LONG RUN EXPLORATION LTD.

Financial Statements

March 31, 2015

Statement of Financial Position

($000s)	**March 31, 2015**	December 31, 2014
	(unaudited)	
ASSETS		
CURRENT		
Accounts receivable	**51,615**	65,135
Deposits and prepaid expenses	**15,129**	14,423
Fair value of financial derivatives *(note 13)*	**56,807**	65,438
	123,551	144,996
Exploration and evaluation assets *(note 4)*	**5,183**	5,635
Property and equipment *(note 5)*	**1,613,334**	1,627,050
Deferred income tax asset	**168,790**	162,025
Fair value of financial derivatives *(note 13)*	**1,426**	-
	1,912,284	1,939,706
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**114,608**	132,439
Bank loan *(note 7)*	**100,000**	100,000
Fair value of financial derivatives *(note 13)*	**416**	336
	215,024	232,775
Bank loan *(note 7)*	**525,702**	511,717
Convertible debentures *(note 8)*	**68,490**	68,145
Decommissioning liabilities *(note 6)*	**411,887**	411,209
Fair value of financial derivatives *(note 13)*	**275**	85
	1,221,378	1,223,931
SHAREHOLDERS' EQUITY		
Share capital *(note 9)*	**1,006,799**	1,006,799
Equity component of convertible debentures *(note 8)*	**3,483**	3,483
Contributed surplus *(note 9)*	**27,495**	26,160
Retained earnings (deficit)	**(346,871)**	(320,667)
	690,906	715,775
	1,912,284	1,939,706

Commitments and contingencies *(note 15)*

See accompanying notes to the financial statements.

Statement of Earnings (Loss) and Comprehensive Income (Loss)

	Three months ended March 31	
($000s, except per share amounts) (unaudited)	**2015**	2014
INCOME		
Petroleum and natural gas revenue	**81,324**	151,886
Royalties	**(6,321)**	(18,466)
	75,003	133,420
Gain (loss) on financial derivatives *(note 13)*		
- realized	**25,845**	(7,422)
- unrealized	**(7,475)**	(10,783)
	93,373	115,215
EXPENSES		
Operating	**41,184**	36,194
Transportation	**5,421**	5,543
General and administration *(note 11)*	**6,406**	8,729
Share-based compensation *(note 9)*	**950**	582
Interest	**7,875**	4,916
Accretion *(note 6, 8)*	**2,675**	2,122
Depletion and depreciation *(note 5)*	**60,584**	49,663
Exploration	**4**	566
Gain on disposal of assets *(note 5)*	**(2,143)**	(2,328)
	122,956	105,987
EARNINGS (LOSS) BEFORE TAX	**(29,583)**	9,228
Income taxes		
Deferred income tax expense (recovery)	**(6,765)**	2,457
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(22,818)**	6,771
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE *(note 9)*		
Basic	**(0.12)**	0.05
Diluted	**(0.12)**	0.05

See accompanying notes to the financial statements.

Statement of Changes in Shareholders' Equity

($000s) (unaudited)	**Share Capital**	**Equity Component of Convertible Debentures**	**Contributed Surplus**	**Retained Earnings (Deficit)**	**Total**
	(note 9)	*(note 8)*	*(note 9)*		
January 1, 2014	657,666	-	23,377	(64,066)	616,977
Issuance of common shares	346,317	-	-	-	346,317
Share-based compensation	-	-	3,440	-	3,440
Options exercised	2,816	-	(657)	-	2,159
Comprehensive loss	-	-	-	(190,395)	(190,395)
Dividends declared *(note 9)*	-	-	-	(66,206)	(66,206)
Convertible debentures issued	-	3,483	-	-	3,483
December 31, 2014	1,006,799	3,483	26,160	(320,667)	715,775
Share-based compensation	-	-	1,335	-	1,335
Comprehensive loss	-	-	-	(22,818)	(22,818)
Dividends declared *(note 9)*	-	-	-	(3,386)	(3,386)
March 31, 2015	**1,006,799**	**3,483**	**27,495**	**(346,871)**	**690,906**
January 1, 2014	657,666	-	23,377	(64,066)	616,977
Share-based compensation	-	-	912	-	912
Options exercised	1,223	-	(285)	-	938
Comprehensive earnings	-	-	-	6,771	6,771
Dividends declared *(note 9)*	-	-	-	(12,639)	(12,639)
Convertible debentures issued	-	3,483	-	-	3,483
March 31, 2014	658,889	3,483	24,004	(69,934)	616,442

See accompanying notes to the financial statements.

