LONG RUN EXPLORATION LTD.

Management's Discussion and Analysis

March 31, 2016

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For the three months ended March 31, 2016

This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operations of Long Run Exploration Ltd. ("Long Run", the "Company", "its" or "our") should be read in conjunction with the unaudited interim financial statements for the period ended March 31, 2016 and the audited financial statements and MD&A for the year ended December 31, 2015. The disclosure which is unchanged from the MD&A for the year ended December 31, 2015 may not be repeated herein.

The Company follows International Financial Reporting Standards ("IFRS"). Amounts shown in the MD&A are in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes.

The MD&A contains certain measures that do not have any standardized meaning as prescribed by IFRS and therefore are considered non-Generally Accepted Accounting Principles ("Non-GAAP") measures. Readers are cautioned that the MD&A should be read in conjunction with the disclosure in the Non-GAAP Measures and the Advisory sections located at the end of this document. The Advisory provides information on forward-looking statements and oil and natural gas information.

See the Abbreviations section at the end of this document for abbreviations used throughout.

This document is dated May 16, 2016.

Long Run's Strategy and Proposed Arrangement

Long Run Exploration Ltd. is an intermediate oil and natural gas company focused on development, exploration and production in the Western Canadian Sedimentary Basin. We complement our development programs with strategic acquisitions and dispositions. Targeting a production mix balanced between oil and natural gas, activities are concentrated in our core areas which include Peace River, Redwater, the Deep Basin and Boyer. Light oil development is our focus at Normandville and Girouxville in the Peace River area, as well as at our Redwater property located near Edmonton. Development in the Deep Basin area, including the Edson and Kakwa/Elmworth properties, is focused on light oil and liquids rich natural gas. Boyer is a low decline shallow gas property in Northern Alberta.

Long Run has assembled a large land position and oil and natural gas infrastructure in our key areas, providing flexibility for future growth and development. Through controlled exploitation, enhanced recovery and selective low risk exploration, Long Run strives to maximize operating and cost efficiencies.

Throughout 2015, we examined strategic and financial options to improve the capital structure of the Company and create value for all stakeholders given the low commodity price environment. As part of this process, Long Run entered into an arrangement agreement (the "Arrangement Agreement") with Calgary Sinoenergy Investment Corp. (the "Purchaser") and Qingdao Sinoenergy Capital Corporation (the "Guarantor") on December 20, 2015. Pursuant to the proposed plan of arrangement (the "Arrangement"), the Purchaser agreed to acquire: i) all of the outstanding common shares of Long Run ("Common Shares") for cash consideration of $0.52 per share; and ii) all of the Long Run outstanding 6.40% convertible debentures for cash consideration of $750 per $1,000 principal amount of debentures plus accrued and unpaid interest.

Completion of the Arrangement is subject to various closing conditions including receipt of Long Run securityholder approval, court and regulatory approvals in Canada and regulatory approvals required by the Purchaser in China. Long Run securityholder approval was received at a special meeting held on February 29, 2016. The Court of Queen's Bench of Alberta ("Court") approved the Arrangement on March 2, 2016.

Subsequent to March 31, 2016, the outside date for completion of the Arrangement was extended from April 30, 2016 to May 30, 2016 as a result of the ongoing review under the *Investment Canada Act*. Approval of the Arrangement under the *Competition Act* (Canada) was received on April 20, 2016. Long Run and the Purchaser anticipate that closing of the Arrangement will occur shortly following the receipt of approval under the *Investment Canada Act*.

The Purchaser confirmed it has completed its applicable filings with and is in receipt of required approvals from the National Development and Reform Commission, Ministry of Commerce Qingdao Branch and the State Administration of Foreign Exchange in China.

Highlights

Highlights for the three months ended March 31, 2016 include:

- Received securityholder approval on February 29, 2016 for the Arrangement pursuant to which the Purchaser will acquire all of the outstanding Long Run common shares and all of the outstanding Long Run 6.40% convertible unsecured subordinated debentures. On March 2, 2016 Long Run received approval from the Court for the Arrangement.

- Recorded a funds flow from operations deficit of $2.1 million, including $2.8 million of transaction costs related to the Arrangement and the incremental interest costs incurred in January prior to finalizing the credit facilities amendments. Excluding these costs, funds flow from operations of $0.7 million compared to $40.0 million in 2015, primarily reflecting lower commodity prices, lower production and a lower realized gain on financial derivatives, partially offset by lower royalties and lower operating costs.

- Reduced capital expenditures to $4.3 million from $45.3 million in 2015 in response to the low commodity price environment.

- Averaged 27,775 Boe/d of production compared to 35,602 Boe/d in 2015 resulting from reduced capital spending over the past 15 months.

- Realized an oil price including derivatives of $36.25/Bbl compared to $65.34/Bbl in 2015 as a result of a decrease in West Texas Intermediate benchmark pricing and a lower realized gain on financial derivatives.

  Average NGLs pricing decreased to $19.58/Bbl from $22.50/Bbl in 2015, reflecting lower market prices.

  Natural gas prices including derivatives averaged $2.46/Mcf compared to $3.17/Mcf in 2015, primarily attributable to weaker AECO benchmark prices, partially offset by a higher realized gain on financial derivatives.

- Generated an operating netback of $6.08/Boe compared to $16.94/Boe in 2015. The 2016 netback reflects weak commodity prices and a lower gain on financial derivatives, partially offset by lower operating costs and lower royalties. Operating costs improved to $11.84/Boe from $12.85/Boe in 2015 primarily due to lower maintenance, chemical and fluid trucking costs.

