73)
Combined ($/boe)			
Revenue	**20.81**	47.89	(57)
Royalties	**(1.32)**	(1.31)	1
Production expenses	**(6.60)**	(6.86)	(4)
Transportation expenses	**(1.78)**	(1.22)	46
Operating netback	**11.11**	38.50	(71)

During the first quarter of 2014, Leucrotta generated an operating netback of $11.11/boe, down 71% from $38.50/boe from the first quarter of 2014. It was also down from $16.83/boe in the fourth quarter of 2014. The decrease mainly was due to the significant declines in oil, NGL, and natural gas prices as well as increased transportation costs.

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

	Three Months Ended March 31		
($/boe)	**2015**	2014	% Change
Operating netback (non-GAAP)	**11.11**	38.50	(71)
Depletion and depreciation	**(8.06)**	(10.44)	(23)
General and administrative expenses	**(6.01)**	(3.53)	70
Share based compensation	**(6.86)**	(0.94)	630
Finance expenses	**(0.25)**	(5.37)	(95)
Finance income	**0.61**	-	100
Deferred tax recovery (expense)	**0.65**	(4.92)	(113)
Net (loss) earnings (GAAP)	**(8.81)**	13.30	(166)

DEPLETION AND DEPRECIATION	Three Months Ended March 31		
	2015	2014	% Change
Depletion and depreciation ($000s)	**1,662**	1,705	(3)
Depletion and depreciation ($/boe)	**8.06**	10.44	(23)

The Company calculates depletion on property, plant, and equipment based on proved plus probable reserves. Depletion and depreciation for the first quarter of 2015 was $8.06/boe, down 23% from $10.44/boe for the comparative quarter in 2014. The decrease was mainly due to a significant increase in proved plus probable reserves over the prior period. The $8.06/boe depletion rate for Q1 2015 was consistent with $8.02/boe for Q4 2014.

GENERAL AND ADMINISTRATIVE	Three Months Ended March 31		
($000s)	**2015**	2014	% Change
G&A expenses (gross)	**1,421**	766	86
G&A capitalized	**(162)**	(80)	103
G&A recoveries	**(21)**	(110)	(81)
G&A expenses (net)	**1,238**	576	115
G&A expenses ($/boe)	**6.01**	3.53	70

General and administrative expenses ("G&A") were $6.01/boe for the first quarter of 2015 compared to $3.53/boe for the first quarter of 2014. The increase for Q1 2015 over the comparative quarter 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 $1.4 million ($1.2 million net) in Q1 2015 was consistent with $1.4 million ($1.1 million net) for Q4 2014.

SHARE BASED COMPENSATION	Three Months Ended March 31		
	2015	2014	% Change
Share based compensation ($000s)	**1,415**	153	825
Share based compensation ($/boe)	**6.86**	0.94	630

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 $1.4 million ($6.86/boe) for the first quarter of 2015 from $0.2 million ($0.94/boe) for the comparative quarter in 2014. The significant increase was due to the warrants issued in Q3 2014 and stock options issued in Q4 2014. Share based compensation expense increased from $1.0 million ($4.16/boe) in Q4 2014 due to the stock options issued late in December 2014 and $/boe also increased due to decreased production in Q1 2015 from Q4 2014.

FINANCE EXPENSES	Three Months Ended March 31		
($000s)	**2015**	2014	% Change
Interest expense	**12**	867	(99)
Accretion of decommissioning obligations	**39**	11	255
Finance expenses	**51**	878	(94)
Finance expenses ($/boe)	**0.25**	5.37	(95)

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

Finance income totaled $0.1 million for first quarter of 2015. This amount was $nil for the comparative quarter in 2014. Finance income relates to interest earned on cash in the bank.

DEFERRED INCOME TAXES

The Company had a deferred income tax recovery on the loss before taxes for the first quarter of 2015 of $0.1 million compared to deferred income tax expense on earnings before taxes of $0.8 million for the comparative quarter in 2014. The deferred income tax recovery in the first quarter of 2015 was lower than expected by applying the statutory tax rate to the loss before taxes due to non-deductible items such as share based compensation.

Estimated tax pools at March 31, 2015 total approximately $239.4 million (December 31, 2014 - $223.0 million).

FUNDS FROM OPERATIONS

Funds from operations for the first quarter of 2015 was $1.2 million ($0.01 per basic and diluted share) compared to $4.8 million ($0.05 per basic and diluted share) for the comparative quarter in 2014. The significant decrease was mainly due to the large decline in oil, NGL, and natural gas commodity prices partially offset by increased production.