Statement of Cash Flows

($000s) (unaudited)	Three months ended March 31 **2015**	2014
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss)	**(22,818)**	6,771
Items not requiring cash:		
Unrealized loss on financial derivatives *(note 13)*	**7,475**	10,783
Share-based compensation *(note 9)*	**950**	582
Accretion *(note 6, 8)*	**2,675**	2,122
Depletion and depreciation *(note 5)*	**60,584**	49,663
Gain on disposal of assets *(note5)*	**(2,143)**	(2,328)
Deferred income tax expense (recovery)	**(6,765)**	2,457
Abandonment costs *(note 6)*	**(2,617)**	(1,346)
Change in non-cash working capital *(note 14)*	**11,491**	(8,923)
	48,832	59,781
INVESTING ACTIVITIES		
Capital expenditures *(note 4, 5)*	**(45,315)**	(100,848)
Acquisitions *(note 5)*	**(595)**	(4,763)
Dispositions *(note 5)*	**1,987**	8,442
Change in non-cash working capital *(note 14)*	**(8,736)**	25,912
	(52,659)	(71,257)
FINANCING ACTIVITIES		
Bank loan issuance (repayment)	**13,985**	(52,612)
Issuance of convertible debentures, net of costs *(note 8)*	**-**	71,573
Dividends declared *(note 9)*	**(3,386)**	(12,639)
Issuance of common shares *(note 9)*	**-**	938
Change in non-cash working capital *(note 14)*	**(6,772)**	4,216
	3,827	11,476
CHANGE IN CASH	**-**	-
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF PERIOD	**-**	-
SUPPLEMENTAL INFORMATION		
Interest paid	**8,412**	3,874

See accompanying notes to the financial statements.

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2015

1. REPORTING ENTITY

Long Run Exploration Ltd. ("Long Run" or the "Company"), is incorporated under the *Business Corporations Act* (Alberta).

The Company is in the business of development, acquisition, exploration and production of oil and natural gas in western Canada.

The principal address of the Company is located at 400, 250 2nd Street SW, Calgary, Alberta, T2P 0C1. Long Run's outstanding common shares and convertible debentures are listed on the Toronto Stock Exchange under the symbols "LRE" and "LRE.DB", respectively.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim financial statements do not include all of the information required for full annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2014.

The interim financial statements follow the same accounting policies as the annual audited financial statements for the year ended December 31, 2014.

The financial statements have been prepared on the historical cost basis except where noted in the accounting policies. The financial statements are presented in Canadian dollars.

The financial statements were authorized for issue by the Board of Directors on May 6, 2015.

3. CHANGES IN ACCOUNTING POLICIES

There were no new or amended standards issued during the three months ended March 31, 2015 that are applicable to the Company in the current or future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in Note 4 of the annual financial statements for the year ended December 31, 2014.

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2015

4. EXPLORATION AND EVALUATION ASSETS

($000s)	**March 31, 2015**	December 31, 2014
Balance, beginning of year	**5,635**	10,758
Additions	**157**	27
Transfers to property and equipment	**(609)**	(5,150)
Balance, end of period	**5,183**	5,635

5. PROPERTY AND EQUIPMENT

($000s)	**March 31, 2015**	December 31, 2014
Property and equipment cost	**2,855,827**	2,808,959
Accumulated depletion, depreciation and impairments	**(1,242,493)**	(1,181,909)
Net book value	**1,613,334**	1,627,050