- Reported a net loss of $41.5 million compared to a net loss of $22.8 million in 2015. The change reflects lower funds flow from operations, partially offset by lower depletion expense and an unrealized gain on financial derivatives.

- Exited with bank debt of $584.2 million. On January 29, 2016, the Company entered into an amending credit facilities agreement with its bank syndicate. The Company's total credit facilities of $620.0 million terminate six months following the close of the Arrangement, which is consistent with the Purchaser's plan to repay the credit facilities in due course following completion of the Arrangement.

Quarterly Results Overview

	2016	2015			
($000s, except per share or unless otherwise noted)	**Q1**	Q4	Q3	Q2	Q1
Funds flow from operations [1]	**(2,054)**	30,277	35,477	45,924	39,958
Per share, basic [1]	**(0.01)**	0.16	0.18	0.24	0.21
Per share, diluted [1]	**(0.01)**	0.16	0.18	0.24	0.21
Net earnings (loss)	**(41,504)**	(267,020)	(305,058)	(50,136)	(22,818)
Per share, basic	**(0.21)**	(1.38)	(1.58)	(0.26)	(0.12)
Per share, diluted	**(0.21)**	(1.38)	(1.58)	(0.26)	(0.12)
Revenues, before royalties	**45,690**	64,739	72,271	93,436	81,324
Capital expenditures	**4,316**	17,587	19,367	8,770	45,315
Net acquisitions (divestitures)	**(83)**	462	(17,914)	(9,530)	(1,392)
Production					
Oil *(Bbl/d)*	**6,773**	7,641	7,990	9,429	10,557
Natural gas liquids *(Bbl/d)*	**4,234**	3,998	4,277	4,659	5,210
Natural gas *(Mcf/d)*	**100,608**	103,250	110,799	122,214	119,007
Total *(Boe/d)*	**27,775**	28,847	30,733	34,457	35,602
Prices, including derivatives					
Oil *($/Bbl)*	**36.25**	70.45	68.27	72.03	65.34
Natural gas liquids *($/Bbl)*	**19.58**	22.21	20.74	24.48	22.50
Natural gas *($/Mcf)*	**2.46**	3.20	3.34	3.30	3.17
Total *($/Boe)*	**20.94**	33.37	32.81	35.04	33.45
Operating netback *($/Boe)*	**6.08**	18.45	18.55	19.92	16.94

[1] *See Non-GAAP Measures section*

Capital Investment

Capital Expenditures, Acquisitions & Dispositions

($000s)	**Q1 2016**	Q1 2015
Drilling and completion	**3,456**	31,577
Plant and facilities	**596**	12,202
Geological and geophysical	-	778
Other assets	**264**	758
Capital expenditures	**4,316**	45,315
Acquisitions – land	**57**	61
– properties	-	534
Dispositions	**(140)**	(1,987)
Net capital expenditures	**4,233**	43,923

Drilling Activity

		Q1 2016 Wells		Q1 2015 Wells		Success Rate *(net wells)*	
		Gross	**Net**	Gross	Net	**Q1 2016**	Q1 2015
Peace River	– Montney	-	-	5.0	5.0	-	100%
	– Other	-	-	-	-	-	-
Redwater	– Viking	-	-	-	-	-	-
	– Other	-	-	-	-	-	-
Deep Basin	– Edson	-	-	3.0	3.0	-	100%
	– Kakwa/Elmworth	-	-	1.0	1.0	-	100%
Other		-	-	-	-	-	-
		-	-	9.0	9.0	-	100%

Capital Investment

Capital expenditures in the first quarter of 2016 were $4.3 million compared to $45.3 million in 2015. No wells were drilled in 2016 as low commodity prices reduced funds flow from operations available for capital spending.

Capital expenditures in 2015 of $45.3 million included the drilling of 9 net wells and facility costs incurred in the Deep Basin area to provide flexibility for future development and to reduce reliance on third party processing.

Enhanced Oil Recovery

Enhanced oil recovery ("EOR") remains a key part of the Company's strategic development plans. Long Run's first EOR project was in our Peace River Montney area where the Company had two active EOR expansion projects. The EOR project at Normandville covers 5 sections (16 horizontal producers, 8 horizontal injection wells, 1 vertical injection well) and became operational in December 2014. A similar EOR project began in January 2015 at Girouxville covering 1.5 sections (6 horizontal producers, 4 horizontal injection wells). Operations at both waterflood projects are advancing according to the Company's reservoir models, with signs of reservoir response beginning to show in both areas over recent months. This response has come in the form of stabilizing and increasing fluid and oil rates, as well as a downward trend in gas-oil ratios in certain areas within the projects. Full field implementation of EOR at Normandville and Girouxville could ultimately cover approximately 30 net sections.

Redwater remains an active area for Long Run as the site of our second major EOR project. Long Run initiated the first EOR project in the north part of this field in December 2013. This initial project included 2 horizontal injection wells, 6 producers and covered an area of 0.5 sections. A third horizontal injection well was later converted within this project area. A second complementary EOR project, located in the south part of the field, began injection in early December 2014. Together these projects cover an area of 1.125 sections and include 11 horizontal Viking producers, 5 vertical Viking producers and 5 horizontal injection wells. Signs of response have recently begun to show in parts of the reservoir. This response has come in the form of stabilizing fluid and oil rates as well as a downward trend in gas-oil ratios.