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

	Three Months Ended March 31		
($000s)	**2015**	2014	% Change
Cash flow from operating activities (GAAP)	**547**	4,286	(87)
Add back:			
Change in non-cash working capital	**619**	562	10
Funds from operations (non-GAAP)	**1,166**	4,848	(76)

NET (LOSS) EARNINGS

The Company had a net loss of $1.8 million ($0.01 per basic and diluted share) for the first quarter of 2015 compared to net earnings of $2.2 million ($0.02 per basic and diluted share) for the comparative quarter in 2014. The net loss in the first quarter of 2015 was mainly the result of the significant decline in oil, NGL, and natural gas commodity prices combined with increased share based compensation.

CAPITAL EXPENDITURES	Three Months Ended March 31		
($000s)	**2015**	2014	% Change
Land	**212**	14,360	(99)
Drilling, completions, and workovers	**6,389**	4,229	51
Equipment	**10,820**	1,032	948
Geological and geophysical	**228**	109	109
Total expenditures	**17,649**	19,730	(11)

During the first quarter of 2015 the Company had capital expenditures of $17.6 million compared to capital expenditures of $19.7 million for the comparative quarter in 2014. The first quarter of 2014 was concentrated on further accumulating land positions in the Montney at Dawson-Sunrise and the Baldonnel at Stoddart in Northeast BC.

During the first quarter of 2015 the Company spent the majority of its expenditures on gas plant equipment and the completion and testing of its light oil Montney well in Dawson-Sunrise and testing the step-out Montney natural gas well in Dawson-Sunrise and the Baldonnel light oil well in Stoddart. The gas plant expenditures totaled $9.0 million during the quarter for a total of $15.0 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, NGL, 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.

LIQUIDITY AND CAPITAL RESOURCES

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

($000s)	**March 31, 2015**	December 31, 2014	% Change
Current assets	**20,890**	45,105	(54)
Less:			
Current liabilities	**(12,370)**	(20,102)	(38)
Working capital	**8,520**	25,003	(66)

At March 31, 2015, the Company had working capital of $8.5 million and $nil had been drawn on the revolving credit facility.

The Company has a $25.0 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 March 31, 2015, the Company had outstanding letters of guarantee of $0.2 million which reduce the amount that can be borrowed under the credit facility. The credit facility is currently under review and there can be no assurance that the amount of the available credit facility will not be adjusted.

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. The margin account holds $3.7 million of securities of Leucrotta common shares and a margin payable of $984 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 March 31, 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. 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 March 31, 2015:

($000s)	Total	Less than One Year	One to Three Years	After Three Years
Accounts payable and accrued liabilities	12,370	12,370	-	-
Decommissioning obligations	8,270	-	-	8,270
Office leases	2,101	583	1,171	347
Plant and equipment	7,430	7,430	-	-
Firm transportation agreements	52,641	2,294	17,914	32,433
Total contractual obligations	82,812	22,677	19,085	41,050

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)	**March 31, 2015**	May 25, 2015
Voting common shares	**165,227**	165,227
Warrants	**15,150**	15,150
Stock options	**4,722**	4,722
Total	**185,099**	185,099

SUMMARY OF QUARTERLY RESULTS

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Average Daily Production								
Oil and NGLs (bbls/d)	**387**	486	325	337	357	305	107	69
Natural gas (mcf/d)	**11,428**	12,309	12,548	9,330	8,753	8,387	5,797	5,565
Combined (boe/d)	**2,291**	2,538	2,416	1,892	1,815	1,703	1,074	996
($000s, except per share amounts)								
Oil and natural gas sales	**4,291**	6,801	7,586	7,110	7,825	5,062	2,231	2,583
Funds from operations	**1,166**	2,995	3,740	3,626	4,848	2,430	(179)	652
Per share - basic and diluted	**0.01**	0.02	0.03	0.03	0.05	0.02	-	0.01
Net earnings (loss)	**(1,816)**	(171)	199	887	2,175	333	(1,080)	(222)
Per share - basic and diluted	**(0.01)**	-	-	0.01	0.02	-	(0.01)	-

The Company has experienced significant increases in production over the previous two years stemming from successful drilling activities at Northeast BC. Production declined in Q1 2015 as no new wells came on production to offset natural declines. Three test wells had production for only a part of the quarter and this production is not included as the revenue, royalties and production expenses were capitalized as part of the completion and testing of those wells. These production increases combined with commodity price increases have led to substantial increases in revenue, funds from operations, and net earnings over the previous two years until the last two quarters. Oil, NGLs, and natural gas commodity prices significantly eroded over the past two quarters causing significant reductions in revenue and funds from operations and this has also led to a net loss over those two quarters. Also contributing to the net loss over the last two quarters has been increased share based compensation resulting from the warrants issued in Q3 2014 and stock options issued in Q4 2014.

