LONG RUN EXPLORATION LTD.

Financial Statements

March 31, 2014

Statement of Financial Position

($000s)	**March 31, 2014** *(unaudited)*	December 31, 2013
ASSETS		
CURRENT		
Accounts receivable	**65,751**	53,433
Deposits and prepaid expenses	**5,761**	7,571
Fair value of financial derivatives *(note 13)*	**17**	1,024
	71,529	62,028
Exploration and evaluation assets *(note 4)*	**9,471**	10,758
Property and equipment *(note 5)*	**1,233,482**	1,184,351
Deferred income tax asset	**142,590**	146,207
Fair value of financial derivatives *(note 13)*	**412**	-
	1,457,484	1,403,344
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**121,319**	89,606
Fair value of financial derivatives *(note 13)*	**26,812**	14,919
	148,131	104,525
Bank loan *(note 7)*	**370,941**	423,553
Convertible debentures *(note 8)*	**67,144**	-
Decommissioning liabilities *(note 6)*	**252,655**	254,413
Fair value of financial derivatives *(note 13)*	**2,171**	3,876
	841,042	786,367
SHAREHOLDERS' EQUITY		
Share capital *(note 9)*	**658,889**	657,666
Equity component of convertible debentures *(note 8)*	**3,483**	-
Contributed surplus *(note 9)*	**24,004**	23,377
Retained earnings (deficit)	**(69,934)**	(64,066)
	616,442	616,977
	1,457,484	1,403,344

Commitments and contingencies *(note 15)*
Subsequent events *(note 16)*

See accompanying notes to the financial statements.

Statement of Earnings and Comprehensive Income

($000s, except share and per share amounts) (unaudited)	Three months ended March 31 2014	2013
INCOME		
Petroleum and natural gas revenue	**151,886**	103,613
Royalties	**(18,466)**	(11,790)
	133,420	91,823
Gain (loss) on financial derivatives		
- realized *(note 13)*	**(7,422)**	756
- unrealized *(note 13)*	**(10,783)**	(10,760)
	115,215	81,819
EXPENSES		
Operating	**36,194**	28,742
Transportation	**5,543**	4,483
General and administration *(note 11)*	**8,729**	7,461
Share-based compensation *(note 9)*	**582**	988
Interest	**4,916**	3,223
Accretion *(note 6, 8)*	**2,122**	1,458
Depletion and depreciation *(note 5)*	**49,663**	37,459
Exploration	**566**	-
Gain on disposal of assets *(note 5)*	**(2,328)**	(1,553)
	105,987	82,261
EARNINGS (LOSS) BEFORE TAX	**9,228**	(442)
Income Taxes		
Capital and other taxes	**-**	26
Deferred income tax expense	**2,457**	359
	2,457	385
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**6,771**	(827)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE *(note 9)*		
Basic	**0.05**	(0.01)
Diluted	**0.05**	(0.01)

See accompanying notes to the financial statements.

Statement of Changes in Shareholders' Equity

($000s) (unaudited)	Share Capital *(note 9)*	Equity Component of Convertible Debentures *(note 8)*	Contributed Surplus *(note 9)*	Retained Earnings (Deficit)	Total
January 1, 2013	657,455	-	16,558	(88,331)	585,682
Share-based compensation	-	-	6,868	-	6,868
Options exercised	211	-	(49)	-	162
Comprehensive earnings	-	-	-	24,265	24,265
December 31, 2013	657,666	-	23,377	(64,066)	616,977
Share-based compensation	-	-	912	-	912
Options exercised	1,223	-	(285)	-	938
Comprehensive earnings	-	-	-	6,771	6,771
Dividends declared *(note 9)*	-	-	-	(12,639)	(12,639)
Convertible debentures issued	-	3,483	-	-	3,483
March 31, 2014	**658,889**	**3,483**	**24,004**	**(69,934)**	**616,442**
January 1, 2013	657,455	-	16,558	(88,331)	585,682
Share-based compensation	-	-	1,547	-	1,547
Comprehensive loss	-	-	-	(827)	(827)
March 31, 2013	657,455	-	18,105	(89,158)	586,402

See accompanying notes to the financial statements.

