LONG RUN EXPLORATION LTD.

Management's Discussion and Analysis

March 31, 2013

Management's Discussion and Analysis

For the three months ended March 31, 2013

This Management's Discussion & Analysis ("MD&A") of financial condition and results of operations of Long Run Exploration Ltd. ("Long Run", the "Corporation" or "its"), formerly WestFire Energy Ltd. ("WestFire"), should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2013 and the audited financial statements and MD&A for the year ended December 31, 2012. The disclosure which is unchanged from the MD&A for the year ended December 31, 2012 may not be repeated herein. On October 23, 2012, the Corporation completed a plan of arrangement, the "Guide Arrangement", with Guide Exploration Ltd. ("Guide"). Comparative results prior to October 23, 2012, do not include the results of operations from the Guide properties.

The Corporation 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 ("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 section 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 7, 2013.

Long Run's Strategy

Long Run is engaged in the development, exploration and acquisition of oil and natural gas in western Canada. Specifically, the Corporation is focused on controlled exploitation, exploration and strategic acquisitions within the Peace River and Edmonton regions of the Western Canadian Sedimentary Basin.

Long Run has assembled large land blocks close to natural gas infrastructure and crude oil processing facilities. Long Run has invested in natural gas and crude oil infrastructure in its key areas so as to obtain operatorship and control of the facilities. Additionally, Long Run has pursued and will continue to pursue strategic asset and corporate acquisitions of crude oil and natural gas properties.

Near term strategy will be to develop the potential of Long Run's oil resources, selectively explore on our current land base and maintain a continued strong focus on cost control and efficiencies. For 2013, Long Run plans to spend approximately $265 million in capital targeted on oil development in the Montney oil projects at Peace River and Viking oil projects at Redwater near Edmonton. The capital program is expected to increase average production volumes to 25,000 BOE/d for 2013.

Results Overview

($000s, except per share)	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2
Funds flow from operations [1]	**48,644**	38,407	26,546	34,385	29,381	29,896	27,448	10,641
Per share, diluted [1]	**0.39**	0.33	0.32	0.41	0.35	0.36	0.33	0.23
Net earnings (loss)	**(827)**	(56,590)	(4,747)	17,506	1,179	(66,612)	11,427	4,387
Per share, basic & diluted	**(0.01)**	(0.49)	(0.06)	0.21	0.01	(0.80)	0.14	0.10
Production *(BOE/d)*								
Liquids *(Bbl/d)*	**12,358**	11,995	7,854	8,291	6,133	5,872	5,499	2,243
Natural Gas *(Mcf/d)*	**67,516**	56,453	18,214	19,548	16,288	16,376	17,766	6,392
Total *(BOE/d)*	**23,611**	21,405	10,890	11,549	8,848	8,601	8,460	3,308
Prices, including derivatives								
Liquids *($/Bbl)*	**73.03**	75.49	77.67	80.68	85.15	88.74	85.97	90.26
Natural Gas *($/Mcf)*	**3.63**	4.19	2.44	1.94	2.29	3.41	4.20	4.83
Total $/BOE	**49.12**	53.99	61.34	61.57	64.92	69.26	66.79	70.55
Revenues, before royalties	**103,613**	99,000	60,094	64,025	53,486	56,192	51,568	21,377
Capital expenditures	**103,936**	64,524	31,379	45,081	69,425	72,552	59,361	20,453
Net acquisitions (divestitures)	**16,928**	(175,916)	(2,325)	-	-	-	(52)	(1,704)

[1] See Non-GAAP Measures section.

Q1 2013 vs. Q4 2012

In the first quarter of 2013, funds flow from operations was $48.6 million ($0.39/share), an increase of $10.2 million ($0.09/share) from the fourth quarter of 2012 due to higher liquids and natural gas production, higher liquids prices excluding derivatives and lower general and administration expenses, partially offset by higher operating expenses and a lower realized gain on derivative contracts. The increase in liquids and natural gas production resulted from an active first quarter capital program.

The net loss for the first quarter of 2013 was $0.8 million compared to a net loss of $56.6 million in the fourth quarter of 2012. The lower net loss primarily resulted from an increase in funds flow from operations and the recognition of oil and natural gas impairments in the fourth quarter of 2012, partially offset by a gain on sale recognized in the fourth quarter of 2012.