Successful EOR implementation has the potential to improve recoveries, reduce production declines and improve capital efficiencies.

Production

Average Production by Product

	Q1 2016	Q1 2015
Liquids *(Bbl/d)*		
Light oil	**6,473**	10,242
Heavy oil	**300**	315
NGLs	**4,234**	5,210
Total	**11,007**	15,767
Natural Gas *(Mcf/d)*	**100,608**	119,007
Total *(Boe/d)*	**27,775**	35,602

Average Production by Area

		Q1 2016				Q1 2015			
		Oil *(Bbl/d)*	**NGLs** *(Bbl/d)*	**Natural Gas** *(Mcf/d)*	**Total** *(Boe/d)*	Oil *(Bbl/d)*	NGLs *(Bbl/d)*	Natural Gas *(Mcf/d)*	Total *(Boe/d)*
Peace River	– Montney	**2,988**	**169**	**16,121**	**5,844**	5,107	312	24,649	9,527
	– Other	**556**	**91**	**7,356**	**1,873**	854	152	9,871	2,651
Redwater	– Viking	**2,304**	**37**	**2,400**	**2,741**	3,219	42	2,929	3,749
	– Other	**573**	**83**	**12,683**	**2,770**	630	117	15,191	3,279
Deep Basin	– Edson	**292**	**1,940**	**20,016**	**5,568**	724	2,561	25,277	7,498
	– Kakwa/Elmworth	**60**	**1,129**	**25,905**	**5,506**	19	1,152	22,623	4,942
Boyer		**-**	**-**	**14,058**	**2,343**	-	-	15,138	2,523
Other		**-**	**785**	**2,069**	**1,130**	4	874	3,329	1,433
		6,773	**4,234**	**100,608**	**27,775**	10,557	5,210	119,007	35,602

During the first quarter of 2016, production averaged 27,775 Boe/d compared to 35,602 Boe/d in 2015. The production decrease resulted from reduced capital spending over the past 15 months in response to the low commodity price environment.

Commodity Pricing

	Q1 2016	Q1 2015
Benchmark pricing		
WTI *(US$/Bbl)*	**33.51**	48.57
Edmonton Light Sweet *(CDN$/Bbl)*	**40.90**	51.85
AECO *($/Mcf)*	**1.89**	2.76
US$/CDN$ exchange rate	**1.37**	1.24
Prices, excluding derivatives		
Liquids *($/Bbl)*		
Light oil	**31.52**	42.32
Heavy oil	**24.98**	37.36
Total Oil	**31.24**	42.17
NGLs	**19.58**	22.50
Total	**26.75**	35.67
Natural Gas *($/Mcf)*	**2.00**	2.80
Total *($/Boe)*	**18.08**	25.38
Prices, including derivatives		
Liquids *($/Bbl)*		
Oil	**36.25**	65.34
NGLs	**19.58**	22.50
Total	**29.84**	51.18
Natural Gas *($/Mcf)*	**2.46**	3.17
Total *($/Boe)*	**20.94**	33.45

The Company's financial results are influenced by fluctuations in commodity prices, exchange rates and Canadian price differentials. Long Run's average oil price excluding derivatives for the first quarter of 2016 was $31.24/Bbl, a decrease of $10.93/Bbl from 2015. The decrease resulted from lower West Texas Intermediate benchmark pricing, partially offset by an increase in the U.S. dollar exchange rate.

Long Run's average NGLs price in the first quarter of 2016 was $19.58/Bbl, a decrease of $2.92/Bbl from 2015. The decrease was a result of lower market prices.

Our average natural gas price in the first quarter of 2016 was $2.00/Mcf, a decrease of $0.80/Mcf from 2015. The decrease was due to the weakening of AECO benchmark pricing. The Company's natural gas price reflects premiums received for the liquids content included in its natural gas production.

The Company enters into financial derivative contracts for the purpose of protecting funds flow from operations due to the volatility of commodity prices. During the first quarter of 2016, our oil price of $36.25/Bbl included a realized gain on derivatives of $5.01/Bbl. The Company's natural gas price of $2.46/Mcf included a realized gain on derivatives of $0.46/Mcf.

Operating Results

Operating Netback & Funds Flow from Operations

	Q1 2016		Q1 2015	
	$000s	**$/Boe**	$000s	$/Boe
Revenues	**45,690**	**18.08**	81,324	25.38
Royalties	**(3,710)**	**(1.47)**	(6,321)	(1.97)
	41,980	**16.61**	75,003	23.41
Realized gain (loss) on derivatives	**7,040**	**2.79**	25,845	8.07
Transportation costs	**(3,745)**	**(1.48)**	(5,421)	(1.69)
Operating costs	**(29,916)**	**(11.84)**	(41,184)	(12.85)
Operating netback	**15,359**	**6.08**	54,243	16.94
General and administration	**(8,024)**	**(3.17)**	(6,406)	(2.00)
Interest	**(9,389)**	**(3.71)**	(7,875)	(2.46)
Exploration expenses	**-**	**-**	(4)	-
Funds flow from operations[1]	**(2,054)**	**(0.80)**	39,958	12.48

[1] See Non-GAAP Measures section

During the first quarter of 2016, funds flow from operations deficit was $2.1 million, a decrease of $42.0 million from 2015 primarily due to the following:

