

CALGARY, ALBERTA--(Marketwired - Dec. 21, 2015) - [Long Run Exploration Ltd.](#) ("Long Run" or the "Company") (TSX:LRE) is pleased to announce that it has entered into a definitive arrangement agreement (the "Arrangement Agreement") with a group of investors based in the People's Republic of China (the "Purchaser") pursuant to which the Purchaser has agreed to acquire: i) all of the outstanding common shares of Long Run ("Long Run Shares") for cash consideration of \$0.52 per share (the "Share Consideration"), and ii) all of the outstanding 6.40% convertible unsecured subordinated debentures due January 31, 2019 of Long Run (the "Debentures") for cash consideration of \$750 per \$1,000 principal amount of Debentures plus accrued and unpaid interest (the "Debenture Consideration"). The proposed transaction (the "Transaction") is to be completed by way of plan of arrangement under the *Business Corporations Act* (Alberta).

The Share Consideration represents an approximate 215% premium to the closing price of the Long Run Shares on the Toronto Stock Exchange (the "TSX") on December 18, 2015, being the last trading day prior to the date of the Arrangement Agreement. The principal amount of the Debenture Consideration represents an approximate 257% premium to the closing price of the Debentures on the TSX on December 18, 2015. The aggregate value of the Transaction, including the assumption of Long Run's current net debt and Transaction costs, is approximately \$770 million.

The Purchaser is a group of investors based in the People's Republic of China. Principals of the Purchaser have extensive experience in oil and gas operations around the world and hold significant and controlling interests, directly and indirectly, in midstream and downstream oil and gas assets and LNG projects in China and have recently undertaken and completed significant controlling investments into the upstream oil and gas sector in Canada.

STRATEGIC RATIONALE

Since the amendment of the initial investment agreement with Maple Marathon Investments Limited ("Maple Marathon") and MIE Holdings Corporation ("MIE") and the initiation of a strategic asset rationalization process, as announced on November 9, 2015, commodity prices and equity markets have continued to deteriorate. Long Run has remained focused on improving its balance sheet despite challenging market conditions while ensuring maximum optionality exists to create value for all stakeholders.

After an extensive review of the Company's strategic and financial options to improve its capital structure and create value for stakeholders, Long Run's board of directors (the "Long Run Board") and management team have determined to pursue the Transaction as the best alternative for all Long Run stakeholders. Furthermore, all of the directors and executive officers of Long Run and certain shareholders of Long Run have entered into support agreements and agreed to vote an aggregate of approximately 11% of the outstanding Long Run Shares in favor of the Transaction, subject to the provisions of such support agreements.

The Transaction will be of benefit to Long Run, its stakeholders and employees and Canada. Long Run understands that the Purchaser's plans for the Alberta-based business will provide long-term benefits, including maintaining Long Run's head office and management in Alberta, enhancing capital expenditures and ensuring employment for Canadians in the continuing operations of Long Run.

TERMINATION OF AMENDED INVESTMENT AGREEMENT AND STRATEGIC ASSET RATIONALIZATION

Long Run also announces that the amended and restated investment agreement (the "Amended Investment Agreement") dated November 8, 2015 between Long Run, Maple Marathon and MIE has been mutually terminated without the payment of a termination or reimbursement fee. Termination of the Amended Investment Agreement will constitute an event of default under the Long Run credit facilities; however, Long Run intends to seek a waiver of such default from its lending syndicate. Closing of the Transaction is conditional upon the consent of Long Run's lending syndicate on terms and conditions satisfactory to the Purchaser and Long Run. Long Run understands that the Purchaser expects to repay the credit facilities in due course following closing of the Transaction in accordance with such terms and conditions.

The strategic asset rationalization process, as announced by Long Run on November 9, 2015, has also been terminated by Long Run in accordance with the covenants provided by Long Run under the Arrangement Agreement.

THE ARRANGEMENT AGREEMENT AND APPROVALS

The Transaction is subject to various closing conditions, including receipt of Court approval, Long Run shareholder and debentureholder approval, approval from Long Run's lending syndicate including receipt of the Bank Waiver (as defined herein) by a specified date, regulatory approvals including under the *Investment Canada Act* (Canada) and *Competition Act* (Canada) and approvals required by the Purchaser including certain regulatory approvals required in China.

The Arrangement Agreement contains customary representations and warranties of each party and interim operational covenants by Long Run. The Arrangement Agreement also provides for, among other things, customary board support and non-solicitation covenants, subject to a "fiduciary out" for unsolicited "superior proposals" in favor of Long Run and a provision for the right to match superior proposals in favor of the Purchaser.

In connection with the execution of the Arrangement Agreement, the Purchaser has deposited \$10 million with an escrow agent in Canada and has agreed to deposit an additional \$10 million into escrow following approval of the Transaction by Long Run shareholders. Of the amount initially deposited, \$5.0 million will be released to Long Run (the "Initial Escrow Release") following the receipt by Long Run, if obtained, of: (i) a waiver from the lending syndicate under the Company's credit facilities of the event of default occurring as a result of termination of the Amended Investment Agreement; and (ii) a deferral of the \$100 million that is currently due under the Company's credit facilities on January 31, 2016, each on acceptable terms (collectively, the "Bank Waiver"). The balance of the funds held in escrow shall be applied to a portion of the amount payable to Long Run shareholders and Long Run debentureholders pursuant to the Transaction and may also be utilized to satisfy the non-completion fee payable to Long Run in the event such amount becomes payable.