Q1 2013 vs. Q1 2012

Funds flow from operations for the first quarter of 2013 increased $19.3 million from the first quarter of 2012 primarily due to higher liquids and natural gas production, partially offset by lower liquids prices and higher operating expenses.

The net loss for the first quarter of 2013 was $0.8 million compared to net earnings of $1.2 million in the first quarter of 2012. The net loss primarily resulted from an increase in the unrealized loss on derivative financial contracts and higher depletion expense, partially offset by higher funds flow from operations. Higher depletion expense reflected the increase in production volumes.

The Corporation's quarterly funds flow from operations are significantly impacted by changes in production volumes, fluctuations in commodity prices and realized derivative contract gains and losses. In addition to these items, net earnings is impacted by impairments and unrealized derivative contract gains and losses. As well, acquisitions and divestitures can have a significant impact on Long Run's results. Funds flow from operations and net earnings prior to October 23, 2012 do not include the results of operations from the Guide properties, which were acquired as part of the Guide Arrangement.

Capital Investment

($000s)	**Q1 2013**	Q4 2012	Q1 2012
Drilling and completion	**80,767**	46,620	53,339
Plant and facilities	**19,652**	9,967	9,659
Land	**1,659**	6,806	5,505
Geological and geophysical	**1,314**	772	834
Other assets	**544**	359	88
Capital expenditures	**103,936**	64,524	69,425
Acquisitions	**22,949**	-	-
Dispositions	**(6,021)**	(175,916)	-
Capital investment	**120,864**	(111,392)	69,425

In the first quarter of 2013, capital expenditures focused on oil development in the Peace River and Redwater areas. Capital expenditures were $49.7 million in Peace River and $37.8 million in Redwater. Of the 53 (51.6 net) total wells drilled in the quarter, 19 (19.0 net) wells were in Peace River and 30 (28.6 net) wells were in Redwater. Of the total wells drilled, 50 (48.6 net) are currently producing or expected to be placed on production during the second quarter of 2013.

On March 28, 2013, Long Run completed a $13.5 million acquisition in the Cherhill area of Alberta. The transaction focused on the strategic consolidation of crude oil and solution natural gas processing capacity and infrastructure, developed and undeveloped acreage, as well as production which averaged approximately 2.4 MMcf/d of natural gas and 200 Bbl/d of crude oil and natural gas liquids at the time of closing.

During the fourth quarter of 2012, the Corporation disposed of properties in west central Saskatchewan.

Peace River Update

In the first quarter of 2013, Peace River area production averaged 9,453 BOE/d, an increase of 2,760 BOE/d from the fourth quarter of 2012. Long Run drilled 18 (18.0 net) successful horizontal Montney oil wells at Girouxville/Normandville, all of which were completed, equipped and on production before the end of the quarter. Initial performance of these wells confirms the economic strength and expected type curve for the Peace River Montney oil project. Up to 32 (32.0 net) wells are planned for the remainder of 2013.

Long Run acquired the Peace River area as part of the Guide Arrangement. The Corporation operates, transports and processes substantially all of its production in the Peace River area. The majority of Long Run's production in this area comes from the Triassic Montney formation at Normandville and Girouxville, near the town of Falher, Alberta. Long Run has identified, delineated, and initiated development of a fairway that is approximately 30 miles long and six miles wide. Plans are to continue development via horizontal drilling with a density of between four and eight wells per section, targeting oil. In addition to this development drilling, management believes that the recoverable reserves in this project can be further enhanced by initiating and implementing secondary recovery in the form of pressure maintenance via downdip water injection. Long Run implemented a pilot enhanced recovery scheme in this area in April 2013.

Redwater Update

In the first quarter of 2013, Redwater area production averaged 5,195 BOE/d, an increase of 145 BOE/d from the fourth quarter of 2012. A total of 30 (28.6 net) oil wells were drilled during the quarter with 26 gross wells tied-in. Results from the wells drilled have been positive and confirm the economic merit and expected type curve for the project. Up to 40 (40.0 net) wells are planned for the remainder of 2013.

The Corporation operates, transports and processes substantially all of its production in the Redwater area. The area is located approximately 50 kilometers northeast of the city of Edmonton, Alberta. Long Run's activities in the Redwater area are directed primarily toward light oil in the Viking formation. Development is occurring using horizontal drilling at a density of up to 16 wells per section. Long Run believes that enhanced recovery potential exists in the Viking at Redwater, as a method of improving oil recovery and therefore increasing the value of the asset. During 2013, Long Run will implement a pilot water injection scheme to begin evaluation of this concept.