- Lower commodity prices, excluding derivatives, decreased revenue by $15.6 million, of which $7.0 million was attributable to lower oil prices, $7.3 million to lower natural gas prices and $1.1 million to lower NGLs prices;

- Lower production decreased revenue by $20.0 million, reflecting reduced capital spending over the past 15 months in response to the low commodity price environment;

- The realized gain on financial derivative contracts decreased $18.8 million. During 2016, Long Run realized gains of $3.1 million on oil derivative contracts and $4.1 million on natural gas derivative contracts;

- General and administration expense increased $1.6 million, of which $0.9 million was attributable to transaction costs related to the Arrangement. General and administration expense in 2015 included a reduction for lower than planned prior year bonuses paid out in 2015; and

- Interest expense increased $1.5 million, attributable to additional margins charged on the credit facilities during January 2016. The effective interest rate was 5.8% in 2016 compared to 4.5% in 2015.

Partially offset by:

- Royalties decreased $2.6 million due to lower commodity prices; and

- Operating costs decreased $11.3 million reflecting lower maintenance, chemical and fluid trucking costs. Operating costs averaged $11.84/Boe compared to $12.85/Boe in 2015.

Other Income & Expenses

($000s)	**Q1 2016**	Q1 2015
Unrealized gain (loss) on derivatives	**6,234**	(7,475)
Share-based compensation	**(444)**	(950)
Accretion	**(3,393)**	(2,675)
Depletion and depreciation	**(41,998)**	(60,584)
Gain on disposal of assets	**151**	2,143
Deferred income tax recovery	-	6,765
	(39,450)	(62,776)
Funds flow from operations[1]	**(2,054)**	39,958
Net earnings (loss)	**(41,504)**	(22,818)

[1] *See Non-GAAP Measures section*

In comparing the first quarter of 2016 to the first quarter of 2015:

- An unrealized gain on financial derivative contracts of $6.2 million compared to a loss of $7.5 million in 2015. In 2016, an unrealized loss of $1.0 million was recognized on oil derivative contracts and an unrealized gain of $7.3 million was recognized on gas derivative contracts.
- Depletion and depreciation expense of $42.0 million decreased $18.6 million due to lower production volumes and a lower depletion rate. The depletion rate for 2016 was $16.60/Boe compared to $18.90/Boe in 2015 reflecting the impact of impairments taken in 2015.
- A deferred income tax recovery was not recognized in 2016 on the Company’s net loss before tax. Decreased commodity prices have negatively impacted the estimated realization of Long Run’s tax pools.

Liquidity and Capital Resources

Net Debt

($000s)	March 31, 2016	December 31, 2015
Bank loan, excluding bank fees	**584,188**	582,588
Working capital deficiency	**22,497**	17,436
Convertible debentures – face value	**75,000**	75,000
Net debt[1]	**681,685**	675,024

[1] *See Non-GAAP Measures section*

The Company's net debt at March 31, 2016 increased $6.7 million from December 31, 2015 primarily due to first quarter capital expenditures of $4.3 million.

The capital intensive nature of the Company's activities generally results in the Company carrying a working capital deficit, as reflected in the net debt calculation. At March 31, 2016, Long Run had drawn $584.2 million against the Company's credit facilities and had letters of credit outstanding totaling $9.9 million, leaving $25.9 million of borrowing capacity available. Bank fees of $2.2 million were offset against bank debt on the statement of financial position at March 31, 2016 (December 31, 2015 - $3.2 million).

Credit Facilities

At March 31, 2016, the Company had credit facilities of $620.0 million, comprised of a $240.0 million revolving syndicated facility, a $30.0 million operating facility and a $350.0 million non-revolving syndicated facility. The credit facilities terminate six months following the close of the proposed Arrangement, which is consistent with the Purchaser's plan to repay the credit facilities in due course following completion of the Arrangement.

The credit facilities bear interest at the prime rate or Libor rate, plus a margin, and in respect of banker's acceptances, required the payment of a stamping fee equal to a margin. The margins range from 1.00% per annum to 4.50% per annum, based upon the ratio of the Company's debt to earnings before interest, taxes, exploration expense 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.

For the three months ended March 31, 2016, the effective interest rate was 5.8% (March 31, 2015 – 4.5%). Prior to January 29, 2016, the credit facilities margin included a 2.0% per annum additional charge and the non-revolving syndicated credit facility included an additional margin of 3.5% per annum.

The terms of the credit agreement include events of default including: (i) the failure to receive the approval of the Arrangement by Long Run securityholders as required; (ii) the closing date of the Arrangement not occurring on or before the earlier of: (a) April 30, 2016 provided that if the only conditions precedent to the completion of the Arrangement that have not been satisfied by such date are the required approvals under the *Investment Canada Act* and/or the *Competition Act* (Canada), then such later outside date as agreed to by Long Run and the Purchaser in accordance with the Arrangement Agreement and (b) July 30, 2016; or (iii) termination of the Arrangement Agreement for any reason.

Long Run securityholder approval was received at a special meeting held on February 29, 2016. The Court approved the Arrangement on March 2, 2016. Approval of the Arrangement was received under the *Competition Act* (Canada) on April 20, 2016.

In April 2016, Long Run and the Purchaser were advised by Industry Canada that the *Investment Canada Act* review period has been extended by 30 days to allow additional time to complete the review of the Arrangement. As a result, the Purchaser extended the outside date under the Arrangement Agreement from April 30, 2016 to May 30, 2016. The Company's credit facilities were not impacted by this extension of the outside date.