CRITICAL ACCOUNTING ESTIMATES

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

RISK ASSESSMENT

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

Reserves and reserve replacement

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

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

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

Operational risks

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

Market risk

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

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

Interest rate risk
The Company is exposed to interest rate risk 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 March 31, 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 March 31, 2015, $3.8 million (100%) of the Company's outstanding accounts receivable were current. During the period ended March 31, 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 $7.4 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 in Q4 2014 and Q1 2015, 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 March 31, 2015 the Company has expended a total of $15.0 million on this project. The Company has also committed to firm transportation over five years for a total of $52.6 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. 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	**March 31 2015**	December 31 2014
Assets			
Current assets			
Cash and cash equivalents		**15,822**	41,329
Restricted cash	(4)	**1,000**	-
Accounts receivable		**3,777**	3,391
Prepaid expenses and deposits		**291**	385
		20,890	45,105
Property, plant, and equipment	(5)	**98,642**	89,853
Exploration and evaluation assets	(6)	**105,000**	96,550
Deferred income taxes		**11,410**	11,276
		215,052	197,679
		235,942	242,784
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**12,370**	20,102
Decommissioning obligations	(8)	**8,270**	7,286
		20,640	27,388
Shareholders' Equity			
Shareholders' capital	(9)	**283,587**	283,587
Contributed surplus		**3,677**	1,955
Reserve from common-control transaction		**(69,712)**	(69,712)
Deficit		**(2,250)**	(434)
		215,302	215,396
		235,942	242,784

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

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

($000s, except per share amounts)	Note	Three Months Ended March 31 2015	2014
Revenue			
Oil and natural gas sales		**4,291**	7,825
Royalties		**(273)**	(214)
		4,018	7,611
Expenses			
Production		**1,361**	1,121
Transportation		**367**	199
Depletion and depreciation	(5)	**1,662**	1,705
General and administrative		**1,238**	576
Share based compensation	(10)	**1,415**	153
Finance income		**(126)**	-
Finance expense		**51**	878
		5,968	4,632
(Loss) Earnings before taxes		**(1,950)**	2,979
Taxes			
Deferred income tax (recovery) expense		**(134)**	804
Net (loss) earnings and comprehensive (loss) earnings		**(1,816)**	2,175
Net (loss) earnings per share			
Basic and diluted	(11)	**(0.01)**	0.02

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	Deficit	Total Equity
Balance, January 1, 2014	-	80,139	1,824	-	-	81,963
Net earnings	-	2,175	-	-	-	2,175
Net contributions from Crocotta Energy Inc.	-	14,729	-	-	-	14,729
Share based compensation	-	-	176	-	-	176
Balance, March 31, 2014	-	97,043	2,000	-	-	99,043
Balance, January 1, 2015	283,587	-	1,955	(69,712)	(434)	215,396
Net loss	-	-	-	-	(1,816)	(1,816)
Share based compensation	-	-	1,722	-	-	1,722
Balance, March 31, 2015	283,587	-	3,677	(69,712)	(2,250)	215,302

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

Leucrotta Exploration Inc.
Statements of Cash Flows
(unaudited)

($000s)	Note	Three Months ended March 31 2015	2014
Operating Activities			
Net (loss) earnings		**(1,816)**	2,175
Depletion and depreciation	(5)	**1,662**	1,705
Share based compensation	(10)	**1,415**	153
Finance expense		**51**	878
Interest paid		**(12)**	(867)
Deferred income tax (recovery) expense		**(134)**	804
Change in non-cash working capital	(12)	**(619)**	(562)
		547	4,286
Financing Activities			
Net contributions from Crocotta Energy Inc.		**-**	14,729
Investing Activities			
Capital expenditures - property, plant, and equipment	(5)	**(9,469)**	(5,236)
Capital expenditures - exploration and evaluation assets	(6)	**(8,180)**	(14,494)
Change in restricted cash	(4)	**(1,000)**	-
Change in non-cash working capital	(12)	**(7,405)**	715
		(26,054)	(19,015)
Change in cash and cash equivalents		**(25,507)**	-
Cash and cash equivalents, beginning of period		**41,329**	-
Cash and cash equivalents, end of period		**15,822**	-

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 May 25, 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 three months ended March 31, 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. The margin account holds $3.7 million of securities of Leucrotta common shares and a margin payable of $984 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. 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	**9,469**
Change in decommissioning obligation estimates	**945**
Capitalized share based compensation	**37**
Balance, March 31, 2015	**115,844**

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	**1,662**
Balance, March 31, 2015	**17,202**

Net Book Value	Total
January 1, 2014	62,756
December 31, 2014	89,853
March 31, 2015	**98,642**

During the three months ended March 31, 2015, $nil (2014 - $nil) 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 for the three months ended March 31, 2015 included an estimated $129.1 million (2014 - $73.9 million) for future development costs associated with proved plus probable undeveloped reserves and excluded approximately $2.2 million (2014 - $0.8 million) for the estimated salvage value of production equipment and facilities and approximately $18.2 million (2014 - $nil) of assets under construction.

