

Long Run Exploration Ltd. Announces Financial Results for the Fourth Quarter and Year Ended December 31, 2013 and 2013 Year End Reserve Results

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CALGARY, ALBERTA--(Marketwired - Mar 5, 2014) - [Long Run Exploration Ltd. \(TSX:LRE\)](#) ("**Long Run**" or the "**Company**") is pleased to announce its financial results for the fourth quarter and year ended December 31, 2013 and year end reserve results.

2013 HIGHLIGHTS

- Long Run's funds flow from operations for 2013 was approximately \$230 million (\$1.83 per share, diluted), an increase of 78 percent over 2012.
- Production averaged 25,094 boe per day for 2013, weighted approximately 53 percent to crude oil and liquids, an increase of 90 percent from 2012.
- Net earnings in 2013 were \$24.3 million (\$0.19 per share, diluted) compared to net loss of \$42.7 million in 2012 (\$0.47 per share, diluted). Net income in 2013 reflects the higher funds flow from operations, partially offset by a \$48.3 million increase in depletion expense associated with the higher production volumes. The net earnings in 2013 included impairments of \$13.0 million (2012 - \$146.1 million), partially offset by an \$11.2 million gain on disposal of properties (2012 - \$87.1 million).
- WTI crude oil prices averaged US\$97.99 per barrel in 2013, compared to US\$94.15 per barrel in 2012. Edmonton light sweet traded at an average discount of \$7.88 per barrel in 2013 compared to CAD WTI. In 2012, this discount was \$7.73 per barrel. In 2013, the AECO Monthly Index averaged \$3.17 per mcf compared to \$2.39 per mcf in 2012.
- Long Run's capital expenditures for 2013 totaled \$277 million with 125.2 net wells drilled, at a 98 percent success rate.
- Long Run completed a number of transactions in 2013 to focus and rationalize our portfolio of properties. We acquired production, key infrastructure, and inventory in our core areas of Peace River and Redwater and monetized our minor properties in Saskatchewan. As a result, we are 100 percent focused in the province of Alberta.
- Total Proved plus Probable ("P+P") gross reserves increased by approximately 18 percent per share to 97.7 mmboe compared with 83.2 mmboe at December 31, 2012.
- Total Proved ("TP") gross reserves increased by approximately 17 percent to 62.7 mmboe compared with 53.7 mmboe at December 31, 2012. TP reserves represent 64 percent of our P+P portfolio of 97.7 mmboe.
- Assuming 2014 average daily forecasted production volumes of 26,300 boe per day, Long Run's P+P reserve life index is approximately 10.2 years. On a P+P basis, Long Run replaced 259 percent of 2013 production, achieving total Finding and Development ("F&D") costs, including Future Development Capital ("FDC"), of \$21.85 per boe.
- Implementation of Enhanced Oil Recovery ("EOR") projects continues to move forward in the Peace River area at both Normandville and Girouxville. Water injection began at the Normandville pilot project on May 1, 2013, and at Girouxville during the fourth quarter of 2013. Computer modeling continues and initial response could occur in 2014. This EOR work will provide further visibility on ultimate recoveries from this project, with positive results leading to an expansion of the project in 2014 and beyond.