Security for the credit facilities at March 31, 2016 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.

Further details on the Company's credit facility agreement and amendments thereto have been filed on SEDAR at www.sedar.com on June 3, 2015, December 2, 2015, February 1, 2016 and February 8, 2016 under the Company's profile.

Convertible Debentures

On January 28, 2014, the Company issued $75.0 million face value of convertible unsecured subordinated debentures at par. The convertible 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 at a conversion price of $7.40 per Common Share, subject to adjustment in certain events.

Under the terms of the credit facilities, the Company is restricted from making any payment of interest or other amounts on the convertible debentures, including the semi-annual interest payable on February 1, 2016. The bank syndicate has agreed to forbear from exercising any rights or remedies that arise as a result of Long Run's failure to pay interest on the convertible debentures.

Under the terms of the proposed Arrangement, the Purchaser agreed to acquire, subject to the conditions contained in the Arrangement Agreement, the outstanding convertible debentures for cash consideration of $750 per $1,000 principal amount of debentures plus accrued and unpaid interest.

Share Capital

# of units (000s)	**May 16, 2016**	March 31, 2016	December 31, 2015
Common Shares	193,498	193,498	193,498
Options	7,536	7,540	7,558
Restricted Awards	4,587	4,599	4,614

Under the terms of the proposed Arrangement, the Purchaser agreed to acquire all of the outstanding Common Shares for cash consideration of $0.52 per share and the outstanding options will be terminated for $nil consideration.

The payment of 1.5 million restricted awards was to occur on January 5, 2016. The payment of these awards has been deferred in accordance with the terms of the incentive plan, as holders of the restricted awards were in a black-out period. Successful completion of the Arrangement will cause the payment dates applicable to outstanding restricted awards to be accelerated such that the value attaching to outstanding awards will be settled upon closing of the Arrangement.

Capital Structure

The Company's primary capital management objective is to strengthen our financial position and improve 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.

During 2015, Long Run examined strategic and financial options to improve its capital structure given the low commodity price environment. As a result of this process, the Company entered into the proposed Arrangement which will provide certainty of value for securityholders and improve the Company's capital structure.

Contractual Obligations and Contingencies

Contractual Obligations

($000s)	2016	2017	2018	2019	2020	Thereafter	Total
Operating leases	3,780	6,600	7,968	7,618	7,382	43,395	76,743
Processing	4,392	6,079	6,079	6,079	6,079	32,404	61,112
Transportation	9,448	14,300	10,405	4,765	3,183	6,484	48,585
Fractionation	2,098	2,563	622	-	-	-	5,283
Capital	4,926	6,539	269	-	-	-	11,734
Commitments	24,644	36,081	25,343	18,462	16,644	82,283	203,457
Bank loan[1]	584,188	-	-	-	-	-	584,188
Convertible debentures[2,3]	-	-	-	75,000	-	-	75,000
Total	608,832	36,081	25,343	93,462	16,644	82,283	862,645

[1] *Excludes bank fees*
[2] *Face value with maturity on January 31, 2019*
[3] *Under the terms of the proposed Arrangement, the Purchaser will acquire all of Long Run's outstanding convertible debentures for cash consideration of $750 per $1,000 principal amount of debentures plus accrued and unpaid interest*

At March 31, 2016, the Company was 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. Commitments decreased by $8.0 million from December 31, 2015 primarily due to the passage of time.

Other than the operating leases, the Company has no off-balance sheet financing arrangements.

Contingencies

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

Risk Management

Long Run is engaged in the development, acquisition, exploration and production of oil and natural gas in western Canada. The Company is exposed to a number of risks, both financial and operational, through the pursuit of its strategic objectives. Actively managing these risks improves the ability to effectively execute its business strategy. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services. Financial risks also include third party credit risk and liquidity risk. Operational risks include reservoir performance uncertainties, competition and regulatory, environment and safety concerns. The nature of these risks has not changed substantially since December 31, 2015.

For a further and more in-depth discussion of risk management, see the Company's annual financial statements and MD&A for the year ended December 31, 2015 and the Company's annual information form for the year ended December 31, 2015.

Commodity Price

Oil and natural gas prices have been and are expected to remain volatile due to market uncertainties over the supply and demand of these commodities as a result of various factors including OPEC actions, the current state of world economies and ongoing credit and liquidity concerns. Depressed commodity prices have had and will continue to have a significant effect on the Company's revenue, funds flow from operations available for capital expenditures and repayment of indebtedness and other matters.

To partially mitigate exposure to commodity price risk, the Company enters into various financial derivative instruments. The Company has entered into oil and natural gas fixed price derivative contracts. At March 31, 2016, the Company had contracts for oil volumes of 1,000 Bbl/d and natural gas volumes of 42.6 MMcf/d contracted for 2016. Further details on the derivative contracts can be found in Note 13 of the interim financial statements for the three months ended March 31, 2016.

In the first quarter of 2016, the Company realized a $7.0 million gain as a result of its commodity price risk management. The realized gain included a $3.1 million gain on oil financial derivative contracts and a $4.1 million gain on natural gas contracts. In the first quarter of 2016, the Company recognized an unrealized loss on oil financial derivative contracts of $1.0 million and an unrealized gain on natural gas contracts of $7.3 million. At March 31, 2016, the fair value of the oil derivatives was a $6.4 million asset and the fair value of the natural gas derivatives was a $17.2 million asset.