Property and Equipment Cost

($000s)	**March 31, 2015**	December 31, 2014
Balance, beginning of year	**2,808,959**	1,769,893
Additions	**46,664**	311,488
Acquisitions, including decommissioning costs	**595**	753,297
Transfers from exploration and evaluation assets	**609**	5,150
Transfers to assets held for sale	**(1,000)**	(6,000)
Change in decommissioning liabilities estimate (*note 6*)	**-**	52,022
Disposals	**-**	(76,891)
Balance, end of period	**2,855,827**	2,808,959

On May 30, 2014, the Company acquired assets in the Deep Basin area of Alberta focused on development of the Cardium for $228.8 million. On August 6, 2014 the Company acquired $406.7 million of additional Cardium assets through the Crocotta Energy Inc. ("Crocotta") acquisition.

Accumulated Depletion, Depreciation and Impairments

($000s)	**March 31, 2015**	December 31, 2014
Balance, beginning of year	**(1,181,909)**	(585,542)
Depletion and depreciation expense	**(60,584)**	(234,829)
Disposals	**-**	38,462
Impairments	**-**	(400,000)
Balance, end of period	**(1,242,493)**	(1,181,909)

Proceeds of $2.0 million were received for the disposition of minor producing properties during the first three months of 2015 (March 31, 2014 - $8.4 million). During the first three months of 2015, a gain on disposal of properties of $2.1 million was recognized (March 31, 2014 - $2.3 million).

At March 31, 2015, undeveloped land of $27.9 million was excluded from costs subject to depletion (March 31, 2014 - $23.2 million). In addition, future development costs of $1.3 billion were added into costs subject to depletion (March 31, 2014 - $771.3 million).

At March 31, 2015, a $7.0 million pipeline held for sale was included in deposits and prepaids on the statement of financial position (December 31, 2014 - $6.0 million). The pipeline was sold in April 2015 for $8.1 million.

6. DECOMMISSIONING LIABILITIES

($000s)	**March 31, 2015**	December 31, 2014
Balance, beginning of year	**411,209**	254,413
Accretion expense	**2,330**	9,286
Liabilities acquired	**-**	113,681
Liabilities incurred	**1,121**	6,306
Disposal of liabilities	**(156)**	(13,090)
Settlement of liabilities	**(2,617)**	(11,409)
Change in estimates	**-**	52,022
Balance, end of period	**411,887**	411,209

The Company's decommissioning liabilities result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. At March 31, 2015, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning liabilities was approximately $561.0 million, which will be incurred over the next 40 years (December 31, 2014 - $560.0 million). At March 31, 2015, the Company used a risk free rate of 2.25% and an inflation rate of 2.0% to calculate the present value of the decommissioning liabilities (December 31, 2014 - risk free rate of 2.25% and inflation rate of 2.0%). The change in estimates during 2014 was primarily attributable to the change in the period end risk-free rate.

7. AVAILABLE CREDIT FACILITIES

At March 31, 2015, the Company had credit facilities of $695.0 million, consisting of a $655.0 million revolving syndicated facility and a $40.0 million operating facility. At March 31, 2015, $625.7 million was drawn against the credit facilities (December 31, 2014 - $611.7 million).

During 2015, Long Run plans to repay $100.0 million of its bank debt primarily through asset dispositions. As a result, $100.0 million of bank debt has been classified as a current liability.

Under the credit facilities, total borrowings cannot exceed the borrowing base, which is determined by the lenders on a semi-annual basis, or upon the occurrence of a material event. The level of the borrowing base is determined by the lenders based upon their review of, among other things, the Company's reserves and the value thereof, utilizing commodity prices determined by the lenders which may be different than those utilized by the Company's independent reserve evaluator. The borrowing base was last confirmed by the lenders on November 25, 2014, upon completion of their semi-annual review.

Security for the credit facilities at March 31, 2015 included a demand debenture for $1.5 billion which provides for a first ranking security interest and floating charge over all of the assets and property of the Company.