Statement of Cash Flows

($000s) (unaudited)	**Three months ended March 31** **2014**	2013
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss)	**6,771**	(827)
Items not requiring cash:		
Unrealized loss on financial derivatives *(note 13)*	**10,783**	10,760
Share-based compensation	**582**	988
Accretion	**2,122**	1,458
Depletion and depreciation	**49,663**	37,459
Gain on disposal of assets	**(2,328)**	(1,553)
Deferred income tax expense	**2,457**	359
Abandonment costs *(note 6)*	**(1,346)**	(962)
Change in non-cash working capital *(note 14)*	**(8,923)**	(1,949)
	59,781	45,733
INVESTING ACTIVITIES		
Capital expenditures *(note 5)*	**(100,848)**	(102,919)
Acquisitions *(note 5)*	**(4,763)**	(23,966)
Dispositions *(note 5)*	**8,442**	6,021
Change in non-cash working capital *(note 14)*	**25,912**	20,999
	(71,257)	(99,865)
FINANCING ACTIVITIES		
Bank loan issuance (repayment)	**(52,612)**	50,329
Issuance of convertible debentures, net of costs *(note 8)*	**71,573**	-
Dividends declared *(note 9)*	**(12,639)**	-
Issuance of common shares *(note 9)*	**938**	-
Change in non-cash working capital *(note 14)*	**4,216**	-
	11,476	50,329
CHANGE IN CASH	**-**	(3,803)
CASH, BEGINNING OF PERIOD	**-**	3,803
CASH, END OF PERIOD	**-**	-
SUPPLEMENTAL INFORMATION		
Interest paid	**3,874**	3,220
Saskatchewan capital taxes paid	**-**	69

See accompanying notes to financial statements.

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2014

1. REPORTING ENTITY

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

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

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

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting.* The interim financial statements do not include all of the information required for full annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2013.

The interim financial statements follow the same accounting policies as the annual audited financial statements for the year ended December 31, 2013, except for the new accounting policies adopted as described in Note 3 below.

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.

Certain prior year amounts have been reclassified to conform to current year presentation.

The financial statements were authorized for issue by the Board of Directors on May 5, 2014.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2014, the Company adopted the following:

- Amendment to IAS 36, *Impairment of Assets*. This amendment results in additional disclosures required if impairments are recognized. The adoption of this amendment did not have a material impact on the Company's financial statements.

- IFRIC 21, *Levies,* which clarifies when the liability for a levy should be recognized. The adoption of this IFRIC did not have an impact on the Company's financial statements.

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2014

4. EXPLORATION AND EVALUATION ASSETS

($000s)	**March 31, 2014**	December 31, 2013
Balance, beginning of year	**10,758**	20,936
Additions	**-**	5,176
Transfers to property and equipment	**(1,287)**	(15,354)
Balance, end of period	**9,471**	10,758

5. PROPERTY AND EQUIPMENT

($000s)	**March 31, 2014**	December 31, 2013
Property & equipment cost	**1,867,242**	1,769,893
Accumulated depletion, depreciation & impairments	**(633,760)**	(585,542)
Net book value	**1,233,482**	1,184,351

Property & Equipment Cost

($000s)	**March 31, 2014**	December 31, 2013
Balance, beginning of year	**1,769,893**	1,345,940
Additions	**104,101**	258,561
Acquisitions, including decommissioning costs	**4,763**	169,023
Transfers from exploration and evaluation assets	**1,287**	15,354
Disposals	**(12,802)**	(18,985)
Balance, end of period	**1,867,242**	1,769,893

Accumulated Depletion, Depreciation & Impairments

($000s)	**March 31, 2014**	December 31, 2013
Balance, beginning of year	**(585,542)**	(406,227)
Depletion and depreciation expense	**(49,663)**	(170,696)
Disposals	**1,445**	4,381
Impairments	**-**	(13,000)
Balance, end of period	**(633,760)**	(585,542)

During the first three months of 2014, the Company acquired lands and oil and natural gas properties for cash consideration of $4.8 million (March 31, 2013 - $24.0 million).