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.

At March 31, 2016, $584.2 million was drawn against the Company’s credit facilities with $25.9 million of borrowing capacity available.

The Company’s current credit facilities terminate six months following the close of the proposed Arrangement, which is consistent with the Purchaser’s plan to repay the credit facilities in due course following completion of the Arrangement.

Failure to complete the Arrangement will result in an event of default under the Company’s credit facilities, which could accelerate the repayment of amounts outstanding. The Company’s ability to continue as a going concern and discharge its obligations would be dependent on obtaining alternative equity, debt financing and/or proceeds from asset sales. In addition, the Arrangement Agreement provides for a mutual non-completion fee of $20 million under which Long Run may be required to pay the amount to the Purchaser in certain circumstances. Though management has been successful in securing sufficient financing in the past, doing so in the current depressed commodity price cycle is expected to be challenging.

Critical Accounting Judgments, Estimates and Accounting Policies

For a full understanding of the Company's critical accounting judgments, estimates and accounting policies, the following should be read in conjunction with the annual audited financial statements and MD&A for the year ended December 31, 2015.

Critical Accounting Estimates

The Company is required to make judgments, estimates and assumptions in the application of accounting policies that could have a significant impact on its financial results. Actual results may differ from those estimates and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. Further details on the basis of presentation and significant accounting policies can be found in the annual financial statements and MD&A for the year ended December 31, 2015. There have been no significant changes to the accounting policies since December 31, 2015.

Adoption of New Accounting Policies

On January 1, 2016, the Company adopted an amendment to IFRS 11, *Joint Arrangements*. This amendment provides guidance on accounting for the acquisition of an interest in a joint operation that constitutes a business. The adoption of this amendment did not have a material impact on the Company's financial statements.

Control Environment

Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Company.

The Company is required to disclose any change in the Company's internal controls over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Detailed Quarterly Results

The Corporation's quarterly funds flow from operations is significantly impacted by changes in production volumes, fluctuations in commodity prices, exchange rates and realized gains and losses on financial derivative contracts. In addition to these items, net earnings are impacted by impairments and unrealized gains and losses on financial derivative contracts. Acquisitions and divestitures can also have a significant impact on Long Run's results. The following significant transactions have impacted the Company's quarterly results:

- During the fourth quarter of 2015, Long Run recorded property impairment charges of $65.0 million at Redwater and the Deep Basin. The Company also recorded a provision against the $168.8 million of deferred tax asset recognized at September 30, 2015. The impairment and provision charges were a result of the drop in forecast commodity prices at December 31, 2015.

- During the third quarter of 2015, Long Run recorded property impairment charges of $285.0 million at Peace River, Redwater, the Deep Basin and Kaybob. The impairment charges were a result of the drop in forecast commodity prices at September 30, 2015.

- During the first quarter of 2015, Long Run suspended its monthly dividend.

- During the fourth quarter of 2014, Long Run recorded property impairment charges of $400.0 million ($300.0 million after tax) at Peace River, the Deep Basin, Redwater and Kaybob. The impairment charges were a result of the drop in forecast commodity prices at December 31, 2014.

- During the third quarter of 2014, Long Run completed the acquisition of Crocotta Energy Inc. on August 6, 2014, for total consideration of $346.9 million. Production from the acquired properties in the Deep Basin area averaged approximately 6,200 Boe/d from August 6, 2014 through December 31, 2014.

- During the second quarter of 2014, Long Run completed the Deep Basin property acquisition on May 30, 2014, for total consideration of $228.8 million. Production from the acquired property averaged approximately 5,200 Boe/d from May 30, 2014 through December 31, 2014 in the Deep Basin and Redwater areas.