The credit facilities bear interest at the prime rate or Libor rate, plus a margin, and in respect of banker's acceptances requires the payment of a stamping fee equal to a margin. The margins ranged from 1.00% per annum to 3.50% per annum, based upon the Company's debt to earnings before interest, taxes, exploration expenses, and all non-cash items including depletion and depreciation, unrealized gain/loss on derivatives, gain/loss on sale of assets, accretion and share based compensation ("Bank EBITDA") ratio. For the three months ended March 31, 2015, the effective interest rate, including standby and other fees, was 4.5% (March 31, 2014 – 4.5%).

At March 31, 2015, the Company was in compliance with all covenants, obligations and conditions of its credit agreement. The covenants in the facilities relate to debt to Bank EBITDA, interest coverage, permitted distributions and dispositions and permitted hedging.

At March 31, 2015, the Company had letters of credit outstanding totalling $5.0 million (December 31, 2014 – $4.5 million).

The annual credit facility review by the lending syndicate is currently in progress and is expected to be completed by May 31, 2015. It is anticipated that total credit facilities of $695.0 million will be maintained, segregated into a borrowing base component and a non-revolving term loan component. While details of the non-revolving term loan component have not yet been determined, repayment is expected to be required no later than May 31, 2016. The Company currently anticipates that amendments will be made to the credit facility financial covenants until May 31, 2016, providing increased financial flexibility.

8. CONVERTIBLE DEBENTURES

On January 28, 2014, the Company issued $75.0 million face value of convertible unsecured subordinated debentures at par. The debentures bear an annual interest rate of 6.40%, payable semi-annually in arrears. Prior to maturity on January 31, 2019, the debentures are convertible into Common Shares of the Company at a conversion price of $7.40 per Common Share, subject to adjustment in certain events.

9. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of Common Shares, Common Non-Voting Shares, Non-Voting Convertible Shares and First Preferred Shares without nominal or par value.

Common Shares

	March 31, 2015		December 31, 2014	
(000s)	**Number of shares**	**Amount $**	Number of shares	Amount $
Balance, beginning of year	**193,498**	**1,006,799**	110,143	551,403
Issuance of common shares	**-**	**-**	23,530	120,003
Issuance of common shares upon business combination	**-**	**-**	43,829	231,419
Issued on conversion of Non-Voting Convertible Shares	**-**	**-**	15,513	106,263
Issued on exercise of stock options	**-**	**-**	483	2,159
Share issue costs, net of deferred tax of $1.7 million	**-**	**-**	-	(5,105)
Transfer from contributed surplus on exercise of stock options	**-**	**-**	-	657
Balance, end of period	**193,498**	**1,006,799**	193,498	1,006,799

On April 30, 2014, the Company closed an equity issuance of 23.5 million Subscription Receipts at $5.10 per Subscription Receipt for gross proceeds of $120 million. On May 30, 2014, in conjunction with the closing of the acquisition of Deep Basin properties, holders of the Subscription Receipts received one Common Share of the Company for each Subscription Receipt held.

On May 28, 2014, all of the Company's outstanding Non-Voting Convertible Shares were converted to Common Shares of the Company.

On August 6, 2014, the Company issued 43.8 million Common Shares at $5.28 per share in connection with the acquisition of Crocotta.

Dividends

Dividends declared are subject to approval by the Board of Directors on a monthly basis. As at March 31, 2015, $3.4 million in dividends had been declared and paid (March 31, 2014, $12.6 million in dividends declared, of which $8.3 million had been paid). During February 2015, the monthly dividend was suspended by the Board of Directors.

Contributed Surplus

($000s)	**March 31, 2015**	December 31, 2014
Balance, beginning of year	**26,160**	23,377
Share-based compensation cost	**1,335**	3,440
Transfer to share capital on exercise of options	**-**	(657)
Balance, end of period	**27,495**	26,160

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2015

Share Option Plan

	March 31, 2015		December 31, 2014	
	Number of Options *(000s)*	Weighted Average Exercise Price ($)	Number of Options *(000s)*	Weighted Average Exercise Price ($)
Outstanding, beginning of year	8,879	4.50	10,266	4.50
Forfeited	(146)	4.45	(904)	4.52
Exercised	-	-	(483)	4.47
Outstanding, end of period	8,733	4.50	8,879	4.50

At March 31, 2015, option exercise prices ranged from $4.03 to $5.30 per option for the 8.7 million options outstanding. The weighted average exercise price was $4.50 per option and the weighted average remaining life of the options was 2.8 years. At March 31, 2015, there were 5.4 million options exercisable, with a weighted average exercise price of $4.49 per option. The Company has not issued options since December 31, 2013.

