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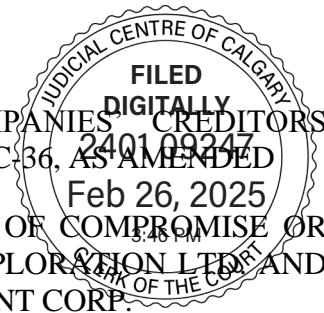
COURT OF KING'S BENCH OF ALBERTA

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

**EIGHTH REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF LONG RUN
EXPLORATION LTD. AND CALGARY SINOENERGY
INVESTMENT CORP.**

February 26, 2025

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EIGHTH 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 July 12, 2024, this Honourable Court granted an amended and restated initial order (the “**ARIO**”) in the CCAA Proceedings. The ARIO granted, among other things, an extension to the Stay Period in favour of the Debtors to July 31, 2024.
3. On July 30, 2024, this Honourable Court granted a Second Amended and Restated Initial Order (“**SARIO**”) in the CCAA Proceedings. The SARIO granted, among other things, the following relief within the CCAA Proceedings:
 - (a) an extension of the Stay Period from July 31, 2024, to October 31, 2024;
 - (b) authorized the Debtors to obtain interim financing pursuant to terms of the DIP Financing Agreement (as defined in Schedule “A” to the SARIO), up to an amount equal to \$7.0 million, and granting a DIP Lender’s Charge (as defined in the SARIO) against the property of the Debtors, on the terms and priority in the proposed SARIO;
 - (c) amending the ARIO granted in these proceedings on July 12, 2024, to reflect the DIP Lender’s Charge (as defined in the SARIO) and the priority thereof;

- (d) approving the terms of a stalking horse subscription agreement entered between the Monitor (in accordance with its court-ordered enhanced powers) on behalf of Long Run and Hiking Group Shandong Jinyue Int’l Trading Corporation (“**Hiking**” or the “**Stalking Horse Bidder**”) dated July 23, 2024 (the “**Stalking Horse Subscription Agreement**”); and
 - (e) approving a stalking horse sale and investment solicitation process in relation to the assets, property, and undertakings and/or business operations of the Debtors (the “**SISP**”).
4. Counsel for Henenghaixin Corp. (“**H Corp.**”) attended the July 30 Application and opposed certain of the relief sought. Specifically, counsel for H Corp. objected to the Stalking Horse Bid being approved, on the basis that if the Stalking Horse Bid ultimately became the Successful Bid as defined in the SISP, the Stalking Horse Bid contemplates that upon the granting of a reverse vesting order (to be applied for), the H Corp. Action would become one of the “Transferred Liabilities” transferred to a proposed Creditor Trust, and the Stalking Horse Bidder would not assume any liability in relation to the same. H Corp. objected to the vesting of the H Corp. Action in the Creditor Trust in those circumstances. H Corp.’s objections were dismissed, in part on the basis that its objections were premature.
 5. On August 28, 2024, counsel for H Corp. wrote to counsel for the Monitor and to a service list it had prepared, asserting for the first time that the Monitor’s legal counsel, Bennett Jones LLP, had previously acted for H Corp. and was in a conflict of interest. In its letter to counsel for the Monitor, counsel for H Corp. requested that Bennett Jones LLP cease to act as counsel for the Monitor.
 6. On September 9, 2024, this Honourable Court granted a Consent Order which directed the Monitor to retain special legal counsel to advise and represent the Monitor in relation to the claim advanced by H Corp. in Court of King’s Bench Action No. 2001-03353 (the “**H Corp. Action**”).

