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COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
	AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LONG RUN EXPLORATION LTD. AND CALGARY SINOENERGY INVESTMENT CORP.
DOCUMENT	**SUPPLEMENTAL REPORT TO THE SEVENTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF LONG RUN EXPLORATION LTD. AND CALGARY SINOENERGY INVESTMENT CORP.**
	January 24, 2025
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SUPPLEMENTAL REPORT TO THE SEVENTH REPORT OF THE MONITOR

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INTRODUCTION

1. On July 4, 2024 (the "**Filing Date**"), China Construction Bank Toronto Branch ("**CCBT**" or the "**Applicant**"), in its capacity as collateral agent, sought and obtained an initial order (the "**Initial Order**") from the Court of King's Bench of Alberta (the "**Court**") to commence proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**") in respect of Long Run Exploration Ltd. ("**Long Run**") and Calgary Sinoenergy Investment Corp. (the "**Guarantor**" and collectively with Long Run, the "**Debtors**"). The Initial Order, among other things, established a stay of proceedings in favour of the Debtors for an initial stay period up to and including July 14, 2024 (the "**Stay Period**"), and appointed FTI Consulting Canada Inc. as Monitor (the "**Monitor**"), with enhanced powers, pursuant to the provisions of the CCAA.

2. On January 13, 2025, the Monitor filed its seventh report ("**Seventh Report**") which provided an update on delays closing the Hiking Transaction because of challenges being faced by Hiking transferring money out of China due to regulations of the Chinese State Administration of Foreign Exchange ("**SAFE**"). The Monitor identified three potential outcomes:

   (a) Hiking successfully transfers funds to Canada and the Transaction closes on or before January 31, 2025;

   (b) funding is obtained either under the DIP Financing Agreement or alternative sources to support the Company's liquidity needs and ability to continue operations as a going concern until the Transaction closes, or an alternative strategy can be pursued (in which case a shorter extension to the Stay Period would be sought); or

   (c) the Monitor fails to obtain sufficient additional funds under the DIP Financing Agreement or from alternative sources and Hiking fails to close the Transaction by January 31, 2025, in which the Stay Period will expire.

3. Electronic copies of all materials filed in connection with the Monitor's December Application and other statutory materials are available on the Monitor's website at: http://cfcanada.fticonsulting.com/longrun/.

PURPOSE

4. The purpose of this supplement to the Seventh Report (this "**Report**") is to provide this Honourable Court and the Debtors' stakeholders with information and the Monitor's comments with respect to the following:

   (a) update on the status of the Transaction;

   (b) update on the Monitor's discussions with the Orphan Well Association (the "**OWA**");

   (c) an updated cash flow statement (the "**CFS#7**") for the 8-week period ending February March 2, 2025, as well as the key assumptions on which the CFS#7 is based;

   (d) the request for an extension to the Stay Period up to and including February 28, 2025;

   (e) the Monitor's comments with respect to the Company's ability to continue these CCAA Proceedings without either the Transaction closing or additional funding being advanced under the DIP Financing Agreement; and

   (f) the Monitor's recommendations with respect to the above.

TERMS OF REFERENCE

5. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Seventh Report.

6. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Debtors' books and records and discussions with various parties (collectively, the "**Information**").

7. Except as described in this Report:

   (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;

   (b) the Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and

   (c) future oriented financial information reported or relied on in preparing this Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.

8. The Monitor has prepared this Report in connection with its application filed January 13, 2025. This Report should not be relied on for other purposes.

9. Information and advice described in this Report that has been provided to the Monitor by its legal counsel, Bennett Jones LLP (the "**Monitor's Counsel**") and by its special legal counsel, Torys LLP (the "**Monitor's Special Counsel**"), was provided to assist the Monitor in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.

10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON THE STATUS OF THE HIKING TRANSACTION

11. As described in the Seventh Report, Hiking continues to experience challenges transferring money out of China due to SAFE regulations.

12. Since the date of Seventh Report, discussions between Hiking and CCBT have continued and counsel to CCBT advised the Monitor on January 23, 2024, that Hiking and CCBT have made progress with respect to the release of funds from China. However, due to a Chinese holiday, it is unlikely that the funds will be received in advance of the Application on January 24, 2025 (either to provide the additional funding requested under the DIP Financing Agreement or to close the Transaction by January 31, 2025).

13. Hiking and CCBT have asked if the Monitor would support an extension of the Stay Period through February 11, 2025, to allow additional time to attempt to close the transaction.

14. Previously, the Monitor advised this Honourable Court that if the funds requested under the DIP Financing Agreement were not received in advance of January 24, 2025, or the Transaction does not close on or before January 31, 2025, the Debtors will likely exhaust all available liquidity.