Proceeds of $8.4 million were received primarily for the disposition of minor producing properties during the first three months of 2014 (March 31, 2013 - $6.0 million). A gain on disposal of $2.3 million (March 31, 2013 - $1.6 million gain) was recognized.

As at March 31, 2014, undeveloped land of $23.2 million (March 31, 2013 - $31.4 million) was excluded from costs subject to depletion. In addition, future development costs of $771.3 million (March 31, 2013 - $562.4 million) were added into costs subject to depletion.

6. DECOMMISSIONING LIABILITIES

($000s)	March 31, 2014	December 31, 2013
Balance, beginning of year	**254,413**	233,100
Accretion expense	**1,908**	6,110
Liabilities acquired	**-**	43,056
Liabilities incurred	**2,923**	8,442
Disposal of liabilities	**(5,243)**	(8,560)
Settlement of liabilities	**(1,346)**	(3,970)
Change in estimates	**-**	(23,765)
Balance, end of period	**252,655**	254,413

The Company's decommissioning liabilities result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. At March 31, 2014, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning liabilities was approximately $399 million (December 31, 2013 - $404 million), which will be incurred over the next 40 years. At March 31, 2014, the Company used a risk free rate of 3.0% and an inflation rate of 2.0% to calculate the present value of the decommissioning liabilities (December 31, 2013 - 3.0% and 2.0%, respectively).

7. AVAILABLE CREDIT FACILITIES

The Company has credit facilities of $475 million, consisting of a $445 million revolving syndicated facility and a $30 million operating facility. 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 event. The termination date is May 31, 2016, with the next review to occur prior to May 31, 2014.

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 Company. At March 31, 2014, an amount of $370.9 million was drawn against the credit facilities (December 31, 2013 - $423.6 million).

The credit facilities bear interest at the prime rate or Libor rate, plus a margin, and in respect of banker's acceptances requires the payment of a stamping fee equal to a margin. The margins range from 1.00% per annum to 4.00% per annum, based upon the Company's debt to earnings before interest, taxes, exploration expenses, and all non-cash items including depletion, depreciation and amortization ("EBITDA") ratio. For the three months ended March 31, 2014, the effective interest rate, including standby and other fees, was 4.5% (March 31, 2013 - 4.8%).

As at March 31, 2014, the Company is in compliance with all covenants, obligations and conditions of its credit agreement. The covenants in the facilities relate to debt to EBITDA, interest coverage, permitted dispositions, and permitted hedging.

8. CONVERTIBLE DEBENTURES

On January 28, 2014, the Corporation 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 29, 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 fair value of the debt portion of the debentures was calculated using a similar instrument without a conversion feature. The residual between the face value of the debentures and the fair value of the liability was classified as equity. The book value of the liability will be accreted to the face value of $75.0 million over the term of the debenture, using the effective rate interest method.

Below is a summary of the debt and equity balances:

($000s)	Convertible Debentures Liability	Equity Component of Convertible Debentures	Total
Balance, January 1, 2014	-	-	-
Issued	70,137	4,863	75,000
Issuance costs	(3,207)	(220)	(3,427)
Deferred income taxes	-	(1,160)	(1,160)
Accretion expense	214	-	214
Balance, March 31, 2014	67,144	3,483	70,627

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.