7. On October 18, 2024, this Honourable Court granted an Order which extended the Stay Period to December 31, 2024, and the outside date in the DIP Financing Agreement from November 14, 2024, to November 30, 2024, or such other date as may be agreed upon between the Monitor and the DIP Lender.
8. On November 14, 2024, this Honourable Court heard the Monitor’s application for approval of a transaction contemplated by an amendment of the Stalking Horse Subscription Agreement (the “**Transaction**”) and for a reverse vesting order and sealing order. On November 21, 2024, the Honourable Justice Mah granted the Transaction Approval and Reverse Vesting Order (the “**RVO**”) and a Sealing Order. Reasons for Decision of Justice Mah were filed November 29, 2024.
9. The purchaser with respect to the Transaction is 2657493 Alberta Ltd., a wholly-owned subsidiary of Hiking (the “**Purchaser**”).
10. On December 6, 2024, counsel for H Corp. wrote to counsel for the Monitor, counsel for CCBT and counsel for Canadian Natural Resources Limited (“**CNRL**”) and, separately, to the Honourable Justice Mah, to advise that H Corp. instructed counsel to file an application for leave to appeal the RVO, and requested that Justice Mah grant an extension of time for the filing of H Corp.’s application for leave to appeal and related materials until December 23, 2024.
11. On December 18, 2024, this Honourable Court granted an Order which extended the Stay Period to January 31, 2025.
12. On January 24, 2025, this Honourable Court granted an Order extending the Stay Period to February 28, 2025, and authorizing the Monitor to assign the Debtors into bankruptcy if the Transaction does not close on or before January 31, 2025.

13. On February 18, 2025, the Monitor and the Purchaser executed Amending Agreement No. 4 to the Amended and Restated Subscription Agreement extending the Outside Date of the Transaction to February 28, 2025, and Amending Agreement No. 3 to the DIP Financing Agreement extending the Outside Date in that agreement to February 28, 2025.
14. H Corp.'s application for permission to appeal was heard by the Court of Appeal of Alberta on January 22, 2025. On February 20, 2025, the Court of Appeal of Alberta issued its decision dismissing H Corp.'s application for permission to appeal.
15. 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

16. The purpose of this 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) the activities of the Monitor since the Supplemental Report to the Seventh Report of the Monitor dated January 24, 2024 (the "**Supplemental Report**");
 - (b) update on the status of the Transaction;
 - (c) the application for approval of the professional fees, disbursements and other charges of the Monitor and its legal counsel;
 - (d) discharging the Monitor in its capacity as Monitor of the Debtors and terminating the CCAA Proceedings; and
 - (e) the Monitor's recommendations with respect to the above.

TERMS OF REFERENCE

17. Capitalized terms used but not defined herein are given the meaning ascribed to them in the SARIO.
18. 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**").
19. 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.
20. The Monitor has prepared this Report in connection with its application filed herewith. This Report should not be relied on for other purposes.
21. 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.

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

BACKGROUND INFORMATION

23. Detailed information with respect to the Debtors' business, operations and causes of financial difficulty are described in the Affidavit of Ziqing (Eddie) Zou, affirmed on July 2, 2024.

24. Long Run is a private corporation formed under the laws of Alberta. Long Run's petroleum and natural gas assets ("**P&NG Assets**") are located primarily in Central and Northwest Alberta. Long Run is headquartered in Calgary, Alberta and has approximately 38 employees and contractors in its head office and 78 employees and contractor in the field.

25. Long Run is a wholly owned subsidiary of the Guarantor, which is also a privately owned Alberta corporation. The Monitor was advised that the Guarantor has no operation or assets other than its investment in Long Run. The Guarantor acquired all of the issued and outstanding shares of Long Run in 2016.

26. Operation of the P&NG Assets has continued in the normal course since the Filing Date and Long Run's current production is approximately 5,950 barrels of oil equivalent per day.

ACTIVITIES OF THE MONITOR

27. The Monitor's activities since the date of the Supplemental Report include the following:

- (a) considering various steps to be taken within these proceedings pursuant to the CCAA (the "**CCAA Proceedings**") in connection with the restructuring efforts in relation to the Debtors;
- (b) attending to numerous telephone and email inquiries from various creditors and suppliers;
- (c) responding to numerous enquiries from the Debtors' creditors and other stakeholders;

- (d) working with representatives of Hiking and their legal advisors to advance closing of the Transaction;
- (e) corresponding and working with the Purchaser and stakeholders with respect to potential outcomes due to uncertainty of receiving funds under the DIP Financing Agreement as Hiking awaits approval from the Chinese State Administration of Foreign Exchange (“SAFE”);
- (f) working with the Monitor’s Special Counsel with respect to H Corp.’s application to seek leave to appeal the RVO;
- (g) monitoring the Debtors’ liquidity needs; and
- (h) preparing this Report.

