LONG RUN EXPLORATION LTD.

Financial Statements

March 31, 2016

Statement of Financial Position

($000s)	March 31, 2016	December 31, 2015
	(unaudited)	
ASSETS		
CURRENT		
Accounts receivable	**25,330**	38,315
Deposits and prepaid expenses	**8,882**	8,860
Fair value of financial derivatives *(note 13)*	**23,583**	17,253
	57,795	64,428
Property and equipment *(note 5)*	**1,096,627**	1,134,195
	1,154,422	1,198,623
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**56,709**	64,611
Bank loan *(note 7)*	**581,953**	579,406
Fair value of financial derivatives *(note 13)*	**502**	406
	639,164	644,423
Convertible debentures *(note 8)*	**69,977**	69,592
Decommissioning liabilities *(note 6)*	**413,749**	412,207
	1,122,890	1,126,222
SHAREHOLDERS' EQUITY		
Share capital *(note 9)*	**1,006,799**	1,006,799
Equity component of convertible debentures	**3,483**	3,483
Contributed surplus *(note 9)*	**31,839**	31,204
Retained earnings (deficit)	**(1,010,589)**	(969,085)
	31,532	72,401
	1,154,422	1,198,623

Commitments and contingencies *(note 15)*

See accompanying notes to the financial statements.

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

($000s, except per share amounts) (unaudited)	Three months ended March 31 2016	2015
INCOME		
Petroleum and natural gas revenue	**45,690**	81,324
Royalties	**(3,710)**	(6,321)
	41,980	75,003
Gain (loss) on financial derivatives *(note 13)*		
- realized	**7,040**	25,845
- unrealized	**6,234**	(7,475)
	55,254	93,373
EXPENSES		
Operating	**29,916**	41,184
Transportation	**3,745**	5,421
General and administration *(note 11)*	**8,024**	6,406
Share-based compensation *(note 9)*	**444**	950
Interest	**9,389**	7,875
Accretion *(note 6, 7, 8)*	**3,393**	2,675
Depletion and depreciation *(note 5)*	**41,998**	60,584
Exploration	**-**	4
Gain on disposal of assets	**(151)**	(2,143)
	96,758	122,956
EARNINGS (LOSS) BEFORE TAX	**(41,504)**	(29,583)
Income taxes		
Deferred income tax recovery	**-**	(6,765)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(41,504)**	(22,818)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE *(note 9)*		
Basic	**(0.21)**	(0.12)
Diluted	**(0.21)**	(0.12)

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, 2015	1,006,799	3,483	26,160	(320,667)	715,775
Share-based compensation	-	-	5,044	-	5,044
Comprehensive loss	-	-	-	(645,032)	(645,032)
Dividends declared	-	-	-	(3,386)	(3,386)
December 31, 2015	1,006,799	3,483	31,204	(969,085)	72,401
Share-based compensation	-	-	635	-	635
Comprehensive loss	-	-	-	(41,504)	(41,504)
March 31, 2016	**1,006,799**	**3,483**	**31,839**	**(1,010,589)**	**31,532**

January 1, 2015	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	-	-	-	(3,386)	(3,386)
March 31, 2015	1,006,799	3,483	27,495	(346,871)	690,906

See accompanying notes to the financial statements.

Statement of Cash Flows

($000s) (unaudited)	Three months ended March 31 **2016**	2015
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss)	**(41,504)**	(22,818)
Items not requiring cash:		
Unrealized (gain) loss on financial derivatives *(note 13)*	**(6,234)**	7,475
Share-based compensation *(note 9)*	**444**	950
Accretion *(note 6, 7, 8)*	**3,393**	2,675
Depletion and depreciation *(note 5)*	**41,998**	60,584
Gain on disposal of assets	**(151)**	(2,143)
Deferred income tax recovery	**-**	(6,765)
Abandonment costs *(note 6)*	**(374)**	(2,617)
Change in non-cash working capital *(note 14)*	**15,460**	11,491
	13,032	48,832
INVESTING ACTIVITIES		
Capital expenditures *(note 5)*	**(4,316)**	(45,315)
Acquisitions *(note 5)*	**(57)**	(595)
Dispositions *(note 5)*	**140**	1,987
Change in non-cash working capital *(note 14)*	**(10,399)**	(8,736)
	(14,632)	(52,659)
FINANCING ACTIVITIES		
Bank loan issuance (repayment) *(note 7)*	**1,600**	13,985
Dividends declared	**-**	(3,386)
Change in non-cash working capital *(note 14)*	**-**	(6,772)
	1,600	3,827
CHANGE IN CASH	**-**	-
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF PERIOD	**-**	-
SUPPLEMENTAL INFORMATION		
Interest paid	**7,949**	8,412

See accompanying notes to the financial statements.