Share Capital

($000s)	**March 31, 2014**	December 31, 2013
Common Shares	**552,626**	551,403
Non-Voting Convertible Shares	**106,263**	106,263
	658,889	657,666

Common Shares

(000s)	March 31, 2014 Number of shares	March 31, 2014 Amount $	December 31, 2013 Number of shares	December 31, 2013 Amount $
Balance, beginning of year	**110,143**	**551,403**	110,107	551,192
Issued on exercise of stock options	**209**	**938**	36	162
Transfer from contributed surplus on exercise of stock options	**-**	**285**	-	49
Balance, end of period	**110,352**	**552,626**	110,143	551,403

Non-Voting Convertible Shares

(000s)	March 31, 2014 Number of shares	March 31, 2014 Amount $	December 31, 2013 Number of shares	December 31, 2013 Amount $
Balance, beginning of year and end of period	**15,513**	**106,263**	15,513	106,263

The Company can require the holders of the Non-Voting Convertible Shares to convert to Common Shares after June 30, 2014.

Dividends

In 2014, the Company began paying monthly a dividend of $0.0335/share to holders of Common Shares and Non-Voting Convertible Shares. As at March 31, 2014, $12.6 million in dividends had been declared, of which $8.3 million were paid. Dividends declared are subject to approval by the Board of Directors on a monthly basis. For the period from April 1, 2014 to May 5, 2014, $4.2 million of dividends have been declared.

Warrants

# of Warrants (000s)	March 31, 2014	December 31, 2013
Balance, beginning of year and end of period	**2,300**	2,300

Each warrant originally entitled the holder to acquire 0.4167 Common Shares of the Company at an exercise price of $3.10 per 0.4167 of a share until September 15, 2014. The exchange ratio and exercise price are subject to adjustment upon the payment of dividends by the Company and certain other events. In March 2014, the warrants were adjusted for January and February dividends paid. At March 31, 2014, the warrants entitled the holder to acquire 0.4222 Common Shares of the Company at an exercise price of $3.06 per 0.4222 per share. The warrants are not exercisable until the twenty-day volume weighted average trading price of the Common Shares exceeds $12.00 per share.

Contributed Surplus

($000s)	March 31, 2014	December 31, 2013
Balance, beginning of year	**23,377**	16,558
Share-based compensation cost	**912**	6,868
Transfer to share capital on exercise of options	**(285)**	(49)
Balance, end of period	**24,004**	23,377

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2014

Share Option Plan

	March 31, 2014		December 31, 2013	
	Number of Options *(000s)*	**Weighted Average Exercise Price ($)**	Number of Options *(000s)*	Weighted Average Exercise Price ($)
Outstanding, beginning of year	**10,266**	**4.50**	8,042	4.49
Forfeited	**(550)**	**4.52**	(679)	4.45
Exercised	**(209)**	**4.48**	(36)	4.49
Granted	**-**	**-**	2,939	4.51
Outstanding, end of period	**9,507**	**4.50**	10,266	4.50

At March 31, 2014, the option exercise prices ranged from $4.03 to $5.30 per option for the 9.5 million options outstanding. The weighted average exercise price was $4.50 per option and the weighted average remaining life of the options was 3.8 years. At March 31, 2014, there were 2.8 million options exercisable, with a weighted average exercise price of $4.48.

Earnings Per Share

	Three months ended March 31	
	2014	2013
Net earnings (loss) *($000s)*	**6,771**	(827)
Weighted average number of shares *(000s)*		
Shares outstanding, beginning of year	**125,656**	125,620
Share options exercised	**74**	-
Weighted average shares outstanding - basic	**125,730**	125,620
Weighted average shares outstanding - diluted	**126,129**	125,620
Basic and diluted earnings (loss) per share	**0.05**	(0.01)

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 of the Company at their average market price during the period. For the three months ended March 31, 2014, 3.8 million options, and the effect of the conversion of convertible debentures and exercise of the warrants were excluded from the calculation of diluted earnings per share (March 31, 2013 - 9.7 million options).