UPDATE ON THE STATUS OF THE TRANSACTION

- 28. Since the date of the Supplemental Report, Hiking has continued to experience challenges transferring money out of China due to regulations of the Chinese State Administration of Foreign Exchange (“SAFE”).
- 29. On February 25, 2025, Hiking’s legal advisors wrote to the Monitor and advised that it is not expected that the funds will arrive in Canada in advance of February 28, 2025.
- 30. The Debtors do not have sufficient liquidity to continue to operate in the normal course to allow Hiking additional time to transfer money out of China to complete the Transaction. As a result, the Monitor will not be seeking to extend the Stay Period past February 28, 2024.
- 31. The Monitor has disclosed this information to the Orphan Well Association (the “OWA”) and the Monitor understands that the OWA has an application before this Honourable Court scheduled for March 5, 2025, to appoint a receiver over the assets, property and undertakings of the Debtors.

APPROVAL OF PROFESSIONAL FEES

32. Pursuant to paragraph 29 of the SARIO, the Monitor and its legal counsel are required to pass their accounts from time to time. The professional fees and disbursements of the Monitor, the Monitor’s Counsel, and the Monitor’s Special Counsel for the period between January 1, 2024, and February 21, 2025, are set out in the table below.

Summary of Professional Fees					
For the period between January 6, 2025 to February 21, 2025					
(C\$)	Role	Fees	Costs	GST	Total
FTI Consulting Canada Inc.	Monitor	\$ 125,001	\$ 2,500	\$ 6,375	\$ 133,876
Bennett Jones LLP	Monitor's Counsel	51,404	683	2,591	54,677
Torys LLP	Monitor's Special Counsel	57,062	145	2,858	60,065
Total - Professional Fees		\$ 233,466	\$ 3,329	\$ 11,824	\$ 248,618

33. The Monitor considers that the fees and disbursements charged by the Monitor, Monitor’s Counsel, and Monitor’s Special Counsel have been necessarily incurred and that the hours and rates charged are fair and reasonable in light of the length of the CCAA Proceedings, including the assistance of the Monitor in administering the SISP, the enhanced powers of the Monitor in the CCAA, and the complexity of the CCAA Proceedings including the H Corp Action, including the leave to appeal application.

34. Copies of the invoices of FTI Consulting and its legal counsel are available to this Honourable Court upon request.

35. The Monitor and its counsel expect to issue finalize invoices for the time to complete the administration of the CCAA Proceeding, including the costs associated with this Application. The Monitor and its counsel are holding retainers which are expected to be sufficient to cover these costs and unused amounts, if any, will be returned to the Debtors.

TERMINATION OF THE CCAA PROCEEDINGS AND DISCHARGE OF THE MONITOR

36. The Stay Period will expire on February 28, 2025, and the Debtors have insufficient funds to extend the Stay Period. Upon completing the steps required to complete the CCAA Proceedings, the Monitor is seeking to be discharged and released from any claims, and that these CCAA Proceedings be terminated.

RECOMMENDATIONS

37. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the following relief:
- (a) the approval of the action, conduct and activities of the Monitor since the date of the Seventh Report;
 - (b) the approval of the professional fees, disbursements and other charges of the Monitor and its legal counsel; and

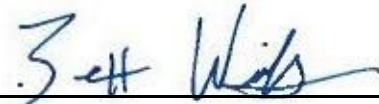
- (c) discharging the Monitor in its capacity as Monitor of the Debtors and terminating the CCAA Proceedings.

All of which is respectfully submitted this 26th day of February 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



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