For the three months ended March 31, 2015, $0.4 million was recognized as share-based compensation (March 31, 2014 - $0.9 million), of which $0.3 million was expensed (March 31, 2014 - $0.6 million).

Restricted and Performance Award Incentive Plan

Number of Restricted Awards (000s)	March 31, 2015	December 31, 2014
Outstanding, beginning of year	-	-
Granted	5,181	-
Forfeited	(87)	-
Outstanding, end of period	5,094	-

The Company adopted a Restricted and Performance Award Incentive Plan. Grantees will receive either cash or Common Shares, at the discretion of the Company, in relation to the value of a specified number of underlying Common Shares. The Company intends to settle the awards with equity. The awards vest equally over three years, on the first, second and third anniversaries of the grant date. The maximum number of Common Shares issuable is limited to 5% of the issued and outstanding Common Shares. During January 2015, a total of 5.2 million restricted awards were granted. Each restricted award entitles the holder to a Common Share or the value of a Common Share (subject to certain adjustments, including for dividends paid on the Common Shares) on the vesting date.

At March 31, 2015, there were 5.1 million restricted share awards outstanding with a weighted average remaining life of 3.7 years. At March 31, 2015, none of the restricted share awards were exercisable.

The grant date fair values of share-based compensation awards are recognized over the vesting periods of the awards, with an offsetting credit to contributed surplus. The estimated forfeiture rate is adjusted to reflect the actual number of awards that vest. The related share-based compensation expense previously included in contributed surplus is credited to share capital on the exercise of the stock awards.

The fair value of awards under the Company's incentive plan is determined using a Black-Scholes pricing model. The following assumptions were made during the period ended March 31, 2015: risk-free interest rate of 1.0 - 1.4%; dividend yield of 1.2%; volatility factor of the market price of the Company's Common Shares of 43 - 54%; and expected award lives of one to three years. Restricted share awards granted during the period ended March 31, 2015 had an average fair value of $1.45 per award.

For the three months ended March 31, 2015, $0.9 million was recognized as share-based compensation (March 31, 2014 - nil), of which $0.6 million was expensed (March 31, 2014 - nil).

Earnings (Loss) Per Share

	Three months ended March 31	
	2015	2014
Net earnings (loss) *($000s)*	**(22,818)**	6,771
Weighted average number of shares *(000s)*		
Shares outstanding, beginning of year	**193,498**	125,656
Share options exercised	**-**	74
Weighted average shares outstanding - basic	**193,498**	125,730
Weighted average shares outstanding - diluted	**193,498**	126,129
Basic earnings (loss) per share	**(0.12)**	0.05
Diluted earnings (loss) per share	**(0.12)**	0.05

The diluted weighted average number of shares is calculated by assuming the proceeds that arise from the exercise of outstanding and in the money options and restricted share awards are used to purchase Common Shares of the Company at the average market price during the period. For the three months ended March 31, 2015, all options, all restricted awards and the effect of the conversion of convertible debentures were excluded from the calculation of diluted earnings (loss) per share as they were anti-dilutive (March 31, 2014 – 3.8 million options).

10. CAPITAL RISK MANAGEMENT

The Company's primary capital management objective is to strengthen our financial position and financial flexibility. To manage the capital structure, the Company may adjust capital spending, dispose of properties, adjust dividends declared, issue new shares, issue new debt or repay existing debt.

In managing its capital structure, the Company monitors financial metrics as indicators of overall financial strength. The financial metrics the Company currently monitors include net debt to funds flow from operations and debt to debt plus equity.