FOURTH QUARTER FINANCIAL AND PRODUCTION RESULTS

- Fourth quarter funds flow from operations was \$55.9 million (\$0.44 per share, diluted), an increase of \$17.5 million over the fourth quarter of 2012, primarily due to higher production volumes and lower G&A expenses, partially offset by lower realized prices, and higher operating expenses associated with the production increase.
- Fourth quarter production averaged 27,003 boe per day. Compared to the fourth quarter 2012, production increased approximately 26 percent, with light oil volumes increasing 29 percent.
- The net loss for the fourth quarter of 2013 was \$5.5 million, compared to a net loss of approximately \$57 million in 2012. The increase in 2013 funds flow from operations, an unrealized gain on financial derivative contracts and lower impairments, were partially offset by a lower gain on disposal of assets and increased depletion expense.
- WTI crude oil prices averaged US\$97.46 per barrel in the fourth quarter of 2013, compared to US\$88.18 per barrel for the fourth quarter of 2012. Edmonton light sweet oil traded at a discount of \$15.75 per barrel compared to CAD WTI during the fourth quarter of 2013 compared to a discount of \$3.31 per barrel in the fourth quarter of 2012. In the fourth quarter of 2013, the AECO Monthly Index averaged \$3.53 per mcf compared to \$3.21 per mcf for the fourth quarter of 2012.
- Capital spending of \$41.6 million in the fourth quarter of 2013 on targeted oil development in the Montney at Girouxville and in the Viking at Redwater. There were 11.5 net wells drilled. Net acquisitions of \$86.3 million included two significant light oil acquisitions in the Peace River and Redwater areas.
- In the fourth quarter of 2013, Long Run implemented a pilot EOR scheme, injecting water into the Viking formation at Redwater.
- Long Run closed two property acquisitions in the fourth quarter of 2013. Combined production from these acquisitions was approximately 1,800 boe per day (70 percent liquids) at the closing dates.

OPERATIONS UPDATE

Long Run intends to focus on continuing to develop our substantial inventory in our core areas in the Montney at Peace River and in the Viking at Redwater. Average production volumes for 2014 is expected to be 26,300 BOE/d, weighted approximately 57 percent to liquids, on anticipated total capital spending of approximately \$200 million.

In the Peace River area, we drilled a total of 50 net successful horizontal Montney oil wells at Normandville and Girouxville in 2013. In total, 2013 capital spending in the Peace River area was approximately \$141 million, of which more than \$27 million was invested during the fourth quarter in development activities including the drilling of 9.5 net wells. Forecast 2014 capital spending in the Montney is expected to total \$120 million and include drilling approximately 44 net wells.

At Redwater, we drilled 64.2 net successful wells into the Viking in 2013. Total capital spending for 2013 totaled approximately \$101 million. Fourth quarter spending totaled approximately \$10 million resulting in one net well drilled and the implementation of an Enhanced Oil Recovery ("EOR") pilot. We expect to drill 36 net Viking wells and invest approximately \$60 million in capital during 2014.

Currently, Long Run is producing approximately 25,200 barrels of oil equivalent per day (approximately 14,000 barrels of crude oil and NGLs plus 67 Mmcf per day of natural gas). First quarter capital spending is expected to be approximately \$100 million, on target with our 2014 budget. Our winter drilling program is approaching completion and we are working to tie-in these wells prior to spring break-up.

DIVIDEND UPDATE

After an internal review process which began in mid-2013 and included a rigorous analysis of existing assets and inventory, Long Run made the decision to implement a moderate growth plus dividend strategy. We believe this strategy aligns with our assets and the strengths of our employees. Long Run anticipates funds flow from operations of approximately \$260 million in 2014 based on pricing assumptions of WTI US\$95 per

barrel and AECO \$3.43 per million cubic feet, targeting a sustainability ratio of approximately 96 percent. Long Run paid its first dividend to shareholders on February 14, 2014 and has declared its second dividend which will be paid on March 14, 2014 to shareholders of record as of the close of business on February 28, 2014.

On March 5, 2014, Long Run's Board of Directors affirmed their intent to continue paying monthly dividends of \$0.0335 per share per month. These dividends will be subject to and conditional upon the declaration and the issuance of a press release confirming the same. Long Run's dividend rate will be reviewed monthly and will give consideration to a number of factors including current production, current and future commodity prices, commodity hedging, foreign exchange rates, and acquisition opportunities. Shareholders are advised that these dividends will be designated as "eligible dividends" for Canadian income tax purposes.