Production

Quarterly Production

	2013	2012				2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Liquids *(Bbl/d)*								
Light oil	**9,528**	9,125	6,057	6,310	4,702	3,974	3,493	1,692
Heavy oil	**1,581**	1,538	1,128	868	518	530	542	461
NGLs	**1,249**	1,332	669	1,113	913	1,368	1,464	90
Total	**12,358**	11,995	7,854	8,291	6,133	5,872	5,499	2,243
Natural Gas *(Mcf/d)*	**67,516**	56,453	18,214	19,548	16,288	16,376	17,766	6,392
Total *(BOE/d)*	**23,611**	21,405	10,890	11,549	8,848	8,601	8,460	3,308

In the first quarter of 2013, liquids production was 12,358 Bbl/d, an increase of 363 Bbl/d from the fourth quarter of 2012. The production increase came primarily from the Peace River and Redwater areas, which added 1,676 Bbl/d and 243 Bbl/d respectively. Fourth quarter production included 1,573 Bbl/d from the Plato area which was sold on December 14, 2012.

In the first quarter of 2013, natural gas production was 67.5 Mmcf/d, an increase of 11.1 MMcf/d from the fourth quarter of 2012. The production increase came primarily from the Peace River and Boyer areas, which added 6.5 MMcf/d and 4.3 MMcf/d respectively. Fourth quarter production included 0.8 Mmcf/d from the Plato area.

Production results prior to October 23, 2012 do not include production from the properties acquired in the Guide Arrangement.

Production By Area

	Q1 2103			Q4 2012			Q1 2012		
	Liquids *(Bbl/d)*	Natural Gas *(Mcf/d)*	Total *(BOE/d)*	Liquids *(Bbl/d)*	Natural Gas *(Mcf/d)*	Total *(BOE/d)*	Liquids *(Bbl/d)*	Natural Gas *(Mcf/d)*	Total *(BOE/d)*
Peace River	**5,531**	**23,529**	**9,453**	3,854	17,021	6,691	-	-	-
Redwater	**3,961**	**7,402**	**5,195**	3,718	7,991	5,050	3,975	8,615	5,411
Boyer	**-**	**17,627**	**2,938**	-	13,322	2,220	-	-	-
Kaybob	**787**	**6,362**	**1,847**	963	6,932	2,118	863	6,628	1,968
Smoky	**304**	**9,149**	**1,829**	253	7,594	1,519	22	301	72
Plato	**-**	**-**	**-**	1,573	824	1,711	823	531	911
Other	**1,776**	**3,447**	**2,349**	1,634	2,769	2,096	450	213	486
	12,359	**67,516**	**23,611**	11,994	56,453	21,405	6,133	16,288	8,848

Commodity Pricing

	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2
Benchmark pricing								
WTI *($US/Bbl)*	**94.37**	88.18	92.22	93.49	102.93	94.06	89.76	102.56
Edmonton Light Sweet *($C/Bbl)*	**88.19**	83.99	84.33	83.95	92.23	97.35	91.74	103.07
AECO *($/Mcf)*	**3.20**	3.21	2.29	1.90	2.15	3.17	3.66	3.88
Prices, excluding derivatives								
Liquids *($/Bbl)*								
Light oil	**76.69**	76.24	80.28	82.79	89.64	96.37	89.97	99.64
Heavy oil	**55.10**	57.89	59.77	64.03	71.13	77.17	64.01	72.08
NGLs	**75.33**	67.08	62.24	74.95	84.60	83.90	85.11	74.94
Total	**73.79**	72.87	75.78	79.77	87.34	91.65	86.10	92.99
Natural Gas *($/Mcf)*	**3.37**	3.35	2.44	1.94	2.29	3.32	3.95	4.12
Total (*$/BOE)*	**48.76**	50.27	59.98	60.92	66.43	71.01	66.26	71.01
Prices, including derivatives								
Liquids *($/Bbl)*	**73.03**	75.49	77.67	80.68	85.15	88.74	85.97	90.26
Natural Gas *($/Mcf)*	**3.63**	4.19	2.44	1.94	2.29	3.41	4.20	4.83
Total *($/BOE)*	**49.12**	53.99	61.34	61.57	64.92	69.26	66.79	70.55

The Corporation's financial results are influenced by fluctuations in commodity prices and price differentials. Compared to the fourth quarter of 2012, Long Run's liquids price of $73.79/Bbl for the first quarter of 2013 reflected higher benchmark pricing partially offset by increased differentials. The liquids price was also influenced by higher production from the Peace River area. Compared to the first quarter of 2012, Long Run's liquids price reflected lower benchmark pricing and higher differentials. The Corporation's prices prior to October 23, 2012 do not reflect the current production mix, including the properties acquired in the Guide Arrangement.