DISCUSSIONS WITH THE OWA

15. Given the status of the CCAA proceedings, and the uncertainty surrounding closing the Transaction, the Monitor reached out to the OWA to request a meeting to discuss the Debtors' ongoing operations and facilitate an orderly hand over in the event the Transaction did not close by January 31, 2025, and the Stay Period expired.

16. At a meeting on January 22, 2025, the OWA advised the Monitor that it would commence preparation to bring a receivership application. However, the OWA's board would likely not meet until February 11, 2025, and thus the OWA would not bring a receivership application until after that date. The Monitor is concerned (particularly in the circumstances where the Monitor has enhanced powers pursuant to the Initial Order and the SARIO) that if the Stay Period expires January 31, 2025, and a receivership application is not brought until after February 11, 2025, there may not be sufficient care and custody of the Debtors' assets in the intervening period. A more organized hand-over of care and custody would be highly beneficial and reduce operational risk. Accordingly, the Monitor met with management of Long Run to re-assess the cash flow projections. After review, the Monitor is of the view that a short 28 day stay extension to the Stay Period could be supported by the Company's cash flows; however, it would require deferring certain payments that have come due as described further below.

CASH FLOW STATEMENT

17. The Seventh Report presented CFS#6 which illustrated the Debtors' liquidity needs for the eight week period ending March 2, 2025 (the "**Forecast Period**"). Since the date of the Seventh Report certain amounts that were previously disputed have been collected from joint venture partners and from New Star Energy, with respect to outstanding management fees, in the total amount of approximately $435,000.

18. The Monitor has prepared a revised cash flow statement for the 8-week period with actual results from January 6 to January 19, 2025, and forecast cash flow from January 20, 2025, to March 2,

2025, a summary of which is presented below. A copy of the Cash Flow Statement is attached hereto as Appendix "**A**".

19. The CFS#7 illustrates that the Debtors can continue to operate and fund critical payments including employees, contract operators, insurance and trade payables up to March 2, 2025 to ensure care and custody of operations is maintained. The Monitor notes that certain payments that are due and previously forecast to be paid in the CFS#6 will need to be deferred to allow sufficient cash flow to maintain operations. A comparison of the CFS#6 to the CFS#7 is presented below to demonstrate the variances:

Cash Flow Statement January 6, 2025 to March 2, 2025		CFS#7 8 Week	CFS#6 8 Week	
($MM)	Week Beginning	Total	Total	Variance
Receipts				
Revenue		$ 9.6	$ 9.6	$ 0.0
New Star Energy operations		0.2	0.2	(0.0)
Other Receipts		0.8	0.6	0.1
Total - receipts		10.5	10.3	0.2
Disbursements				
Royalties		(0.2)	(0.2)	(0.0)
Processing and transportation		(1.7)	(2.2)	0.5
Operating expense		(8.3)	(8.2)	(0.1)
Lease rentals		(0.5)	(1.9)	1.5
G&A expense		(1.9)	(1.9)	(0.0)
Insurance		(0.1)	(0.1)	(0.0)
Property taxes		(0.5)	(0.5)	-
Abandonment costs		(0.3)	(0.3)	(0.0)
Professional fees		(0.5)	(1.0)	0.5
GST		(0.2)	(0.3)	0.0
Total - disbursements		(14.3)	(16.7)	2.4
Net cash flow		(3.8)	(6.4)	2.5
Opening cash		4.1	4.1	-
Net cash flow		(3.8)	(6.4)	2.5
DIP Funding		-	-	-
Ending cash		$ 0.3	$ (2.2)	$ 2.5

20. Major variances between the CFS#6 to the CFS#7 include:

(a) Processing and transportation – in the CFS#6, Long Run expected to receive certain joint venture billings relating to turnaround costs; however these have not been received by Long Run and therefore Long Run cannot pay them at this time;

(b) Freehold surface leases - outstanding freehold surface lease rentals that are due and were included in the CFS#6 are proposed to be deferred and therefore are not included in the CFS#7. The Monitor notes that freehold surface rental payments are annual payments paid in advance and therefore relate to a twelve month period from the date the payment is due (for example: January rental payments cover the period from January 2025 to January 2026). The Monitor also notes that if the Hiking Transaction closes, those surface rental obligations will be assumed by Hiking, whereas if the Stay Period is not extended and the Debtors are assigned into bankruptcy, it is highly unlikely that there will be any recoveries to surface lessors from the bankruptcy estates of the Debtors; and

(c) Professional fees – professional fees in the revised cash flow are lower in the CFS#7 due in part by lower than projected costs, which is a permanent variance, and deferring certain payments. The Monitor is proposing to defer professional fee payments to Hiking's counsel (as interim lender) and CCB's counsel. The Monitor understands they are willing to defer their payments as they represent the parties requesting the extension and advising that they believe they will be in a position to close the Transaction if a further stay extension is granted.