SUMMARY OF ANNUAL RESULTS

<i>(\$000s, except per share amounts or unless otherwise noted)</i>	2013	2012
Funds flow from operations ⁽¹⁾	230,109	128,719
Per share, basic ⁽¹⁾	1.83	1.41
Per share, diluted ⁽¹⁾	1.83	1.41
Net earnings (loss)	24,265	(42,652)
Per share, basic	0.19	(0.47)
Per share, diluted	0.19	(0.47)
Production		
Liquids (Bbl/d)	13,232	8,576
Natural Gas (Mcf/d)	71,170	27,679
Total (BOE/d)	25,094	13,189
Prices, including derivatives		
Liquids (\$/Bbl)	77.55	78.97
Natural Gas (\$/Mcf)	3.70	3.23
Total (\$/BOE)	51.63	58.99
Revenues, before royalties	475,562	276,605
Capital expenditures	276,571	196,320
Net acquisitions (dispositions)	108,762	(164,151)
Total assets	1,403,344	1,193,272
Bank loan	423,553	261,173
Net debt ⁽¹⁾	452,155	293,123
Non-current financial liabilities, excluding bank loan	3,876	12,155

⁽¹⁾See Non-GAAP Measures section.

SUMMARY OF QUARTERLY RESULTS

<i>(\$000s, except per share or unless otherwise noted)</i>	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Funds flow from operations ⁽¹⁾	55,934	62,304	63,227	48,644	38,407	26,546	34,385	29,381
Per share, basic ⁽¹⁾	0.45	0.50	0.50	0.39	0.33	0.32	0.41	0.35
Per share, diluted ⁽¹⁾	0.44	0.50	0.50	0.39	0.33	0.32	0.41	0.35
Net earnings (loss)	(5,531)	9,524	21,099	(827)	(56,590)	(4,747)	17,506	1,179
Per share, basic & diluted	(0.04)	0.08	0.17	(0.01)	(0.49)	(0.06)	0.21	0.01
Production								
Liquids (Bbl/d)	14,771	13,187	12,587	12,358	11,995	7,854	8,291	6,133
Natural Gas (Mcf/d)	73,392	72,634	71,058	67,516	56,453	18,214	19,548	16,288
Total (BOE/d)	27,003	25,293	24,431	23,611	21,405	10,890	11,549	8,848
Prices, including derivatives								
Liquids (\$/Bbl)	70.94	86.16	80.67	73.03	75.49	77.67	80.68	85.15
Natural Gas (\$/Mcf)	4.04	3.23	3.89	3.63	4.19	2.44	1.94	2.29
Total (\$/BOE)	49.78	54.29	53.29	49.12	53.99	61.34	61.57	64.92
Revenues, before royalties	124,816	129,923	117,210	103,613	99,000	60,094	64,025	53,486
Capital expenditures	41,637	93,137	38,878	102,919	58,340	29,192	44,615	64,173
Net acquisitions (divestitures)	86,328	3,331	1,158	17,945	(169,731)	(138)	466	5,252

(1) See Non-GAAP Measures section.

RESERVES

The Company engaged Sproule Associates Limited ("Sproule") to provide an evaluation of the Company's proved and proved plus probable reserves as at December 31, 2013 (the "Sproule Report") which is dated March 4, 2014. The reserve estimates set forth below are based upon the Sproule Report. The reserve estimates represent Long Run's gross reserves, which are the Company's interest before deduction of royalties and without including any of our royalty interests. Reserve estimates are based on forecast prices and costs at December 31, 2013.

Reserves estimates were prepared in accordance with National Instruments 51-101 Standards of Disclosure ("NI 51-101"). Under NI 51-101, proved reserves are defined as reserves with a 90 percent probability that the actual reserves recovered will equal or exceed proven reserve estimates. Probable reserves are defined as reserves with 50 percent probability that the quantities actually recovered in the future will equal or exceed the proven plus probable reserve estimates.

Additional information with respect to the Company's reserves as at December 31, 2013 will be contained in the Corporation's Annual Information Form for the year ended December 31, 2013 which will be filed on SEDAR at www.sedar.com on or about March 5, 2014.