Long Run's natural gas price of $3.37 per thousand cubic feet for the first quarter of 2013 was comparable to the price for the fourth quarter of 2012. This was consistent with the change in AECO benchmark price. The Corporation's natural gas price reflects premiums received for the liquids content included in the natural gas production.

The Corporation enters into derivative financial contracts for the purpose of protecting funds flow from operations from the volatility of commodity prices. For the first quarter of 2013, Long Run's liquids price including derivative contracts was $73.03/Bbl, which included a realized loss of $0.76/Bbl. The Corporation's natural gas price including derivatives was $3.63/Mcf, which included a realized gain of $0.26/Mcf.

Operating Results

Operating Netback & Funds Flow from Operations

	Q1 2013		Q4 2012		Q1 2012	
	$000s	***$/BOE***	*$000s*	*$/BOE*	*$000s*	*$/BOE*
Revenues	**103,613**	***48.76***	99,000	*50.27*	53,486	*66.43*
Royalties	**(11,790)**	***(5.55)***	(12,521)	*(6.36)*	(4,879)	*(6.06)*
	91,823	***43.21***	86,479	*43.91*	48,607	*60.37*
Realized gain (loss) on derivatives	**756**	***0.36***	7,320	*3.72*	(1,215)	*(1.51)*
Transportation costs	**(4,483)**	***(2.11)***	(4,474)	*(2.27)*	(1,416)	*(1.76)*
Operating costs	**(28,742)**	***(13.53)***	(23,195)	*(11.78)*	(12,767)	*(15.86)*
	59,354	***27.93***	66,130	*33.58*	33,209	*41.24*
General and administrative	**(7,461)**	***(3.51)***	(23,351)	*(11.86)*	(2,587)	*(3.21)*
Interest	**(3,223)**	***(1.52)***	(3,864)	*(1.96)*	(1,136)	*(1.41)*
Exploration expenses	**-**	***-***	(230)	*(0.12)*	-	-
Capital and other taxes	**(26)**	***(0.01)***	(278)	*(0.14)*	(105)	*(0.13)*
Funds flow from operations[1]	**48,644**	***22.89***	38,407	*19.50*	29,381	*36.49*

[1] See Non-GAAP Measures section.

Q1 2013 vs Q4 2012

In the first quarter of 2013, funds flow from operations was $48.6 million, an increase of $10.2 million from the fourth quarter of 2012 primarily due to:

- Higher liquids and natural gas production from the Peace River and Redwater areas which increased revenue by $3.7 million;
- Higher liquids prices, excluding derivative contracts, which increased revenue by $0.9 million;
- The royalty rate for the first quarter of 2013 was 11.4% compared to 12.7% for the fourth quarter of 2012;
- Lower general and administrative expenses of $15.9 million as the fourth quarter of 2012 included transaction costs associated with the Guide Arrangement;

Partially offset by:

- Decrease in realized derivative gain of $6.6 million reflecting higher benchmark prices; and
- Higher operating expenses of $5.5 million reflecting an increase in the liquids production.

Q1 2013 vs Q1 2012

In the first quarter of 2013, funds flow from operations increased $19.3 million from the first quarter of 2012 primarily due to:

- Higher liquids and natural gas production from the properties acquired in the Guide Arrangement and the successful drilling at Peace River and Redwater areas increasing revenue by $55.6 million;
- A realized derivative gain of $0.8 million compared to a loss of $1.2 million in the first quarter of 2012 reflecting higher natural gas benchmark prices;

Partially offset by:

- Lower liquids prices, excluding derivative contracts, reducing revenue by $5.5 million;
- Higher royalties of $6.9 million resulting from the increase in the liquids production. The royalty rate for the first quarter of 2013 was 11.4% compared to 9.1% for the first quarter of 2012;
- Higher operating expenses of $16.0 million and transportation expenses of $3.1 million resulting from the higher production volumes. On a per unit basis, operating expenses decreased due to higher production from lower cost properties; and
- Higher general and administrative expenses of $4.9 million due to the significant change in business after the Guide Arrangement.