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Funds flow from operations[1] *($000s)*	**(2,054)**	30,277	35,477	45,924	39,958	68,178	80,199	73,429
Per share, basic[1]	**(0.01)**	0.16	0.18	0.24	0.21	0.35	0.45	0.55
Per share, diluted[1]	**(0.01)**	0.16	0.18	0.24	0.21	0.35	0.45	0.54
Net earnings (loss) *($000s)*	**(41,504)**	(267,020)	(305,058)	(50,136)	(22,818)	(258,652)	40,644	20,842
Per share, basic	**(0.21)**	(1.38)	(1.58)	(0.26)	(0.12)	(1.34)	0.23	0.16
Per share, diluted	**(0.21)**	(1.38)	(1.58)	(0.26)	(0.12)	(1.34)	0.23	0.15
Capital *($000s)*								
Drilling and completion	**3,456**	10,252	13,434	4,484	31,577	40,928	52,530	34,851
Plant and facilities	**596**	5,127	4,487	1,967	12,202	26,935	19,740	16,441
Geological and geophysical	-	-	14	42	778	247	1,951	4,295
Other assets	**264**	2,208	1,432	2,277	758	1,984	1,538	1,743
Capital expenditures	**4,316**	17,587	19,367	8,770	45,315	70,094	75,759	57,330
Net acquisitions (dispositions)	**(83)**	462	(17,914)	(9,530)	(1,392)	(1,797)	(8,147)	213,716
Capital investment	**4,233**	18,049	1,453	(760)	43,923	68,297	67,612	271,046
Wells drilled *(net)*								
Peace River - Montney	-	-	-	-	5.0	1.0	12.0	11.0
- Other	-	-	-	-	-	-	-	-
Redwater - Viking	-	-	12.0	-	-	1.0	6.0	10.0
- Other	-	-	-	-	-	-	-	1.0
Deep Basin - Edson	-	-	-	-	3.0	2.0	3.0	-
- Kakwa/Elmworth	-	2.0	-	-	1.0	6.0	-	-
Other	-	-	-	-	-	-	-	-
Total	-	2.0	12.0	-	9.0	10.0	21.0	22.0
Production								
Liquids *(Bbl/d)*								
Light oil	**6,473**	7,319	7,711	9,059	10,242	11,895	12,708	11,808
Heavy oil	**300**	322	279	370	315	235	363	668
NGLs	**4,234**	3,998	4,277	4,659	5,210	5,609	3,031	2,038
	11,007	11,639	12,267	14,088	15,767	17,739	16,102	14,514
Natural Gas *(Mcf/d)*	**100,608**	103,250	110,799	122,214	119,007	112,576	112,161	78,524
Total *(Boe/d)*	**27,775**	28,847	30,733	34,457	35,602	36,502	34,795	27,602
Production by area *(Boe/d)*								
Peace River - Montney	**5,844**	6,791	7,497	8,767	9,527	10,661	10,918	9,340
- Other	**1,873**	1,999	2,046	2,170	2,651	2,650	3,054	3,160
Redwater - Viking	**2,741**	3,077	2,942	3,295	3,749	4,451	5,122	5,617
- Other	**2,770**	2,817	2,903	3,124	3,279	3,242	3,196	2,758
Deep Basin - Edson	**5,568**	5,843	6,430	7,366	7,498	7,665	4,654	338
- Kakwa/Elmworth	**5,506**	4,698	4,854	5,706	4,942	3,579	3,207	1,433
Boyer	**2,343**	2,492	2,717	2,659	2,523	2,727	2,929	3,046
Other	**1,130**	1,130	1,344	1,370	1,433	1,527	1,715	1,910
Total	**27,775**	28,847	30,733	34,457	35,602	36,502	34,795	27,602

[1] *See Non-GAAP Measures section*

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Benchmark pricing								
WTI *(US$/Bbl)*	**33.51**	42.17	46.44	57.96	48.57	73.12	97.21	102.98
Edmonton Light Sweet *(CDN$/Bbl)*	**40.90**	52.93	56.27	67.73	51.85	75.65	97.18	105.62
AECO *($/Mcf)*	**1.89**	2.56	2.84	2.66	2.76	3.75	4.02	4.69
US$/CDN$ exchange rate	**1.37**	1.33	1.31	1.23	1.24	1.13	1.09	1.09
Prices, excluding derivatives								
Liquids *($/Bbl)*								
Light oil	**31.52**	43.51	45.78	58.53	42.32	66.73	88.08	97.50
Heavy oil	**24.98**	34.55	40.59	53.33	37.36	60.71	81.47	81.79
NGLs	**19.58**	22.21	20.74	24.48	22.50	30.02	57.98	72.76
Total	**26.75**	35.95	36.93	47.13	35.67	55.04	82.26	93.30
Natural Gas *($/Mcf)*	**2.00**	2.69	2.95	2.89	2.80	4.13	4.29	4.89
Total *($/Boe)*	**18.08**	24.39	25.56	29.80	25.38	39.71	52.16	63.17
Prices, including derivatives								
Oil *($/Bbl)*	**36.25**	70.45	68.27	72.03	65.34	79.35	84.66	89.59
NGLs *($/Bbl)*	**19.58**	22.21	20.74	24.48	22.50	30.02	57.98	72.76
Natural Gas *($/Mcf)*	**2.46**	3.20	3.34	3.30	3.17	4.15	4.23	4.61
Total *($/Boe)*	**20.94**	33.37	32.81	35.04	33.45	43.92	50.75	59.13
Netback *($/Boe)*								
Revenues	**18.08**	24.39	25.56	29.80	25.38	39.71	52.16	63.17
Royalties	**(1.47)**	(1.38)	(2.23)	(2.04)	(1.97)	(4.42)	(6.05)	(7.01)
Realized gain (loss) on derivatives	**2.79**	8.98	7.25	5.24	8.07	4.21	(1.42)	(4.04)
Transportation costs	**(1.48)**	(1.51)	(1.41)	(1.53)	(1.69)	(1.75)	(1.65)	(2.10)
Operating costs	**(11.84)**	(12.03)	(10.62)	(11.55)	(12.85)	(12.71)	(11.63)	(14.98)
Operating Netback	**6.08**	18.45	18.55	19.92	16.94	25.04	31.41	35.04
G&A	**(3.17)**	(3.46)	(2.71)	(2.53)	(2.00)	(2.32)	(3.92)	(3.64)
Interest	**(3.71)**	(3.58)	(3.25)	(2.75)	(2.46)	(2.39)	(2.36)	(2.19)
Corporate Netback	**(0.80)**	11.41	12.59	14.64	12.48	20.33	25.13	29.21
Funds flow from operations[1] *($000s)*								
Revenues	**45,690**	64,739	72,271	93,436	81,324	133,354	166,978	158,678
Royalties	**(3,710)**	(3,667)	(6,312)	(6,400)	(6,321)	(14,835)	(19,377)	(17,598)
Realized gain (loss) on derivatives	**7,040**	23,830	20,486	16,432	25,845	14,145	(4,529)	(10,157)
Transportation costs	**(3,745)**	(4,007)	(3,995)	(4,785)	(5,421)	(5,891)	(5,272)	(5,287)
Operating costs	**(29,916)**	(31,935)	(30,031)	(36,206)	(41,184)	(42,684)	(37,238)	(37,614)
	15,359	48,960	52,419	62,477	54,243	84,089	100,562	88,022
G&A	**(8,024)**	(9,178)	(7,654)	(7,929)	(6,406)	(7,793)	(12,537)	(9,134)
Interest	**(9,389)**	(9,505)	(9,196)	(8,624)	(7,875)	(8,038)	(7,566)	(5,507)
Other	-	-	(92)	-	(4)	(80)	(260)	48
	(2,054)	30,277	35,477	45,924	39,958	68,178	80,199	73,429