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. PROPOSED PLAN OF ARRANGEMENT

On December 20, 2015, 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 January 29, 2016, in connection with amending Long Run’s credit facilities, the Arrangement Agreement was amended and restated to reflect the revised credit agreement terms (see Note 7).

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 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 approved the Arrangement on March 2, 2016.

Subsequent to the end of the first quarter, 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.

3. 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, 2015.

The interim financial statements follow the same accounting policies as the annual audited financial statements for the year ended December 31, 2015.

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 have been prepared in accordance with IFRS applicable to a going concern, which contemplate the realization of assets and the settlement of liabilities in the normal course of business as they become due. Continuing as a going concern is dependent upon the Company's ability to repay its credit facilities, which is expected to be achieved through the completion of the proposed Arrangement. Failure to complete the Arrangement would result in an event of default under Long Run'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. Though management has been successful in securing sufficient financing in the past, doing so in the current low commodity price environment is expected to be challenging. These financial statements do not reflect adjustments to the amounts and classification of assets and liabilities that would be necessary if the going concern assumption is not appropriate. Such adjustments could be material.

The financial statements were authorized for issue by the Board of Directors on May 16, 2016.

4. CHANGES IN 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.

5. PROPERTY AND EQUIPMENT

($000s)	**March 31, 2016**	December 31, 2015
Property and equipment cost	**2,863,199**	2,858,769
Accumulated depletion, depreciation and impairments	**(1,766,572)**	(1,724,574)
Net book value	**1,096,627**	1,134,195

Property and Equipment Cost

($000s)	**March 31, 2016**	December 31, 2015
Balance, beginning of year	**2,858,769**	2,808,959
Additions	**4,507**	97,761
Acquisitions, including decommissioning costs	**57**	2,638
Transfers from exploration and evaluation assets	**-**	2,556
Change in decommissioning liabilities estimate (*note 6*)	**-**	9,912
Disposals	**(134)**	(63,057)
Balance, end of period	**2,863,199**	2,858,769

Accumulated Depletion, Depreciation and Impairments

($000s)	**March 31, 2016**	December 31, 2015
Balance, beginning of year	**(1,724,574)**	(1,181,909)
Depletion and depreciation expense	**(41,998)**	(218,516)
Disposals	**-**	25,851
Impairments	**-**	(350,000)
Balance, end of period	**(1,766,572)**	(1,724,574)

At March 31, 2016, undeveloped land of $13.4 million was excluded from costs subject to depletion (March 31, 2015 - $27.9 million). Future development costs of $1.1 billion were added into costs subject to depletion (March 31, 2015 - $1.3 billion).

6. DECOMMISSIONING LIABILITIES

($000s)	**March 31, 2016**	December 31, 2015
Balance, beginning of year	**412,207**	411,209
Accretion expense	**2,061**	9,176
Liabilities incurred	**-**	2,495
Disposal of liabilities	**(145)**	(14,479)
Settlement of liabilities	**(374)**	(6,106)
Change in estimates	**-**	9,912
Balance, end of period	**413,749**	412,207

The Company's decommissioning liabilities result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems, pipelines and processing facilities. At March 31, 2016, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning liabilities was approximately $546.0 million, which will be incurred over the next 45 years (December 31, 2015 - $546.0 million). At March 31, 2016, the Company used a risk free rate of 2.0% and an inflation rate of 1.8% to calculate the present value of the decommissioning liabilities (December 31, 2015 - risk free rate of 2.0% and inflation rate of 1.8%). The change in estimates during 2015 was primarily attributable to a change in the period end risk-free rate, partially offset by the decrease in the inflation rate.

7. AVAILABLE 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 terms of the credit agreement include events of default relating to the completion of the Arrangement (see note 13).

At March 31, 2016, $584.2 million was drawn against the credit facilities (December 31, 2015 - $582.6 million) and the Company had letters of credit outstanding totalling $9.9 million (December 31, 2015 – $9.6 million). Bank fees of $2.2 million were offset against bank debt on the statement of financial position at March 31, 2016.

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 ("Bank EBITDA").