Other Income & Expenses

($000s)	**Q1 2013**	Q4 2012	Q1 2012
Unrealized loss on derivatives	**(10,760)**	(7,011)	(5,242)
Depletion and depreciation	**(37,459)**	(42,785)	(21,616)
Accretion	**(1,458)**	(1,026)	(330)
Share-based compensation	**(988)**	(3,041)	(910)
Impairments	**-**	(129,986)	-
Gain on disposition	**1,553**	73,307	-
Deferred income tax (expense) recovery	**(359)**	14,093	508
Other	**-**	1,452	(612)
	(49,471)	(94,997)	(28,202)
Funds flow from operations[1]	**48,644**	38,407	29,381
Net earnings (loss)	**(827)**	(56,590)	1,179

[1] *See Non-GAAP Measures section.*

Q1 2013 vs Q4 2012

In comparing the first quarter of 2013 to the fourth quarter of 2012:

- Unrealized loss on derivative contracts increased $3.7 million due to the increase in both the crude oil and natural gas forward commodity prices. The unrealized loss for the first quarter of 2013 included $3.7 million related to the crude oil contracts and $7.1 million related to the natural gas contracts.
- Depletion and depreciation expense decreased $5.3 million due to a decrease in the depletion rate, partially offset by an increase in production volumes. The depletion rate was $17.63/BOE for the first quarter of 2013 and $21.73/BOE for the fourth quarter of 2012. The first quarter depletion rate included the impact of the impairment of the oil and natural gas properties recorded at December 31, 2012.
- Share-based compensation decreased $2.1 million as a result of the fourth quarter of 2012 including compensation costs related to the cancellation of options in conjunction with the Guide Arrangement, which resulted in an additional expense of $2.7 million.

- An impairment of oil and natural gas properties of $128.0 million was recognized in the fourth quarter of 2012 due to a weakening of the future price forecasts, as well as a reduction of the estimated reserve volumes at Kaybob.
- A gain on disposition of $73.3 million was recorded in the fourth quarter of 2012 related to the disposition of properties in west central Saskatchewan for gross proceeds of $178.2 million.

Q1 2013 vs Q1 2012

In comparing the first quarter of 2013 to the first quarter of 2012:

- Unrealized loss on derivative contracts increased $5.5 million due to the increase in both the crude oil and natural gas forward commodity prices.
- Depletion and depreciation expense increased $15.8 million due to an increase in production volumes, partially offset by a decrease in the depletion rate. The depletion rate was $17.63/BOE for the first quarter of 2013 and $26.85/BOE for the first quarter of 2012. The first quarter depletion rate included the impact of the Guide Arrangement and the impairment of the oil and natural gas properties recorded at December 31, 2012.

In determining deferred income tax expense, the Corporation's effective tax rate differs from the Canadian statutory tax rate due to permanent differences that primarily arise due to share-based compensation. The Corporation's statutory tax rate is 25%.

Liquidity and Capital Resources

Bank Debt

($000s)	**March 31, 2013**	December 31, 2012
Bank debt	**311,502**	261,173
Working capital deficiency	**54,803**	31,950
Net debt[1]	**366,305**	293,123

[1] *See Non-GAAP Measures section.*

The Corporation's bank debt and net debt at March 31, 2013 have increased from December 31, 2012 as a result of the planned first quarter capital program. Of the $265 million of 2013 planned capital expenditures, $120.8 million was incurred in the first quarter. The first quarter capital was primarily funded by funds flow from operations of $48.6 million and bank debt of $50.3 million. The capital intensive nature of the Corporation's activities generally results in the Corporation carrying a working capital deficit, as reflected in the net debt calculation. The Corporation maintains sufficient unused credit facilities to satisfy working capital deficiencies.

At March 31, 2013, the Corporation had $118.5 million of unused capacity on its credit facilities. The Company's credit facilities of $450 million terminate on May 31, 2016 unless extended. Total borrowings permitted under these facilities cannot exceed the borrowing base, which is determined by the lenders on a semi-annual basis or upon the occurrence of a material adverse effect. The borrowing base is presently $430.0 million as confirmed by the lenders on May 3, 2013. Security for the credit facilities includes a demand debenture for $1.0 billion which provides for a first ranking security interest and floating charge over all of the assets and property of the Corporation. The Corporation is currently in compliance with all covenants, obligations and conditions of its credit agreement.