21. The CFS#7 projects Long Run will have net cash flow of approximately negative $3.8 million over the Forecast Period, including:

(a) cash receipts of approximately $10.5 million, primarily related to the collections from the sale of petroleum and natural gas substances;

(b) cash disbursements of approximately $14.3 million primarily related to trade payments, payroll and benefits, other operating disbursements and professional fees.

22. Ending cash balance in the CFS#7 is projected to be $0.3 million.

23. To date, Hiking has only advanced $2.0 million of the authorized DIP Financing amount of $7.0 million. The Monitor understands Hiking is still making efforts to advance additional funds to help with the liquidity issues; however the advances are subject to the same SAFE regulatory issues referenced above and in the Seventh Report.

24. The CFS#7 has been prepared by Long Run using probable and hypothetical assumptions set out in the notes to the CFS#7.

25. The Monitor's review of the CFS#7 consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by Long Run. Since probable and hypothetical assumptions need not be supported, the Monitor's procedures were limited to evaluating whether they were consistent with the purpose of the CFS#7, and there are no material assumptions contained therein which seem unreasonable in the circumstances.

26. Based on the Monitor's review, as at the date of this Report, nothing has come to its attention that causes it to believe that, in all material respects:

(a) the probable and hypothetical assumptions are not consistent with the purpose of the CFS#7; and

(b) the probable and hypothetical assumptions developed by Long Run are not supported and consistent with the plan of the Debtors or do not provide a reasonable basis for the CFS#7.

27. The Monitor notes that the CFS#7 projects the Debtors will have enough liquidity to operate to the end of the forecast period (as shown in Appendix "**A**").

EXTENSION TO STAY PERIOD

28. Given the above, the Monitor is supportive of an extension of the Stay Period to February 28, 2025, to allow for an orderly transition between the termination of these CCAA proceedings and the anticipated commencement of receivership proceedings by the OWA. Further, the proposed extension of the Stay Period also has the benefit of giving Hiking additional time to either (i) provide additional funding under the DIP Financing Agreement to support the Debtors' liquidity requirements; or (ii) resolve the issues with SAFE and receive the funds in Canada to close the Transaction (subject to Hiking and the Monitor agreeing to extend the Outside Date of the Transaction, which, at present, has been extended to January 31, 2025. If the requested extension of the Stay Period is granted, the Monitor proposes that it and Hiking agree to extend the Outside Date to February 15, 2025).

29. Although the CFS#7 contemplates deferring certain payments, the Monitor is of the view that the proposed extension to the Stay Period is the best outcome in a difficult and uncertain situation. At a minimum, the Company will have the ability to pay critical operating payments, contract operators, insurance and employees, to ensure an orderly hand over of care and custody to the OWA, rather than an immediate bankruptcy in the event the Transaction does not close.

30. The Monitor remains of the view that a closing of the Transaction would be a better outcome for all stakeholders of the Debtors than either a bankruptcy or a receivership of the Debtors. The proposed Stay Extension leaves open the possibility that the Transaction could still be closed but ensures an orderly transition in the event it does not.

31. The Monitor is of the view that the Debtors have and continue to act in good faith and with due diligence.

RECOMMENDATIONS

32. Based on the foregoing, the Monitor is of the view that the relief being sought is reasonable and justified in the circumstances and respectfully recommends that this Honourable Court grant the following relief:

(a) the approval of the activities of the Monitor; and

(b) an extension to the Stay Period to February 28, 2025.

All of which is respectfully submitted this 24th day of January 2025.

FTI Consulting Canada Inc., LIT, in its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp., not in its personal or corporate capacity

Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director
FTI Consulting Canada Inc.

Name: Brett Wilson, CFA
Title: Managing Director
FTI Consulting Canada Inc.

Appendix “A” – Cash Flow Statement for the period ending March 2, 2025

Long Run Exploration Ltd.
Cash Flow Statement
For the 8 week period ending March 2, 2025