10. CAPITAL RISK MANAGEMENT

The Company's primary capital management objective is to maintain a strong statement of financial position, affording the Company financial flexibility to achieve its goal of paying a monthly dividend while continuing to provide moderate per share growth to shareholders. To manage the capital structure, the Company may adjust capital spending, adjust dividends declared, issue new shares, issue new debt or repay existing debt.

In managing its capital structure, the Company monitors financial metrics as indicators of overall financial strength. The financial metrics the Company currently monitors include net debt to funds flow from operations and debt to debt plus equity. The Company's objective is to maintain net debt to funds flow from operations at or below a ratio of 1.5 and debt to debt plus equity at a ratio at or below 0.4. While the Company may exceed these rates from time to time, efforts are made after a period of variation to bring the measures back in line.

Net Debt to Funds Flow from Operations

($000s, except ratios)	**March 31, 2014**	December 31, 2013
Net Debt		
Bank loan	**370,941**	423,553
Accounts payable and accrued liabilities	**121,319**	89,606
Accounts receivable	**(65,751)**	(53,433)
Deposits and prepaid expenses	**(5,761)**	(7,571)
Convertible debentures - face value	**75,000**	-
Net Debt	**495,748**	452,155
Funds Flow from Operations - Quarter Ended		
Petroleum and natural gas revenue	**151,886**	124,816
Royalties	**(18,466)**	(18,213)
Gain (loss) on financial derivatives - realized	**(7,422)**	(1,145)
Operating expense	**(36,194)**	(33,198)
Transportation expense	**(5,543)**	(4,971)
General and administration, excluding non-cash expenses	**(8,729)**	(7,017)
Interest	**(4,916)**	(4,300)
Exploration expense	**(566)**	(32)
Capital and other taxes	**-**	(6)
Funds Flow from Operations - Quarter Ended	**70,050**	55,934
Funds Flow from Operations - Annualized *(Quarterly x 4)*	**280,200**	223,736
Net Debt to Funds Flow from Operations *(target <= 1.5)*	**1.8**	2.0

Debt to Debt plus Equity

($000s, except ratios)	**March 31, 2014**	December 31, 2013
Debt		
Bank loan	**370,941**	423,553
Convertible debentures - face value	**75,000**	-
Debt	**445,941**	423,553
Debt plus Equity		
Debt	**445,941**	423,553
Shareholders' equity	**616,442**	616,977
Debt plus Equity	**1,062,383**	1,040,530
Debt to Debt plus Equity *(target <= 0.4)*	**0.42**	0.41

11. GENERAL AND ADMINISTRATION EXPENSES

	Three months ended March 31	
($000s)	**2014**	2013
Salary and employee	**11,198**	8,528
Other	**3,165**	3,287
Gross expenses	**14,363**	11,815
Capitalized costs	**(4,511)**	(3,943)
Operating recoveries	**(1,123)**	(411)
General and administration	**8,729**	7,461

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, 2014, general and administrative expenses included amounts of $0.3 million (March 31, 2013 - $0.2 million) charged to the Company by BDP.

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.

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2014

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. The fair value of the convertible debentures is $75.4 million, and is based on Level 1 inputs (quoted prices in the markets) as the bonds 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 rates.

The Company has the following commodity financial contracts in place as at March 31, 2014:

Natural Gas	Volume	Pricing
Costless Collars		
April 1, 2014 – December 31, 2014	19,000 GJ/d	CDN $3.50 - $4.02/GJ
April 1, 2014 – March 31, 2015	13,000 GJ/d	CDN $3.50 - $3.75/GJ
April 1, 2014 – December 31, 2014	10,000 GJ/d	CDN $3.50 - $3.90/GJ
January 1, 2015 – December 31, 2015	20,000 GJ/d	CDN $3.50 - $4.00/GJ
January 1, 2015 – December 31, 2015	11,000 GJ/d	CDN $3.50 - $4.35/GJ