Share Capital

(# of units)	May 6, 2013	March 31, 2013	December31, 2012
Common Shares	**110,107,152**	**110,107,152**	110,107,152
Non-Voting Convertible Shares	**15,512,858**	**15,512,858**	15,512,858
Options	**9,661,400**	**9,727,400**	8,042,000
Warrants[1]	**2,300,000**	**2,300,000**	2,300,000

[1] Each common share purchase warrant ("Warrant") entitles the holder to purchase 0.4167 of a common share at an exercise price of $3.10 per 0.4167 of a share until September 15, 2014. The Warrants are not exercisable until the twenty-day volume weighted average trading price of the common shares exceeds $12.00 per share.

In the first quarter of 2013, there were no changes to common shares or non-voting convertible shares. At March 31, 2013, the weighted average shares (common shares and non-voting convertible shares) outstanding were 125.6 million. The Corporation granted 1.8 million stock options in the first quarter with an average exercise price of $4.43 per share.

Capital Structure

Long Run's capital structure consists of total debt plus equity, with equity defined as retained earnings plus share capital. The Corporation's primary capital management objective is to maintain a strong statement of financial position, affording it the financial flexibility to achieve goals of continued growth and access to capital. The Corporation may adjust capital spending, issue equity, issue new debt or repay existing debt in response to changes in the business environment.

The Corporation currently targets net debt to funds flow from operations at or below 1.5 times and bank debt to debt plus equity at or below 0.4 times. While the Corporation may exceed these ratios from time to time, efforts are made after a period of variation to bring the measures back in line. At March 31, 2013, net debt to funds flow from operations was 1.9 times, reflecting a higher weighting of the capital expenditure budget to the first quarter of the year. At March 31, 2013, bank debt to debt plus equity was 0.4 times. For calculations of these metrics, see note 13 to the interim financial statements for the three months ended March 31, 2013.

The Corporation believes that it has access to sufficient capital through operating activities, external equity sources and to undrawn committed credit facilities to meet current spending forecasts.

Contractual Obligations and Contingencies

Contractual Obligations

($000s)	2013	2014	2015	2016	2017	Thereafter	Total
Bank loan	311,502	-	-	-	-	-	311,502
Operating leases	1,694	2,174	2,146	2,088	1,044	-	9,146
Firm transportation agreements	2,415	2,434	786	412	75	-	6,122
Vehicle leases	68	-	-	-	-	-	68
Capital commitments	5,831	-	-	-	-	-	5,831
	321,510	4,608	2,932	2,500	1,119	-	332,669

During the three months ended March 31, 2013, the Corporation did not enter into any new significant contractual obligations.

Operating lease payments are primarily for office space. Firm transportation agreements relates to the transportation of natural gas. Capital commitments include the contracts for drilling rig services.

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

Contingencies

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

Risk Management

The Corporation is exposed to a number of risks, both financial and operational, through the pursuit of its' strategic objectives. Some of these risks impact the oil and natural gas industry as a whole, and others are unique to the Corporation's operations. Actively managing these risks improves the ability to effectively execute Long Run's business strategy. Exposure to reserves replacement risk, operational risk, financial risk, capital requirements risk, third party credit risk and environmental risk, liquidity risk, credit risk, safety risk, transportation restrictions, capital project execution and operating risk, reserves replacement risk, environmental risk and regulatory risk has not changed substantially since December 31, 2012. For a further and more in-depth discussion of risk management, see the Corporation's annual financial statements and MD&A for the year ended December 31, 2012 and the Corporation's Annual Information Form for the year ended December 31, 2012.

Commodity Price Risk

The Corporation enters into derivative financial contracts for the purpose of protecting funds flow from operations from the volatility of commodity prices. The Corporation has entered into crude oil and natural gas derivative contracts including costless collars, fixed price, calls and swaptions. The Corporation currently has crude oil volumes of 6,431 Bbl/d contracted for the remainder of 2013, 2,321 Bbl/d for 2014 and 1,158 Bbl/d for 2015. As well, the Corporation currently has average natural gas volumes of 41.6 MMcf/d contracted for April to December 2013 and 9.5 MMcf/d for 2014. Further details on the derivative contracts can be found in note 12 of the interim financial statements for the three months ended March 31, 2013.