The Company's objective is to target net debt to funds flow from operations at or below a ratio of 1.5 and debt to debt plus equity at a ratio at or below 0.4. While the Company may exceed these rates from time to time, efforts are made after a period of variation to bring the measures back in line. The net debt to funds flow from operations at March 31, 2015 was calculated based on first quarter funds flow annualized. The resulting net debt to funds flow from operations of 4.7 times reflects the lower commodity prices experienced in the first quarter. At March 31, 2015, the Company had a debt to debt plus equity ratio of 0.50 times. During 2015, the Company plans to repay $100.0 million of its bank debt to improve its financial position. The repayment is expected to be primarily funded through asset dispositions.

Net Debt to Funds Flow from Operations

($000s, except ratios)	**March 31, 2015**	December 31, 2014
Net Debt		
Bank loan	**625,702**	611,717
Accounts payable and accrued liabilities	**114,608**	132,439
Accounts receivable	**(51,615)**	(65,135)
Deposits and prepaid expenses	**(15,129)**	(14,423)
Convertible debentures - face value	**75,000**	75,000
Net Debt	**748,566**	739,598
Funds Flow from Operations - Quarter Ended		
Petroleum and natural gas revenue	**81,324**	133,354
Royalties	**(6,321)**	(14,835)
Gain (loss) on financial derivatives - realized	**25,845**	14,145
Operating expense	**(41,184)**	(42,684)
Transportation expense	**(5,421)**	(5,891)
General and administration	**(6,406)**	(7,793)
Interest	**(7,875)**	(8,038)
Exploration expense	**(4)**	(86)
Capital and other taxes	**-**	6
Funds Flow from Operations - Quarter Ended	**39,958**	68,178
Funds Flow from Operations - Annualized *(Quarterly x 4)*	**159,832**	272,712
Net Debt to Funds Flow from Operations *(target <= 1.5)*	**4.7**	2.7

Debt to Debt plus Equity

($000s, except ratios)	**March 31, 2015**	December 31, 2014
Debt		
Bank loan	**625,702**	611,717
Convertible debentures - face value	**75,000**	75,000
Debt	**700,702**	686,717
Debt plus Equity		
Debt	**700,702**	686,717
Shareholders' equity	**690,906**	715,775
Debt plus Equity	**1,391,608**	1,402,492
Debt to Debt plus Equity *(target <= 0.4)*	**0.50**	0.49

11. GENERAL AND ADMINISTRATION EXPENSE

	Three months ended March 31	
($000s)	**2015**	2014
Salary and employee	**6,731**	11,198
Other	**4,113**	3,165
Gross expenses	**10,844**	14,363
Capitalized costs	**(2,930)**	(4,511)
Operating recoveries	**(1,508)**	(1,123)
General and administration	**6,406**	8,729

12. RELATED PARTY TRANSACTIONS

A director of the Company and the corporate secretary are partners of the Company's legal counsel, Burnet, Duckworth & Palmer LLP ("BDP"). For the three months ended March 31, 2015, general and administrative expense included amounts totalling $0.1 million charged to the Company by BDP (March 31, 2014 - $0.3 million). As at March 31, 2015, a payable of $0.1 million was owing to BDP (December 31, 2014 - $0.1 million).

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair Value of Financial Assets and Liabilities

Fair value is defined as the price that would be received upon selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company’s financial instruments recognized in the statement of financial position consist of accounts receivable, accounts payable, bank loan, convertible debentures and financial derivatives. The carrying values of accounts receivable and accounts payable approximate their fair values due to their short-term nature. The carrying value of the bank loan approximates fair value due to the floating interest rate on the facilities. At March 31, 2015, the fair value of the convertible debentures was $27.8 million, based on Level 1 inputs as the debentures are traded in an active market.

Financial Derivative Contracts

The Company enters into financial derivative contracts for the purpose of protecting cash flows generated from operations from the volatility of commodity prices and changes in interest and electricity rates.