The Arrangement Agreement provides for a mutual non-completion fee of \$20 million. The non-completion fee that may be payable by Long Run shall increase to \$25 million in the event that \$5 million is released to Long Run pursuant to the Initial Escrow Release. The non-completion fee that may be payable by the Purchaser shall be reduced to \$15 million in the event that \$5 million is released to Long Run pursuant to the Initial Escrow Release. The non-completion fee is payable in the event that the Transaction is not completed or is terminated by either party in certain circumstances, including if Long Run enters into an agreement with respect to a superior proposal or if the Long Run Board withdraws or modifies its recommendation with respect to the proposed Transaction.

A special meeting (the "Special Meeting") of Long Run shareholders and Long Run debentureholders will be called to consider the Transaction. The Transaction will require approvals of 66²/₃% of the votes cast by the Long Run shareholders and 66²/₃% of the principal amount of the Debentures held by Long Run debentureholders, present in person or by proxy at the Special Meeting. The Long Run shareholders and debentureholders will vote as separate classes of securities at the Special Meeting. All of the directors and executive officers of Long Run and certain shareholders of Long Run have entered into support agreements and agreed to vote an aggregate of approximately 11% of the outstanding Long Run Shares in favor of the Transaction, subject to the provisions of such support agreements. In the event that the Transaction is not approved by Long Run shareholders and the \$5 million has been released to Long Run pursuant to the Initial Escrow Release, Long Run will be required to repay the \$5 million to the Purchaser.

Further details with respect to the Transaction will be included in the information circular to be mailed to Long Run shareholders and debentureholders in connection with the Special Meeting. The Special Meeting is expected to be held in mid-February 2016 with closing of the Transaction to occur thereafter upon satisfaction of all conditions precedent thereto. Closing is currently anticipated to occur in April 2016. A copy of the Arrangement Agreement and the information circular will be filed on Long Run's SEDAR profile and will be available for viewing at www.sedar.com.

RECOMMENDATION OF THE LONG RUN BOARD

Based on the Fairness Opinion (as defined below) and the recommendation of the special committee of the Long Run Board and after consulting with its financial and legal advisors, among other things, the Long Run Board has unanimously: (i) determined that the Transaction is in the best interests of Long Run, the Long Run shareholders and the Long Run debentureholders; (ii) resolved to recommend that Long Run shareholders and Long Run debentureholders vote in favor of the Transaction; and (iii) determined that the consideration to be received by Long Run shareholders and Long Run debentureholders pursuant to the Transaction is fair to the Long Run shareholders and the Long Run debentureholders, respectively.

FINANCIAL ADVISORS

Macquarie Capital Markets Canada Ltd. ("Macquarie Capital") is acting as lead financial advisor to Long Run in connection with the Transaction and has provided its verbal fairness opinion that, subject to review of the final form of documents affecting the Transaction, as at the date of the Arrangement Agreement: (i) the consideration to be received by Long Run shareholders pursuant to the Transaction is fair, from a financial point of view to Long Run shareholders; and (ii) the consideration to be received by Long Run debentureholders pursuant to the Transaction is fair, from a financial point of view to Long Run debentureholders; respectively (the "Fairness Opinion"). Scotia Waterous Inc. and National Bank Financial Inc. are also acting as financial advisors to Long Run.

ABOUT LONG RUN

Long Run is a Calgary-based intermediate oil and natural gas company focused on development, exploration and production in the Western Canadian Sedimentary Basin. Targeting a production mix balanced between oil and natural gas, activities are concentrated in its core areas which include the Peace River Montney, the Deep Basin Cardium, the Redwater Viking and the Boyer Bluesky.

The Long Run Shares are listed on the Toronto Stock Exchange under the symbol LRE and the Long Run Debentures are listed on the Toronto Stock Exchange under the symbol LRE.DB.

FOR FURTHER INFORMATION

Visit the Company's website at www.longrunexploration.com.

ADVISORIES

Forward-Looking Statements

Certain information set forth in this press release, including information and statements which may contain words such as "could", "plans", "should", "anticipates", "expects", "believes", "will" and similar expressions and statements relating to matters that are not historical facts, contain forward-looking statements, including but not limited to statements regarding: the proposed Transaction and the anticipated timing of closing; mailing of the information circular related to the Special Meeting and the timing thereof and timing of the Special Meeting; the benefits of the Transaction for Long Run, its stakeholders and employees and for Canada and Long Run's expectation that the Purchaser plans to repay the credit facility in due course following closing. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Long Run's control. Completion of the Transaction is subject to a number of conditions which are typical for transactions of this nature. Failure to satisfy any of these conditions, the emergence of a superior proposal or the failure to obtain approval of Long Run's shareholders may result in the termination of the Arrangement Agreement. The foregoing list is not exhaustive. Additional information on these and other risks that could affect completion of the Transaction will be set forth in the information circular, which will be available on SEDAR at www.sedar.com. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The actual results, performance or achievement of Long Run could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Long Run will derive therefrom. Long Run disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

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