Cash Flow Statement January 6, 2025 to March 2, 2025	Actual Week 1	Actual Week 2	Forecast Week 3	Forecast Week 4	Forecast Week 5	Forecast Week 6	Forecast Week 7	Forecast Week 8	CFS#7 8 Week	CFS#6 8 Week	
($MM) Week Beginning	6-Jan	13-Jan	20-Jan	27-Jan	3-Feb	10-Feb	17-Feb	24-Feb	Total	Total	Variance
Receipts											
Revenue	$ -	$ -	$ -	$ 5.0	$ -	$ -	$ -	$ 4.6	**$ 9.6**	**$ 9.6**	**$ 0.0**
New Star Energy operations	(0.1)	0.4	(0.2)	0.1	(0.1)	-	-	(0.0)	**0.2**	**0.2**	**(0.0)**
Other Receipts	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	**0.8**	**0.6**	**0.1**
Total - receipts	**0.2**	**0.7**	**(0.1)**	**5.2**	**(0.1)**	**0.0**	**0.0**	**4.6**	**10.5**	**10.3**	**0.2**
Disbursements											
Royalties	-	(0.1)	-	-	-	(0.1)	-	-	**(0.2)**	**(0.2)**	**(0.0)**
Processing and transportation	-	-	(0.1)	(0.4)	-	-	-	(1.3)	**(1.7)**	**(2.2)**	**0.5**
Operating expense	(0.7)	(1.2)	(0.6)	(1.2)	(1.1)	(0.9)	(0.1)	(2.5)	**(8.3)**	**(8.2)**	**(0.1)**
Lease rentals	-	(0.2)	-	-	-	(0.3)	-	-	**(0.5)**	**(1.9)**	**1.5**
G&A expense	(0.0)	(0.5)	-	(0.5)	(0.0)	(0.5)	-	(0.4)	**(1.9)**	**(1.9)**	**(0.0)**
Insurance	-	-	-	(0.1)	-	-	-	-	**(0.1)**	**(0.1)**	**(0.0)**
Property taxes	-	-	(0.1)	(0.1)	(0.1)	-	(0.1)	(0.1)	**(0.5)**	**(0.5)**	**-**
Abandonment costs	-	(0.0)	-	(0.2)	(0.1)	(0.1)	-	-	**(0.3)**	**(0.3)**	**(0.0)**
Professional fees	(0.0)	(0.1)	-	(0.2)	-	-	(0.2)	-	**(0.5)**	**(1.0)**	**0.5**
GST	-	-	-	(0.1)	-	-	-	(0.1)	**(0.2)**	**(0.3)**	**0.0**
Total - disbursements	**(0.8)**	**(2.2)**	**(0.8)**	**(2.8)**	**(1.2)**	**(1.8)**	**(0.4)**	**(4.3)**	**(14.3)**	**(16.7)**	**2.4**
Net cash flow	**(0.5)**	**(1.6)**	**(0.9)**	**2.4**	**(1.3)**	**(1.8)**	**(0.4)**	**0.3**	**(3.8)**	**(6.4)**	**2.5**
Opening cash	4.1	3.6	2.0	1.1	3.5	2.2	0.4	0.1	**4.1**	**4.1**	**-**
Net cash flow	(0.5)	(1.6)	(0.9)	2.4	(1.3)	(1.8)	(0.4)	0.3	**(3.8)**	**(6.4)**	**2.5**
DIP Funding Required	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Ending cash	**$ 3.6**	**$ 2.0**	**$ 1.1**	**$ 3.5**	**$ 2.2**	**$ 0.4**	**$ 0.1**	**$ 0.3**	**$ 0.3**	**$ (2.2)**	**$ 2.5**
DIP Funding Opening Balance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	**2.0**	**2.0**	**2.0**
DIP Funding Required	-	-	-	-	-	-	-	-	**-**	**-**	**-**
DIP Funding Ending Balance	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**	**$ 2.0**

Notes:

Management of Long Run Exploration Ltd. ("**Long Run**") has prepared this revised Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Long Run during the period of January 6, 2025 to March 2, 2025. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Note 1-12. Consequently, actual results will likely vary from actual performance and such variances may be material.

1. Revenue relates to the sale of Long Run's petroleum and natural gas production. Production is based on current forecast production. The forecast sales prices are based on third party price forecasts and Long Run's quality discount to benchmark pricing. Crown royalties on oil are paid in kind.
2. New Star Energy ("NSE") operations relates to Long Run's collection of revenue, payment of operating expenses of NSE as a sister company and management fee paid to Long Run from NSE.
3. Royalties expense relates to royalties paid to the crown and freehold land owners and are based on historical rates.
4. Processing and transportation relates to transmission tariffs and trucking fees of Long Run's petroleum and natural gas production. It is based on projected production volumes.
5. Operating expenses are based on Long Run's annual operating budget and relates to the costs associated with the operation of oil and natural gas wells and facilities.
6. Lease rentals relates to surface and mineral leases held by the crown and mineral for producing assets.
7. G&A expense relates costs associated with Long Run's head office, employees, field office lease and overhead based on its annual budget.
8. Insurance expense relates to Long Run's insurance premiums.
9. Property taxes relates to Long Run's property taxes with municipalities.
10. Abandonment costs relates to estimate cost to abandon/reclaim wells.
11. Professional fees include estimates for Long Run's legal counsel, the Monitor, the Monitor's Counsel, counsel to the Applicant and counsel to the Stalking Horse Bidder.
12. GST relates to goods and services tax incur by Long Run during the forecast period.