In the first three months of 2013, the Corporation realized a $0.8 million gain as a result of its commodity price risk management. The Corporation recognized an unrealized loss for crude derivative contracts of $3.8 million and natural gas derivative contracts of $7.1 million as a result of the increase in forward commodity prices. At March 31, 2013, the fair values of crude oil and natural gas derivatives were $17.6 million liability and $1.1 million asset, respectively.

Critical Accounting Judgements, Estimates and Accounting Policies

For a full understanding of the Corporation'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, 2012.

Critical Accounting Estimates

The Corporation 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 notes to the annual financial statements and MD&A for the year ended December 31, 2012.

Adoption of New Accounting Policies

As required by IFRS, the Corporation adopted the following new accounting standards as of January 2, 2013:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 28 Investments in Associates and Joint Ventures

The adoption of these standards did not have an impact on the Company's financial results. Further details can be found in the MD&A for the year ended December 31, 2012 and in note 3 of the interim financial statements for the three months ended March 31, 2013.

Control Environment

Disclosure Controls and Procedures

The Corporation'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 Corporation is made known to the Corporation'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 Corporation 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 Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Corporation.

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

It should be noted that a control system, including the Corporation'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.

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. Management believes that funds flow from operations and net debt are useful financial measurements which assist in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. These terms are not defined by IFRS and therefore may not be comparable to similar measures presented by other companies. 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 an indicator of Long Run's performance.

Net Debt

($000s)	**March 31, 2013**	**December 31, 2012**
Bank debt	311,502	261,173
Working capital deficiency		
Accounts payable and accrued liabilities	113,921	91,821
Cash	-	(3,803)
Accounts receivable	(52,522)	(48,912)
Prepaid expenses and deposits	(6,596)	(7,156)
Net Debt	366,305	293,123

Funds Flow from Operations

	2013	2012				2011		
($000s, except share & per share)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash flow from operating activities	45,733	43,325	31,417	27,941	33,353	15,759	47,251	4,242
Change in non-cash working capital	1,949	(5,722)	(4,871)	6,444	(3,972)	13,691	(19,803)	6,399
Abandonment costs	962	804	-	-	-	446	-	-
Funds flow from operations	48,644	38,407	26,546	34,385	29,381	29,896	27,448	10,641
Weighted average outstanding shares (000s)								
- Basic	125,620	115,421	82,969	82,869	82,969	82,969	82,969	44,822
- Diluted	125,620	115,421	83,016	83,061	83,121	83,066	83,315	45,388
Funds flow from operations per share								
- Basic	0.39	0.33	0.32	0.41	0.35	0.36	0.33	0.24
- Diluted	0.39	0.33	0.32	0.41	0.35	0.36	0.33	0.23

Advisory

Forward-Looking Statements

Statements that are not historical facts may be considered forward looking statements, including management's assessment of future plans and operations, development plans and strategy, drilling plans and the timing thereof, timing of completion and/or placing of new wells on production, plans to implement pilot enhanced recovery schemes at Peace River and Redwater during 2013, expectation that the Corporation maintains sufficient credit facilities to satisfy its working capital deficiency and has access to sufficient capital to meet spending forecasts, 2013 capital expenditure budget, nature of expenditures and method of financing thereof, expected 2013 average production, the effect of commodity risk management strategies and the expected continued volatility in commodity prices and stock markets 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 Corporation'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 and ability to access sufficient capital from internal and external sources. As a consequence, Long Run's actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

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 Corporation 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 Corporation 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 Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation 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 Corporation has an interest in to operate the field in a safe, efficient and effective manor; the ability of the Corporation to obtain financing 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 Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its oil and natural gas products.

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

Petroleum 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 crude 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.

Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrels	Mcf	thousand cubic feet
MBbl	thousand barrels	MMcf	million cubic feet
MMBbl	million barrels	Mcf/d	thousand cubic feet per day
Bbl/d	barrels per day	MMcf/d	million cubic feet per day
NGLs	natural gas liquids	Mmbtu	million British Thermal Units
BOE	Barrels of oil equivalent		
BOE/d	Barrels of oil equivalent per day		
Liquids	Light oil, heavy oil, and NGLs		

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 Corporation's website at www.longrunexploration.com.