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.

Security for the credit facilities includes 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.

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 at a conversion price of $7.40 per Common Share, subject to adjustment in certain events.

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

Under the terms of the proposed Arrangement, the Purchaser has agreed to acquire, subject to the conditions of the Arrangement Agreement, the outstanding convertible debentures for cash consideration of $750 per $1,000 principal amount of debentures plus accrued and unpaid interest (see Note 2).

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, 2016		December 31, 2015	
(000s)	**Number of shares**	**Amount $**	Number of shares	Amount $
Balance, beginning of year and end of period	**193,498**	**1,006,799**	193,498	1,006,799

Under the terms of the proposed Arrangement (see Note 2), the Purchaser agreed to acquire all of the outstanding Common Shares for cash consideration of $0.52 per share.

Contributed Surplus

($000s)	**March 31, 2016**	December 31, 2015
Balance, beginning of year	**31,204**	26,160
Share-based compensation cost	**635**	5,044
Balance, end of period	**31,839**	31,204

Share-Based Compensation

At March 31, 2016, there were 7.5 million options outstanding, with a weighted average exercise price of $4.50 per option. The weighted average remaining life of the options was 1.8 years. Under the proposed Arrangement, outstanding options will be terminated for $nil consideration.

At March 31, 2016, there were 4.6 million restricted awards outstanding with a weighted average remaining life of 1.8 years. 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. Future share-based compensation expense of $2.2 million relating to unvested awards at March 31, 2016 would also be accelerated.

For the three months ended March 31, 2016, $0.6 million was recognized as share-based compensation (March 31, 2015 - $1.3 million), of which $0.4 million was expensed (March 31, 2015 - $0.9 million).

Earnings (Loss) Per Share

	Three months ended March 31	
	2016	2015
Net earnings (loss) *($000s)*	**(41,504)**	(22,818)
Weighted average number of shares *(000s)* - Basic and diluted	**193,498**	193,498
Earnings (loss) per share, basic and diluted	**(0.21)**	(0.12)

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 are used to purchase Common Shares at the average market price during the period. As the Company incurred a net loss for the three months ended March 31, 2016 and 2015, all options, all restricted awards and the effect of the conversion of convertible debentures were excluded from the calculations of diluted loss per share.

10. CAPITAL RISK MANAGEMENT

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.

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. Both measures reflect the impact of the decreased commodity prices experienced in 2015 and 2016.

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 (see Note 2) which will provide certainty of value for securityholders and improve the Company’s capital structure.

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2016

Net Debt to Funds Flow from Operations

($000s, except ratios)	**March 31, 2016**	December 31, 2015
Net Debt		
Bank loan, excluding bank fees	**584,188**	582,588
Accounts payable and accrued liabilities	**56,709**	64,611
Accounts receivable	**(25,330)**	(38,315)
Deposits and prepaid expenses	**(8,882)**	(8,860)
Convertible debentures - face value	**75,000**	75,000
Net Debt	**681,685**	675,024
Funds Flow from Operations - Quarter Ended		
Petroleum and natural gas revenue	**45,690**	64,739
Royalties	**(3,710)**	(3,667)
Gain on financial derivatives - realized	**7,040**	23,830
Operating expense	**(29,916)**	(31,935)
Transportation expense	**(3,745)**	(4,007)
General and administration expense	**(8,024)**	(9,178)
Interest	**(9,389)**	(9,505)
Funds Flow from Operations - Quarter Ended	**(2,054)**	30,277
Funds Flow from Operations - Annualized *(Quarterly x 4)*	**(8,216)**	121,108
Net Debt to Funds Flow from Operations	**n/a**	5.6

Debt to Debt plus Equity

($000s, except ratios)	**March 31, 2016**	December 31, 2015
Debt		
Bank loan, excluding bank fees	**584,188**	582,588
Convertible debentures - face value	**75,000**	75,000
Debt	**659,188**	657,588
Debt plus Equity		
Debt	**659,188**	657,588
Shareholders’ equity	**31,532**	72,401
Debt plus Equity	**690,720**	729,989
Debt to Debt plus Equity	**0.95**	0.90

11. GENERAL AND ADMINISTRATION

($000s)	Three months ended March 31 2016	2015
Salary and employee	**7,039**	6,731
Other	**5,000**	4,113
Gross expenses	**12,039**	10,844
Capitalized costs	**(2,853)**	(2,930)
Operating recoveries	**(1,162)**	(1,508)
General and administration	**8,024**	6,406

During the three months ended March 31, 2016, general and administration expense included $0.9 million (March 31, 2015 – $nil) of transaction costs related to the Arrangement.