December 31, 2013 Reserves⁽¹⁾

	Liquids (MMbbl)	Natural Gas (MMcf)	Total (MBOE)
Proved			
Proved producing	15,307	130,593	37,073
Proved non-producing	682	15,672	3,294
Proved undeveloped	12,098	61,368	22,325
Total Proved	28,087	207,633	62,692
Probable	14,712	121,669	34,990
Total Proved Plus Probable	42,799	329,302	97,683

Reserves Reconciliation⁽¹⁾

(MBOE)	Proved	Probable	Proved plus Probable
December 31, 2012	53,657	29,509	83,165
Extensions	1,261	1,800	3,061
Infill drilling	7,134	9,952	17,087
Technical revisions	3,386	(8,879)	(5,494)
Discoveries	-	-	-
Acquisitions	7,480	3,511	10,991
Dispositions	(706)	(863)	(1,568)
Economic factors	(360)	(40)	(400)
Production	(9,159)	-	(9,159)
December 31, 2013	62,692	34,990	97,683

(1) Amounts may not add due to rounding

Reserves Pricing

	2013		2012	
	WTI Oil (US\$/bbl)	AECO Gas (CDN\$/mcf)	WTI Oil (US\$/bbl)	AECO Gas (CDN\$/mcf)
2013	-	-	90.71	3.35
2014	95.72	4.01	91.64	3.80
2015	93.62	4.17	92.30	4.18
2016	92.25	4.35	96.17	4.71
2017 - 2020	96.01 - 98.98	4.81 - 5.29	97.29 - 101.76	5.12 - 5.57
2021 - 2024	100.80 - 106.46	5.38 - 5.68	103.61 - 109.43	5.67 - 5.99
Remainder	+1.8%/yr	+1.8%/yr	+1.8%/yr	+1.8%/yr

Forecast prices, inflation, and exchange rates utilized by Sproule in its evaluation were an average of the

forecast prices, inflation and exchange rates as published by Sproule, GLJ Petroleum Consultants Ltd., and McDaniel & Associates Consultants Ltd., as at December 31, 2013.

NET ASSET VALUE

As at December 31, 2013

	\$ million		
	TP	P+P	
PV10% (Before Tax)			
Reserve Value ⁽¹⁾	\$ 929.7	\$ 1,385.2	Sproule / Dec 31, 2013
Undeveloped land ⁽²⁾	\$ 72.6	\$ 72.6	
Net Debt ⁽³⁾	\$ (452.2)	\$ (452.2)	
Net Asset Value	\$ 550.1	\$ 1,005.7	
Basic Shares O/S (million) ⁽⁴⁾	125.8	125.8	
NAV/share	\$ 4.37	\$ 8.00	
PV8% (Before Tax)			
Reserve Value ⁽¹⁾	\$ 995.3	\$ 1,510.1	Sproule / Dec 31, 2013
Undeveloped Land ⁽²⁾	\$ 72.6	\$ 72.6	
Net Debt ⁽³⁾	\$ (452.2)	\$ (452.2)	
Net Asset Value	\$ 615.7	\$ 1,130.5	
Basic Shares O/S (million) ⁽⁴⁾	125.8	125.8	
NAV/share	\$ 4.90	\$ 8.99	

(1) Reserve value is the net present value of future net revenues before tax which does not represent fair market value, as derived from the Sproule Report.

(2) As internally evaluated at \$72.6 million using an average of \$82.65 per acre.

(3) See "Non-GAAP Measures".

(4) Basic shares include outstanding common shares and outstanding non-voting convertible shares.

(5) The above does not include asset retirement obligations. The Sproule Report included abandonment costs only for undeveloped locations with reserves.