The Company had the following commodity financial contracts in place as at March 31, 2015:

	Volume	Pricing
Crude Oil		
Costless Collars		
April 1, 2015 – December 31, 2015	2,500 Bbl/d	WTI US $95.00 - $97.50/Bbl
Fixed Price		
April 1, 2015 – April 30, 2015	1,000 Bbl/d	WTI US $90.00/Bbl
April 1, 2015 – April 30, 2015	1,000 Bbl/d	WTI US $85.00/Bbl
April 1, 2015 – June 30, 2015	1,500 Bbl/d	WTI US $55.00/Bbl
April 1, 2015 – June 30, 2015	1,000 Bbl/d	WTI US $55.01/Bbl
April 1, 2015 – June 30, 2015	1,000 Bbl/d	WTI CDN $70.42/Bbl
April 1, 2015 – June 30, 2015	500 Bbl/d	WTI CDN $70.55/Bbl
Calls		
April 1, 2015 – December 31, 2015	500 Bbl/d	WTI US $85.00/Bbl
Natural Gas		
Costless Collars		
April 1, 2015 – December 31, 2015	20,000 GJ/d	CDN $3.50 - $4.00/GJ
April 1, 2015 – December 31, 2015	11,000 GJ/d	CDN $3.50 - $4.35/GJ
April 1, 2015 – December 31, 2015	5,000 GJ/d	CDN $4.00 - $4.51/GJ
April 1, 2015 – December 31, 2015	5,000 GJ/d	CDN $4.00 - $4.50/GJ
Fixed Price		
April 1, 2015 – December 31, 2015	20,000 GJ/d	CDN $2.80/GJ
April 1, 2015 – December 31, 2015	5,000 GJ/d	CDN $2.72/GJ
January 1, 2016 – December 31, 2016	25,000 GJ/d	CDN $3.00/GJ
January 1, 2016 – December 31, 2016	10,000 GJ/d	CDN $3.05/GJ
Electricity		
April 1, 2015 – December 31, 2016	3.0 MW/h	CDN $49.50 MW/h

Subsequent to March 31, 2015, the Company entered into the following financial derivative contracts:

	Volume	Pricing
Crude Oil		
Fixed Price		
July 1, 2015 – December 31, 2015	1,500 Bbl/d	WTI CDN $74.50/Bbl
January 1, 2016 – December 31, 2016	500 Bbl/d	WTI CDN $77.55/Bbl
January 1, 2016 – December 31, 2016	500 Bbl/d	WTI CDN $77.50/Bbl

Financial Derivative Contracts Financial Statement Recognition

The Company recognizes the fair value of its financial derivative contracts on the statement of financial position each reporting period, with the change in fair value recognized as an unrealized gain or loss on the statement of earnings.

The fair values of the Company's financial derivatives were determined using an income valuation approach based upon Level 3 inputs. The valuations, which were provided by the counterparties with whom the transactions were completed, were reviewed by the Company for reasonableness, giving consideration to factors such as the commodity forward price strips and historical volatilities. There have been no transfers between the hierarchy levels during the period.

($000s)	**March 31, 2015**	December 31, 2014
Assets - Fair value of financial derivatives		
Current	**56,807**	65,438
Long-term	**1,426**	-
	58,233	65,438
Liabilities - Fair value of financial derivatives		
Current	**416**	336
Long-term	**275**	85
	691	421
Net Asset	**57,542**	65,017

Of the total March 31, 2015 financial liability, $0.3 million relates to 2015 and $0.4 million relates to 2016.

($000s)	Crude Oil	Natural Gas	Other	Total
Three months ended March 31, 2015				
Realized (gain) loss on financial derivatives	(22,016)	(3,961)	132	(25,845)
New contracts	630	2,457	-	3,087
Change in value	15,718	68	(503)	15,283
Unrealized loss on financial derivatives	(5,668)	(1,436)	(371)	(7,475)
December 31, 2014 - Net Asset (Liability)	49,844	15,427	(254)	65,017
March 31, 2015 - Net Asset (Liability)	**44,176**	**13,991**	**(625)**	**57,542**
Three months ended March 31, 2014				
Realized loss on financial derivatives	4,790	2,629	3	7,422
New contracts	-	(2,407)	-	(2,407)
Change in value	(6,652)	(9,264)	118	(15,798)
Unrealized gain (loss) on financial derivatives	(1,862)	(9,042)	121	(10,783)
December 31, 2013 - Net Liability	(17,103)	(450)	(218)	(17,771)
March 31, 2014 - Net Liability	(18,965)	(9,492)	(97)	(28,554)