Crude Oil	Volume	Pricing
Costless Collars		
April 1, 2014 – June 30, 2014	1,000 Bbl/d	WTI US $95.00 - $98.00/Bbl
April 1, 2014 – December 31, 2014	2,000 Bbl/d	WTI US $88.00 - $92.50/Bbl
April 1, 2014 – December 31, 2014	2,000 Bbl/d	WTI US $88.00 - $92.60/Bbl
April 1, 2014 – December 31, 2014	1,650 Bbl/d	WTI US $95.00 - $98.80/Bbl
Fixed Price		
April 1, 2014 – August 31, 2014	980 Bbl/d	WTI US $85.00/Bbl
Calls		
April 1, 2014 – December 31, 2014	500 Bbl/d	WTI US $85.00/Bbl
April 1, 2014 – December 31, 2014	500 Bbl/d	WTI US $100.00/Bbl
January 1, 2015 – December 31, 2015	500 Bbl/d	WTI US $85.00/Bbl
Call Swaptions		
September 1, 2014 – April 30, 2015	1,000 Bbl/d	WTI US $85.00/Bbl
September 1, 2014 – April 30, 2015	1,000 Bbl/d	WTI US $90.00/Bbl

Electricity	Volume	Pricing
April 1, 2014 – December 31, 2014	1.5 MW/h	CDN $67.75 MW/h
April 1, 2014 – December 31, 2014	1.5 MW/h	CDN $54.35 MW/h
January 1, 2015 – December 31, 2016	3.0 MW/h	CDN $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 year.

($000s)	**March 31, 2014**	December 31, 2013
Assets - Fair value of financial derivatives		
Current	**17**	1,024
Long-term	**412**	-
	429	1,024
Liabilities - Fair value of financial derivatives		
Current	**26,812**	14,919
Long-term	**2,171**	3,876
	28,983	18,795
Net Liability	**(28,554)**	(17,771)

($000s)	**Crude Oil**	**Natural Gas**	**Other**	**Total**
Three months ended March 31, 2014				
Realized (gain) loss on financial derivatives	(4,790)	(2,629)	(3)	(7,422)
New contracts	-	(2,407)	-	(2,407)
Change in value	2,928	(4,006)	124	(954)
Unrealized gain (loss) on financial derivatives	(1,862)	(9,042)	121	(10,783)
December 31, 2013 - Net Liability	(17,103)	(450)	(218)	(17,771)
March 31, 2014 - Net Liability	**(18,965)**	**(9,492)**	**(97)**	**(28,554)**

Market risk

Market risk includes uncertainty arising from possible movements in commodity prices and 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 and interest rate risk, the Company enters into various financial derivative instruments. The instruments currently outstanding are described above.

When assessing the potential impact of price changes on financial derivative contracts outstanding at March 31, 2014, it is estimated that a $1.00/Bbl change in the price of oil would change the unrealized gains or losses by approximately $2.5 million, while a $0.10/GJ change in the price of natural gas would change the unrealized gains or losses by approximately $2.2 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, 2014, five third party purchasers each marketed more than 10% of the Company's petroleum and natural gas revenue. At March 31, 2014, approximately 47% of the accounts receivable balance is due from three customers.

Accounts Receivable *($000s)*	**March 31, 2014**	December 31, 2013
Less than 90 days	**62,481**	49,528
Greater than 90 days	**3,270**	3,905
Total	**65,751**	53,433

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

Liquidity risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The Company believes that it has access to sufficient capital through internally generated cash flows, external equity sources, and to undrawn committed credit facilities to meet current spending forecasts. At March 31, 2014, $370.9 million was drawn against the Company's credit facilities, with $104.1 million of borrowing capacity available.