F&D and FD&A

	2013		2012		3-Year Avg./Total	
	Proved	P+P	Proved	P+P	Proved	P+P
Finding and Development Costs (F&D - \$/boe) ⁽¹⁾						
F&D with change in Future Development Costs ("FDC") ⁽²⁾⁽⁵⁾	\$ 26.77	\$ 21.85	(2)	(2)	\$ 47.84	\$ 45.19
Finding, development and acquisition costs (FD&A - \$/boe)						
FD&A with change in FDC ⁽³⁾⁽⁴⁾⁽⁵⁾	\$ 28.19	\$ 23.21	\$ 16.46	\$ 12.10	\$ 23.54	\$ 17.81

(1) Calculated as the total exploration and development costs plus the total change in FDC divided by the total change in reserves, including reserve revisions. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

(2) New management and the new evaluator viewed the development plans in certain properties differently than previously evaluated, resulting in 2012 F&D being negative and therefore not being meaningful. For both FD&A and F&D, the 2012 values are included in the three year averages.

(3) Long Run calculates FD&A costs which incorporate both the costs and associated reserve additions

related to acquisitions net of any dispositions during the year. Since acquisitions can have a significant impact on Long Run's annual reserve replacement costs, the Corporation believes the FD&A costs provide a more meaningful portrayal of Long Run's cost structure.

(4) In 2013 and 2012, the acquisition costs related to corporate acquisitions reflect the fair market value. In prior years, the acquisition costs related to the corporate acquisitions reflect the consideration paid plus the net debt assumed, both valued at closing and does not reflect the fair market value allocated to the acquired oil and gas assets under generally accepted accounting principles.

(5) The 2012 F&D and FD&A calculations were based on Long Run's reserves at December 31, 2012 evaluated by Sproule and the reserves of [WestFire Energy Ltd.](#) ("WestFire") at December 31, 2011. The FD&A calculations prior to 2012 were based on WestFire's reserves from December 31, 2010 to December 31, 2011.

Non-GAAP Measures

The MD&A contains terms commonly used in the oil and gas industry, such as funds flow from operations, funds flow from operations per share, operating netback, and net debt. These terms are not defined by International Financial Reporting Standards (IFRS) and 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. Management believes that funds flow from operations is a useful financial measurement which assists in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Long Run's determination of funds flow from operations may not be comparable to that reported by other companies. All references to funds flow from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. The Corporation calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding.

Long Run is a Calgary-based intermediate oil company focused on light-oil development and exploration in western Canada. For further information about Long Run, visit the Company's website at www.longrunexploration.com.

Advisories

Non-GAAP Measures:

This press release contains terms commonly used in the oil and gas industry, such as funds flow from operations, funds flow from operations per share, operating netback and net debt. These terms are not defined by International Financial Reporting Standards (IFRS) and 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. Management believes that funds flow from operations and funds flow from operations per share are useful financial measurements which assist in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Long Run's determination of funds flow from operations and funds flow from operations per share may not be comparable to that reported by other companies. All references to funds flow from operations and funds flow from operations per share throughout this press release are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. The Corporation calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding for the applicable period. Long Run uses the term net debt in this press release and has provided a table on how it has been determined in the management's discussion and analysis dated March 5, 2014 and available under the Company's SEDAR profile at www.sedar.com. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

Oil and Gas Information:

Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of

six thousand cubic feet of natural gas to one barrel of crude oil 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 from the energy equivalency conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is misleading as an indication of value.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Forward-Looking Statements:

Certain information regarding Long Run in this news release including management's assessment of future plans and operations, 2014 capital expenditures budget and nature of expenditures, 2014 expected average production and crude oil and liquids production, nature of development capital expenditures and the effects thereof, expected 2014 funds flow from operations and expected sustainability ratio 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 related to closing of the disposition and satisfaction of the conditions precedent thereto, the effect of the business combination and resulting operations, risks associated with oil and 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, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, wells not performing as expected, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in 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 Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company 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 results; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company 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 Company operates; and the ability of the Company 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 in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at Long Run's website (www.longrunexploration.com). Furthermore, the forward looking statements contained in this news release are made as at the date of this news release 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.

Dividends

The payment and the amount of dividends declared in any month will be subject to the discretion of the board of directors of the Corporation and will depend on the board of director's assessment of Long Run's outlook for growth, capital expenditure requirements, funds from operations, potential acquisition opportunities, debt position and other conditions that the board of directors may consider relevant at such future time. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices.

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