[1] *See Non-GAAP Measures section*

Non-GAAP Measures

The MD&A contains terms commonly used in the oil and natural gas industry, such as funds flow from operations, funds flow from operations per share and net debt. These terms are not defined by IFRS and therefore may not be comparable to similar measures presented by other companies. There are measures commonly used in the oil and gas industry and by Long Run to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. These terms should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with IFRS as indicators of Long Run's performance.

Funds Flow from Operations

	2016	2015				2014		
($000s)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash flow from operating activities	**13,032**	38,144	28,057	37,585	48,832	80,866	78,006	67,280
Change in non-cash working capital	**(15,460)**	(8,910)	5,338	7,975	(11,491)	(18,865)	(996)	5,452
Abandonment costs	**374**	1,043	2,082	364	2,617	6,177	3,189	697
Funds flow from operations	**(2,054)**	30,277	35,477	45,924	39,958	68,178	80,199	73,429
Weighted average outstanding shares *(000s)*								
- Basic	**193,498**	193,498	193,498	193,498	193,498	193,497	176,318	134,291
- Diluted	**193,498**	193,498	193,498	193,498	193,498	193,497	177,003	135,437
Funds flow from operations per share *($/share)*								
- Basic	**(0.01)**	0.16	0.18	0.24	0.21	0.35	0.45	0.55
- Diluted	**(0.01)**	0.16	0.18	0.24	0.21	0.35	0.45	0.54

Net Debt

($000s)	**March 31, 2016**	December 31, 2015
Bank loan, excluding bank fees	**584,188**	582,588
Working capital deficiency		
Accounts payable and accrued liabilities	**56,709**	64,611
Accounts receivable	**(25,330)**	(38,315)
Prepaid expenses and deposits	**(8,882)**	(8,860)
Convertible debentures – face value	**75,000**	75,000
Net Debt	**681,685**	675,024

Advisory

Forward-Looking Statements

This document contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of Long Run's anticipated future operations, management focus, objectives, strategies, financial, operating and production results and opportunities, closing of the proposed Arrangement, ability to secure additional financing, potential impact of EOR implementation in the Montney and ultimate expanse on full field implementation, possible effects of successful implementation of EOR, expected timing of the repayment of the Company's credit facilities and payment of outstanding restricted awards upon closing of the Arrangement. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the satisfaction of conditions precedent to completion of the Arrangement, including approvals under the *Investment Canada Act*; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing and access capital on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; the ability of the Company to successfully market its oil and natural gas products; expectations and assumptions concerning prevailing and future commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; business prospects and opportunities; the availability and cost of financing, labor and services; the impact of increasing competition and the effects thereof.

These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties including, without limitation, risks associated with oil and natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals, ability to access sufficient capital from internal and external sources and risks that the Arrangement is not completed as a result of non-satisfaction of the conditions precedent to completion thereof, or otherwise. As a consequence, Long Run's actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

Readers are cautioned that the foregoing list of factors and assumptions is not exhaustive. Additional information on these and other factors that could affect Long Run's operations and financial results are included elsewhere herein and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at Long Run's website (www.longrunexploration.com). Furthermore, the forward-looking statements contained herein are made as at the date hereof and Long Run does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Oil & Natural Gas Information

Oil and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet of natural gas to one barrel of oil. Boes may be misleading, particularly if used in isolation. The forgoing conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different than the energy equivalency of six to one, utilizing a conversion on a six to one basis may be misleading as an indication of value. The Company's light oil production also includes a mix of minor medium oil production.

Operating netback per Boe is calculated by subtracting royalties, transportation and operating costs from revenues, including the realized gain (loss) on financial derivatives and dividing by total production. Corporate netback per Boe is calculated as operating netback less interest and general and administration expense and divided by total production. Operating netback and corporate netback are commonly used metrics in the oil and gas industry; however, as these metrics do not have a standardized meaning, they may not be comparable to these metrics as reported by other companies.

Abbreviations

Oil and Natural Gas Liquids

Bbl	Barrels
MBbl	thousand barrels
MMBbl	million barrels
Bbl/d	barrels per day
NGLs	natural gas liquids
Boe	barrels of oil equivalent
MBoe	thousand barrels of oil equivalent
Boe/d	barrels of oil equivalent per day
Liquids	light oil, heavy oil and NGLs

Natural Gas

MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMbtu	million British Thermal Units

Additional Information

Additional information relating to Long Run, including Long Run's Annual Information Form, can be accessed on-line on SEDAR at www.sedar.com, or from the Company's website at www.longrunexploration.com.