Market risk

Market risk includes uncertainty arising from possible movements in commodity prices, and the impact of such movements on the future performance of the business. Commodity price movements could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows. To partially mitigate exposure to commodity price risk, the Company enters into various financial derivative instruments. The instruments currently outstanding are described above.

When assessing the potential impact of price changes on financial derivative contracts outstanding at March 31, 2015, it is estimated that a $1.00/Bbl change in the price of oil would change the unrealized loss by approximately $1.4 million. A $0.10/GJ change in the price of natural gas would change the unrealized loss by approximately $3.1 million.

Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due, causing a financial loss. The Company's accounts receivable are with customers and partners in the oil and natural gas industry and are subject to normal credit risks. A portion of the Company's production is currently sold through partners under normal industry sale and payment terms.

During the three months ended March 31, 2015, four third party purchasers each marketed more than 10% of the Company's petroleum and natural gas revenue. At March 31, 2015, approximately 35% of the accounts receivable balance is due from four customers.

Accounts Receivable *($000s)*	**March 31, 2015**	December 31, 2014
Less than 90 days	**46,681**	58,019
Greater than 90 days	**4,934**	7,116
Total	**51,615**	65,135

Counterparties to the Company's financial derivative contracts are major Canadian financial institutions, having investment grade credit ratings.

Liquidity risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The Company believes that it has access to sufficient capital through internally generated cash flows, external debt and equity sources, and credit facilities to meet current spending forecasts.

At March 31, 2015, $625.7 million was drawn against the Company's credit facilities, with $64.3 million of borrowing capacity available. During 2015, the Company plans to repay $100.0 million of its bank debt to improve its financial position. The repayment is expected to be primarily funded through asset dispositions.

Interest rate risk

The Company is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair value of its financial instruments. To mitigate exposure to interest rate risk, the Company carries debt at both fixed and floating interest rates. The Company may also manage interest rate risk through the use of interest rate swaps. The Company's bank debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. Based on the bank debt outstanding as at March 31, 2015, a one percent change in the interest rate would be expected to impact the quarterly interest expense by approximately $1.6 million. The Company's convertible debentures bear interest at a fixed annual interest rate of 6.4%.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Net Change in Non-Cash Working Capital

	Three months ended March 31	
($000s)	**2015**	2014
Source (use) of cash:		
Accounts receivable	**13,520**	(12,318)
Deposits and prepaid expenses	**294**	1,810
Accounts payable and accrued liabilities	**(17,831)**	31,713
	(4,017)	21,205
Related to:		
Operating activities	**11,491**	(8,923)
Investing activities	**(8,736)**	25,912
Financing activities	**(6,772)**	4,216
	(4,017)	21,205

15. COMMITMENTS AND CONTINGENCIES

Commitments

($000s)	2015	2016	2017	2018	2019	Thereafter	Total
Operating leases	3,340	4,329	6,041	7,753	7,482	50,604	79,549
Processing	3,492	6,024	6,024	6,024	6,024	31,941	59,529
Transportation	8,158	14,499	13,201	9,577	4,573	9,295	59,303
Fractionation	2,639	3,868	3,602	880	-	-	10,989
Capital	10,282	7,866	5,884	245	-	-	24,277
Total	27,911	36,586	34,752	24,479	18,079	91,840	233,647

At March 31, 2015, the Company is committed under operating leases for office space, contracts related to the processing of natural gas, transportation of oil, natural gas and NGLs, fractionation of natural gas liquids, and capital commitments for drilling rig services.

Litigation

The Company is involved in various claims and legal actions arising in the normal course of business. Long Run does not expect that the outcome of these proceedings will have a material adverse effect on the Company.