6. 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	**8,180**
Capitalized share based compensation	**270**
Balance, March 31, 2015	**105,000**

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 months ended March 31, 2015 and year ended December 31, 2014 related to Northeast BC.

During the three months ended March 31, 2015, approximately $0.2 million (2014 - $0.1 million) of directly attributable general and administrative costs were capitalized as expenditures on exploration and evaluation assets.

Lease expiries for the three months ended March 31, 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 (loss) earnings.

7. CREDIT FACILITY

The Company has a $25.0 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 March 31, 2015, $nil had been drawn on the revolving credit facility. At March 31, 2015, the Company had outstanding letters of guarantee of $0.2 million which reduce the amount that can be borrowed under the credit facility. The credit facility is currently under review and there can be no assurance that the amount of the available credit facility will not be adjusted.

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 March 31, 2015.

8. 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 $13.9 million which is estimated to be incurred over the next 43 years. At March 31, 2015, a risk-free rate of 1.8% (December 31, 2014 – 2.2%) was used to calculate the net present value of the decommissioning obligations.

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Balance, beginning of period	**7,286**	1,546
Provisions incurred	**-**	588
Acquisitions	**-**	892
Revaluation of liabilities acquired	**-**	2,582
Revisions in estimated cash flows	**-**	887
Revisions due to change of discount rates	**945**	711
Accretion	**39**	80
Balance, end of period	**8,270**	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.

9. 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 March 31, 2015 and December 31, 2014 there were 165.2 million common shares outstanding.

10. 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 March 31, 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**
Balance, March 31, 2015	**4,722**	**1.29**
Exercisable, March 31, 2015	-	-

During the three months ended March 31, 2015, the Company recognized $0.3 million (2014 - $nil) of share based compensation related to the stock options. At March 31, 2015 there was $1.8 million remaining as unrecognized share based compensation related to the stock options.

Performance Warrants

During the three months ended March 31, 2015 the Company recognized $0.6 million (2014 - $nil) of share based compensation related to the performance warrants. At March 31, 2015 there was $3.4 million remaining as unrecognized share based compensation related to the performance warrants. No new performance warrants were granted during the three months ended March 31, 2015.

Purchase Warrants

During the three months ended March 31, 2015 the Company recognized $0.8 million (2014 - $nil) of share based compensation related to the purchase warrants. At March 31, 2015 there was $2.8 million remaining as unrecognized share based compensation related to the purchase warrants. No new purchase warrants were granted during the three months ended March 31, 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.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	March 31, 2015	March 31, 2014
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**	-

The fair value of the stock options granted by Crocotta during periods prior to August 6, 2014 were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	March 31, 2015	March 31, 2014
Risk-free interest rate (%)	**-**	1.5
Expected life (years)	**-**	4.0
Expected volatility (%)	**-**	48.4
Expected dividend yield (%)	**-**	-
Forfeiture rate (%)	**-**	5.7
Weighted average fair value of options granted ($ per option)	**-**	1.11

11. 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 March 31, 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 (loss) earnings per share calculations:

	March 31, 2015	March 31, 2014
Weighted average number of shares - basic	**165,227**	105,613
Dilutive effect of share based compensation plans	**-**	-
Weighted average number of shares - diluted	**165,227**	105,613

12. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2015	March 31, 2014
Accounts receivable	**(386)**	(730)
Prepaid expenses and deposits	**94**	58
Accounts payable and accrued liabilities	**(7,732)**	825
Change in non-cash working capital	**(8,024)**	153
Relating to:		
Investing	**(7,405)**	715
Operating	**(619)**	(562)
Change in non-cash working capital	**(8,024)**	153

13. COMMITMENTS

The following is a summary of the Company's contractual obligations and commitments at March 31, 2015:

	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Office leases	437	583	585	496	-	-	2,101
Plant and equipment	7,430	-	-	-	-	-	7,430
Firm transportation agreements	679	6,461	9,929	12,555	12,555	10,462	52,641
	8,546	7,044	10,514	13,051	12,555	10,462	62,172

corporateinformation

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VP Finance & CFO

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

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Forward-Looking Statements

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

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