Long Run Exploration Ltd. Announces Strategic Edson Pine Creek Cardium Consolidation Transaction and Upward Revision to 2014 and 2015 Gu

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CALGARY, ALBERTA -- (Marketwired - June 12, 2014) - Long Run Exploration Ltd. ("Long Run" or the "Company") (TSX:LRE) is pleased to announce that it has entered into an agreement (the "Arrangement Agreement") with Crocotta Energy Inc. ("Crocotta") (TSX:CTA) providing for the acquisition by Long Run of all of the issued and outstanding common shares of Crocotta (the "Crocotta Shares") (the "Transaction") pursuant to a plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta).

Under the Arrangement, Crocotta shareholders will receive a combination of common shares of Long Run (the "Long Run Shares") as well as common shares and warrants (as described below) of a newly established Montney-focused exploration company ("ExploreCo") to be led by Crocotta's current management team. For each Crocotta Share held, shareholders of Crocotta will receive i) 0.415 of a Long Run Share, ii) one common share of ExploreCo, and iii) 0.2 arrangement warrants of ExploreCo. Each arrangement warrant will entitle the holder to purchase one ExploreCo common share at a price of $1.70 for a period of 30 days following closing of the Arrangement. The assets of ExploreCo are excluded from the Long Run acquisition of Crocotta and consist of Crocotta's assets in northeast British Columbia and northwest Alberta. For more information on ExploreCo please see the Crocotta news release dated June 12, 2014.

The Transaction will result in Long Run acquiring Crocotta's strategic Edson Cardium and Bluesky assets (the "Crocotta Assets") for total consideration of approximately $357 million, comprised of the issuance of approximately 44 million Long Run Shares (based on an exchange ratio of 0.415 Long Run Shares for each Crocotta share held and a Long Run common share price of $5.50) and the assumption of approximately $115 million of net debt (inclusive of transaction costs and dilutive proceeds).

The Transaction adds approximately 7,500 Boe/d (including 1,200 bbl/d of NGL volumes subject to agreements with Aux Sable) of high-quality, liquids-rich natural gas and light oil production, related production infrastructure and approximately 150,000 net acres of undeveloped land with greater than 100 low risk Cardium and Bluesky development drilling opportunities focused in Long Run's recently established Edson Pine Creek core area located in Alberta. In addition, the Company believes there is exploration upside in the Wilrich, Notikewin, Viking, Second White Specks, and Belly River formations.

Closing of the Arrangement is subject to customary conditions and is expected to occur in early to mid-August, 2014.

STRATEGIC RATIONALE

Long Run's business plan focuses on exploiting tight oil and natural gas plays in the Western Canadian Sedimentary Basin. On May 30, 2014, Long Run announced the closing of its strategic Deep Basin Wapiti and Edson Pine Creek Cardium asset acquisition ("Deep Basin Cardium Acquisition"), which gave Long Run a strong entry point into the Edson Pine Creek fairway focusing on the Cardium and Bluesky horizons. This Transaction consolidates this recently established third core development area and provides size and scale to its Cardium focused asset base while also positioning the Company as a leading producer in each of its core areas through organic growth and synergistic consolidation.

The Transaction adds significant ownership of operated gathering and processing infrastructure in the area comprised of 50 MMcf/d of natural gas handling, oil batteries, pipeline gathering systems and an Alliance pipeline connection (meter station). The assets also include a working interest in the Talisman Edson natural gas plant and provide access to NGL value through an agreement with Aux Sable. This expanded facility and infrastructure maximizes operational efficiencies while greatly reducing corporate reliance on third-party facilities and allows for significant visibility to the growth and expansion of Long Run's position in the area with no foreseeable infrastructure constraints.