The following are the contractual maturities of the Company's financial liabilities at March 31, 2014:

Financial Liability *($000s)*	>1 Year	1-3 Years	Thereafter	Total
Accounts payable and accrued liabilities	121,319	-	-	121,319
Unrealized financial derivative liabilities	26,812	2,171	-	28,983
Bank loan	-	370,941	-	370,941
Convertible debentures – face value (1)	-	-	75,000	75,000
Total	148,131	373,112	75,000	596,243

(1) *Assumes the convertible debentures are not converted into Common Shares.*

Interest rate risk

The Company is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair value of its financial instruments. To mitigate exposure to interest rate risk, the Company carries debt at both fixed and floating rates. The Company may also manage interest rate risk through the use of interest rate swaps. The Company's bank debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. Based on the bank debt outstanding as at March 31, 2014, a one percent change in the interest rate would be expected to impact the quarterly interest expense by approximately $0.9 million. The Company's convertible debentures are at a fixed interest rate.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Net Change in Non-Cash Working Capital

($000s)	Three months ended March 31 2014	2013
Source (use) of cash:		
Accounts receivable	**(12,318)**	(3,610)
Deposits and prepaid expenses	**1,810**	560
Accounts payable and accrued liabilities	**31,713**	22,100
	21,205	19,050
Related to:		
Operating activities	**(8,923)**	(1,949)
Investing activities	**25,912**	20,999
Financing activities	**4,216**	-
	21,205	19,050

15. COMMITMENTS AND CONTINGENCIES

Commitments

($000s)	2014	2015	2016	2017	2018	Thereafter	Total
Operating leases	2,306	3,132	3,069	4,805	6,546	54,109	73,967
Firm transportation agreements	2,300	2,569	1,826	1,361	1,123	598	9,777
Capital commitments	5,493	-	-	-	-	-	5,493
Total	10,099	5,701	4,895	6,166	7,669	54,707	89,237

At March 31, 2014, the Company is committed under operating leases for office space, contracts related to the transportation of natural gas, 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.

16. SUBSEQUENT EVENTS

Acquisition, Equity Issuance and Dividend Increase

On April 9, 2014, the Company announced the acquisition of certain natural gas assets focused on the Cardium in the Deep Basin area of Alberta (the “Acquisition”). Total consideration, after closing adjustments, is expected to be approximately $225 million, with an expected close date of on or before May 30, 2014.

The Acquisition will be funded from the Company’s $120 million bought deal equity financing (the “Offering”), proceeds from the disposition of heavy oil from our Lloydminster property of $12 million, and the Company’s credit facilities.

On April 30, 2014, Long Run closed the Offering of 23.5 million subscription receipts (“Subscription Receipts”) at a price of $5.10 per Subscription Receipt. Each Subscription Receipt entitles the holder to receive one Common Share, without additional payment, upon closing of the Acquisition. The proceeds from the Offering will be held in escrow until the closing of the Acquisition.

Conditional on the closing of the Acquisition, the Company intends to increase its monthly dividend by 5 percent from $0.0335 per share to $0.035 per share ($0.42 annualized) starting with the June 2014 dividend payable in July 2014.

Financial Derivative Contracts

Subsequent to March 31, 2014, the Company entered into the following derivative contracts:

Natural Gas	Volume	Pricing
Costless Collar		
May 1, 2014 – December 31, 2015	5,000 GJ/d	CDN $4.00 - $4.51/GJ
May 1, 2014 – December 31, 2015	5,000 GJ/d	CDN $4.00 - $4.50/GJ

Secondary Offering

On April 30, 2014, Long Run and Sprott Resource Corp. announced they entered into an agreement with a syndicate of underwriters for a secondary offering by Sprott Resource Corp. of 12.7 million Long Run Common Shares on a bought deal basis at a price of $5.35 per share. Long Run will receive no proceeds from this transaction and the total number of Long Run shares outstanding will not change. The transaction is expected to close on or about May 21, 2014.

Sprott Resource Corp. announced that upon completion of the secondary offering, they intend to convert their 15.5 million Long Run Non-Voting Convertible Shares into 15.5 million Long Run Common Shares. This also will have no impact on the total number of Long Run shares outstanding or Long Run’s total shareholders’ equity.