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, 2016, general and administration expense included amounts totalling $0.4 million charged to the Company by BDP (March 31, 2015 - $0.1 million). As at March 31, 2016, a payable of $0.3 million was owing to BDP (December 31, 2015 - $0.4 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, 2016, the fair value of the convertible debentures was $52.0 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, 2016:

	Volume	Pricing
Crude Oil		
Fixed Price		
April 1, 2016 – December 31, 2016	500 Bbl/d	WTI CDN $77.55/Bbl
April 1, 2016 – December 31, 2016	500 Bbl/d	WTI CDN $77.50/Bbl
Natural Gas		
Fixed Price		
April 1, 2016 – December 31, 2016	30,000 GJ/d	$3.00/GJ
April 1, 2016 – December 31, 2016	10,000 GJ/d	$3.05/GJ
April 1, 2016 – December 31, 2016	5,000 GJ/d	$2.98/GJ
Electricity		
April 1, 2016 – December 31, 2016	3.0 MW/h	$49.50 MW/h

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, 2016**	December 31, 2015
Fair value of financial derivatives		
Current Assets	**23,583**	17,253
Current Liabilities	**502**	406
Net Asset	**23,081**	16,847

($000s)	Crude Oil	Natural Gas	Other	Total
Three months ended March 31, 2016				
Realized (gain) loss on financial derivatives	(3,095)	(4,151)	206	(7,040)
Change in value	2,137	11,439	(302)	13,274
Unrealized gain (loss) on financial derivatives	(958)	7,288	(96)	6,234
December 31, 2015 - Net Asset (Liability)	7,370	9,883	(406)	16,847
March 31, 2016 - Net Asset (Liability)	**6,412**	**17,171**	**(502)**	**23,081**
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

Market risk

Market risk includes uncertainty arising from possible movements in commodity prices and interest rates and the impact of such movements on the future performance of the business. Commodity price and interest rate 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. To mitigate exposure to interest rate risk, the Company has debt at both floating and fixed interest rates. The Company may also manage interest rate risk through the use of interest rate swaps. The Company’s bank debt facilities have a floating interest rate that fluctuates based on prevailing market conditions. The Company’s convertible debentures bear interest at a fixed annual interest rate of 6.4%.

When assessing the potential impact of price changes on financial derivative contracts outstanding at March 31, 2016, it is estimated that a $1.00/Bbl change in the price of oil would change the unrealized loss by approximately $0.3 million. A $0.10/GJ change in the price of natural gas would change the unrealized gain by approximately $1.3 million. Based on the bank debt outstanding as at March 31, 2016, a one percent change in the interest rate would impact interest expense for the first quarter by approximately $1.5 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, 2016, three third party purchasers each marketed more than 10% of the Company's petroleum and natural gas revenue.

Accounts Receivable *($000s)*	**March 31, 2016**	December 31, 2015
Less than 90 days	**22,204**	33,999
Greater than 90 days	**3,126**	4,316
Total	**25,330**	38,315

When determining whether amounts that are past due are collectible, the Company assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Long Run generally considers amounts greater than 90 days to be past due.

The Company's allowance for doubtful accounts at March 31, 2016 was $0.6 million (December 31, 2015 – $0.3 million). During the three months ended March 31, 2016, the Company expensed $0.3 million of accounts receivable not considered collectible (December 31, 2015 - $0.5 million).

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.

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 (see Note 2 and Note 7). 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 $20.0 million under which Long Run may be required to pay the amount to the Purchaser in certain circumstances.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Net Change in Non-Cash Working Capital

	Three months ended March 31	
($000s)	**2016**	2015
Source (use) of cash:		
Accounts receivable	**12,985**	13,520
Deposits and prepaid expenses	**(22)**	294
Accounts payable and accrued liabilities	**(7,902)**	(17,831)
	5,061	(4,017)
Related to:		
Operating activities	**15,460**	11,491
Investing activities	**(10,399)**	(8,736)
Financing activities	**-**	(6,772)
	5,061	(4,017)

15. COMMITMENTS AND CONTINGENCIES

Commitments

($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
Total	24,644	36,081	25,343	18,462	16,644	82,283	203,457

At March 31, 2016, 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.