Key benefits to Long Run shareholders pro forma the Deep Basin Cardium Acquisition and the Transaction are as follows:

- Business plan focused on three extensive development play areas in Alberta
-- The Cardium at Wapiti and Edson Pine Creek
-- The Montney at Girouxville and Normandville
-- The Viking at Redwater
-- The three core development play areas represent approximately 80% of the pro forma reserves value (2P, BT NPV10%) and >70% of pro forma current production

- Maintains total sustainability ratio within our corporate objectives and under 100%

- Increases drilling inventory by more than 300 net drilling locations

- Significant infrastructure additions, providing a key competitive advantage for Long Run in a part of Alberta that is becoming increasingly constrained by access to facilities and take-away capacity

- Maintains financial flexibility with credit facilities expected to increase by $120 million to $695 million on closing of the Transaction, of which $115 million is expected to be undrawn at closing

- Reduces 2015 operating costs by 5% to $12.00/Boe

- Improves corporate capital efficiencies further enhancing the dividend plus growth model

SUMMARY OF THE TRANSACTION

The Transaction provides the following financial and operational characteristics:

Total Transaction Price(1)	$357 million
Current production(2)(3)	7,500 Boe/d (30% oil and NGLs)
Proved reserves(4)(5)(6)	19.9 MMBoe
Proved BT NPV10(4)(5)(6)(7)	$284 million
Proved plus probable reserves(4)(5)(6)	32.6 MMBoe
Proved plus probable BT NPV10(4)(5)(6)(7)	$435 million
Operating Netback(3)(8)	$30/Boe
Run-Rate Funds Flow(9)	$82 million

The Transaction metrics, net of undeveloped land value, seismic, and transaction costs of $30 million, are as follows:

Adjusted Transaction Price / Current Production(10)	$43,600/Boe/d
Adjusted Transaction Price / Run Rate Funds Flow(9)(10)	4.0x
Proved reserves (prior to FDC) (4)(5)(10)	$16.43/Boe
Proved reserves (including FDC)(4)(5)(10)	$24.47/Boe
Proved plus probable reserves (prior to FDC) (4)(5)(10)	$10.03/Boe
Proved plus probable reserves (including FDC)(4)(5)(10)	$17.94/Boe
Adjusted Transaction Price / Proved BT NPV10%(4)(5)(7)(10)	1.2x
Adjusted Transaction Price / Proved plus probable NPV10%(4)(5)(7)(10)	0.8x
Proved plus probable Recycle Ratio (prior to FDC) (2)(4)(5)	3.0x
Proved plus probable Recycle Ratio (including FDC) (2)(4)(5)	1.7x

As part of Long Run's consolidation strategy, the Deep Basin Cardium Acquisition combined with the Transaction, improve key corporate attributes in the new core area as follows:

- 14,100 Boe/d of current production (1,200 bbl/d of NGLs which are subject to agreements with Aux Sable);

- 93.5 MMBoe of proved plus probable reserves (5.5 MMbbl of NGLs which are subject to agreements with Aux Sable);

- Over 400,000 net acres of undeveloped land;

- Over 300 net drilling locations;

- 50 MMcf/d of natural gas handling, oil batteries, pipeline gathering systems, ownership of Talisman plant and access to the Alliance pipeline: and

- 20 MMcf/d firm capacity in a new natural gas processing facility in the Kakwa area expected to start up in the first quarter of 2015.

INCREASED 2014 GUIDANCE AND 2015 PRELIMINARY GUIDANCE

After giving effect to the Transaction, Long Run has increased its 2014 and 2015 preliminary guidance as outlined below. Once the Transaction is closed, Long Run will review and update its 2015 development plan based on a detailed review of the assets acquired, the economics of Long Run's plays, prevailing commodity prices, and strategic priorities.

Guidance(11)	2014 Post Transaction(a)	2015 Post Transaction
Production average(3)	32,100 Boe/d	43,200 Boe/d
Average production per share	0.073 Boe/d	0.081 Boe/d
% oil and NGLs	50%	49%
Funds flow from operations(12)(13)	$320 mm	$455 mm
Funds flow from operations per share(12)(13)	$2.00	$2.33
Development capital	$250 mm	$350 mm
Dividend	$67 mm	$82 mm
Dividend per share (annual)	$0.4125	$0.420
Free funds flow(12)	$3 mm	$23 mm
Free funds flow per share(12)	$0.02	$0.12
Exit net debt to funds flow(12)	1.75x	1.4x
Total sustainability ratio(12)	99%	95%

a. 2014 post Transaction results include Long Run's 12-month estimated results, plus the Deep Basin Cardium Acquisition estimated results [/i]for 7 months and the Crocotta Assets estimated results for 5 months.

THE TRANSACTION SUMMARY

The Arrangement Agreement provides for non-solicitation covenants by Crocotta in favour of Long Run (subject to the fiduciary obligations of the board of directors of Crocotta), the right of Long Run to match any Superior Proposal (as defined in the Arrangement Agreement), within 72 hours and a termination fee of $10.5 million payable by Crocotta to Long Run in certain circumstances, including if Crocotta's board of directors recommends, approves or enters into an agreement with respect to a Superior Proposal.

Completion of the Arrangement is subject to the approval of: (i) at least 66 2/3 percent of the Crocotta shareholders voting at a special meeting of Crocotta shareholders (the "Crocotta Meeting"); and (ii) if required, the majority of the votes cast by Crocotta shareholders at the Crocotta Meeting excluding the votes cast by those persons whose vote may not be included in determining if minority approval is obtained under Multilateral Instrument 61-101. In addition, the issuance of the Long Run Shares in connection with the Transaction is subject to the majority approval of the holders of Long Run Shares (the "Long Run Share Issuance Resolution") pursuant to the policies of the Toronto Stock Exchange voting in person or by proxy, at a special meeting of Long Run shareholders (the "Long Run Meeting"). A joint management information circular will be mailed to the holders of Long Run Shares and Crocotta Shares in early July 2014 for meetings to be held in early to mid-August 2014 where Long Run shareholders and Crocotta shareholders will vote on the Transaction and related matters. Completion of the Transaction is also subject to, among other things, the receipt of required regulatory approvals (including the Toronto Stock Exchange), court approval and other customary closing conditions and is expected to occur in early to mid-August 2014.

The Crocotta board of directors (the "Crocotta Board") has unanimously approved the Arrangement, and, based on a number of factors, including the unanimous recommendation of a special committee of independent members of the Crocotta Board and fairness opinions provided by National Bank Financial Inc. and Haywood Securities Inc. (for more information see the Crocotta news release dated June 12, 2014), have determined that the Transaction is in the best interests of Crocotta and the Crocotta shareholders, that the consideration to be received by Crocotta shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Crocotta shareholders, and unanimously resolved to recommend that Crocotta shareholders vote in favour of the Arrangement. Management, directors and certain other shareholders of

Crocotta holding approximately 31% of the issued and outstanding Crocotta Shares have entered into support agreements to vote their Crocotta Shares in favour of the Arrangement at the Crocotta Meeting.

The Long Run board of directors (the "Long Run Board") has unanimously approved the Arrangement Agreement, and, based on a number of factors, including a fairness opinion provided by Macquarie Capital Markets Canada Ltd. (as described herein), has determined that the Arrangement is in the best interests of Long Run, and unanimously resolved to recommend that Long Run Shareholders vote in favour of the Long Run Share Issuance Resolution. Management and directors holding approximately 2% of the issued and outstanding Long Run Shares have entered into support agreements to vote their Long Run Shares in favour of the Long Run Share Issuance Resolution at the Long Run Meeting.

ADVISORS

Macquarie Capital Markets Canada Ltd. is acting as exclusive financial advisor to Long Run with respect to the Arrangement and has provided Long Run with its verbal opinion that, as of the date hereof and subject to the assumptions, limitations and qualifications set forth therein and review of the final form documents affecting the Arrangement, the consideration to be paid by Long Run to Crocotta Shareholders under the Arrangement is fair, from a financial point of view, to Long Run. Scotiabank and FirstEnergy Capital Corp. acted as strategic advisors to Long Run with respect to the Transaction.

NOTES TO ABOVE TABLES:

1. Total Transaction price of $357 million is calculated assuming the issuance of 44 million Long Run Shares at $5.50/share plus the assumption of net debt of $115 million (inclusive of transaction costs).

2. Based on current production.

3. Current production includes 1,200 bbl/d of NGL volumes subject to Aux Sable agreements. 2014 production average includes 500 bbl/d and 2015 production average includes 1,200 bbl/d of NGL volumes subject to Aux Sable agreements. Crocotta has an agreement in place with Aux Sable Canada to provide value for NGL volumes extracted from natural gas production from the Edson area of Alberta that is delivered onto the Alliance pipeline.

4. Reserves estimates are based on the extracts of a reserve evaluation (the "GLJ Report") effective December 31, 2013 prepared in respect of the properties of Crocotta by GLJ Petroleum Consultants ("GLJ") based on forecast prices and costs. Reserves include 3.2 MMbbl of NGL proved reserves and 5.5 MMbbl of NGL proved plus probable reserves under agreement with Aux Sable.

5. Long Run has engaged its reserves evaluator, Sproule Associates Limited, to review the GLJ reserves provided by Crocotta. Updated reserves will be included in Long Run's 2014 year end Annual Information Form.

6. 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.

7. Before tax net present value based on a 10% discount rate as estimated in the GLJ Report and GLJ January 1, 2014 forecast prices. Net present value of future net revenues does not represent the fair market value of the reserves.

8. Operating netback is calculated by subtracting royalties, transportation and operating costs from revenues and dividing by total production.

9. The transaction run rate funds flow is equal to the Crocotta Assets current production annualized multiplied by the current operating netback.

10. The adjusted Transaction price is $327 million and is calculated as total Transaction price of $357 million net of undeveloped land value of $20 million, Transaction costs of $5 million and seismic value of $5 million.

11. 2014 guidance is based on the following assumptions for the remainder of the year: US WTI $95/bbl; AECO $4.22/Mcf; FX USD/CDN 1.1; 2015 guidance is based on the following assumptions: US WTI $92.50 /bbl; AECO $4.22/Mcf; FX USD/CDN 1.1.

12. Funds flow from operations, funds flow from operations per share, free funds flow, free funds flow per

share, net debt to cash flow and sustainability ratio are non-GAAP measures. See "Non-GAAP Measures".

13. Funds flow from operations includes one-time costs related to the Transaction of $6 million.

NON-GAAP MEASURES

The press release contains terms commonly used in the oil and gas industry, such as funds flow from operations, funds flow from operations per share, free funds flow, free funds flow per share, net debt to funds flow, net debt and sustainability ratio. 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. The Corporation calculates free funds flow as funds flow from operations less development capital and dividends. Free funds flow per share is calculated by dividing free funds flow by the weighted average of the common shares outstanding. Net debt is defined as bank debt plus the principal amount on convertible debentures plus working capital. Net debt to funds flow from operations is defined as net debt divided by funds flow from operations. Sustainability ratio is defined as development capital plus dividends divided by funds flow from operations.

Long Run is a Calgary-based intermediate oil and natural gas 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.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities issued pursuant to the Arrangement described herein may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Forward-Looking Statements and Other Advisories

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of Long Run's anticipated future operations, management focus, objectives, strategies, financial, operating and production results and opportunities, including expected effects of the Transaction, including on drilling inventory, 2014 and 2015 production and production per share, operating costs, capital efficiency, reserves, commodity mix, funds flow and funds flow per share, development capital, dividends and dividends per share, free funds flow and free funds flow per share, exit net debt to cash flow and total sustainability ratio, drilling and development plans and the timing thereof, sources of funding, timing of start up of new facilities, and available infrastructure.

This press release also contains forward-looking information relating to the estimated acquisition price of the Transaction, the sources of funding of the Transaction, the anticipated increase in Long Run's credit facilities in connection with the Transaction and amount estimated to be undrawn at closing, the timing of the Crocotta Meeting and the Long Run Meeting and the timing of mailing of the joint management information circular and the anticipated closing date for the Transaction referred to in this press release. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by Long Run's management, including expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labor and services; the impact of increasing competition; ability to market oil and natural gas successfully; Long Run's ability to access capital, and obtaining the necessary regulatory approvals, including the approval of the Toronto Stock Exchange and satisfaction of the other conditions to closing the Transaction referred to in this press release and on the timeframes contemplated. Included herein are estimates of Long Run's 2014 and 2015 funds flow, funds flow per share, free funds flow, free funds flow per share, exit net debt to cash flow and sustainability ratio based on assumptions provided herein and other assumptions utilized in arriving at Long Run's capital budget on a post Transaction. To the extent such estimates constitute a financial outlook, they were approved by management on June 12, 2014 and are included herein to provide readers with an understanding of the effects of the Transaction and anticipated funds available to Long Run to fund its capital expenditures, dividends and the effects thereof on debt levels and readers are cautioned that the information may not be appropriate for other purposes.

Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. Actual reserve values may be greater than or less than the estimates provided herein.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Long Run can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Transaction may not be completed on the anticipated time frames or at all and the Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on Long Run's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward-looking statements are made as of the date of this press release and Long Run disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Note: "Boe" means barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl 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 the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 Bbl, utilizing a conversion ratio at 6 mcf: 1 Bbl may be misleading as an indication of value.

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