



COURT FILE NUMBER 2401-09247
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

C70230

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.

DOCUMENT **PRE-FILING REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS PROPOSED MONITOR OF
LONG RUN EXPLORATION LTD. AND CALGARY
SINOENERGY INVESTMENT CORP.**

July 3, 2024

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSED MONITOR

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PRE-FILING REPORT OF THE PROPOSED MONITOR

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INTRODUCTION

1. FTI Consulting Canada Inc. (“**FTI**”) is aware that China Construction Bank Toronto Branch (“**CCBT**” or the “**Applicant**”), in its capacity as collateral agent intends to make an application before the Court of King’s Bench of Alberta (the “**Court**”) seeking certain relief under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). In particular, the Applicant is seeking an Order (the “**Proposed Initial Order**”) granting, among other things, a stay of proceedings (the “**Stay of Proceedings**”) up to and including July 14, 2024, against Long Run Exploration Ltd. (“**Long Run**”) and Calgary Sinoenergy Investment Corp. (the “**Guarantor**” and collectively with Long Run, the “**Debtors**”) and appointing FTI as Monitor pursuant to the provisions of the CCAA (if appointed, the “**Monitor**”).
2. This pre-filing report of the proposed Monitor (this “**Report**”) has been prepared (i) prior to, and in contemplation of its appointment as Monitor and (ii) to provide information to the Court solely in respect of the relief sought by the Applicant at the application in respect of the Proposed Initial Order. Should FTI be appointed as Monitor, FTI intends to file a further report with the Court in its capacity as Monitor in respect of the relief being sought by the Applicants at the hearing to amend and restate the Proposed Initial Order (the “**Comeback Hearing**”).
3. The Applicant is applying to this Honourable Court seeking the Proposed Initial Order, among other things:
 - (a) declaring that the Debtors are companies to which the CCAA applies;
 - (b) authorizing the Debtors to carry on business in a manner consistent with the preservation of their business and property;
 - (c) authorization to continue the use of the centralized cash management system in place or, with the consent of the Monitor, replace it with another substantially similar central cash management system;

- (d) authorizing the Debtors to pay the reasonable expenses incurred by them in carrying out their business in the ordinary course, including certain expenses incurred prior to the Proposed Initial Order;
 - (e) appointing the proposed Monitor, with enhanced powers, to monitor the business and affairs of the Debtor pursuant to section 11.7 of the CCAA;
 - (f) staying all proceedings, rights and remedies against the Debtors or their business or property, except as otherwise set forth in the Initial CCAA Order;
 - (g) authorizing the Debtors to pay the reasonable fees and disbursements of the proposed Monitor, counsel to the proposed Monitor and counsel to the Applicant;
 - (h) approving a charge in favour of the proposed Monitor, legal counsel to the Monitor, and the Applicant's legal counsel in respect of their fees and disbursements, to a maximum amount of \$250,000 under section 11.52 of the CCAA (the "**Administrative Charge**");
 - (i) granting a second priority charge in favour of the directors and officers of the Debtors to secure obligations and liabilities incurred after the commencement of these CCAA Proceedings to a maximum amount of \$250,000 (the "**Directors' Charge**", together with the Administrative Charge, the "**Charges**"); and
 - (j) such further and other relief as may be sought by the Applicant and this Honourable Court may deem appropriate.
4. Electronic copies of all materials filed by the Applicant in connection with the Applicant's July 4, 2024 application ("**July 4 Application**") and other statutory materials are available on the Monitor's website at: <http://cfcanada.fticonsulting.com/longrun/>.

PURPOSE

5. FTI has reviewed the Court materials filed by the Applicant in support of the July 4 Application. The purpose of this Report is to provide this Honourable Court and the Debtors' stakeholders with information and the proposed Monitor's comments with respect to the following:
 - (a) background information with respect to the Debtors;
 - (b) the qualifications of FTI to act as Monitor in the CCAA Proceedings;
 - (c) an overview of the cash flow statement (the "**Cash Flow Statement**") for the 2-week period ending July 14, 2024 (the "**Forecast Period**"), as well as the key assumptions on which the Cash Flow Statement is based;
 - (d) the relief sought by the Applicant in the Proposed Initial Order and the Proposed Monitor's recommendations in respect of same, including, among other things:
 - granting the Stay of Proceedings up to and including July 14, 2024; and
 - granting certain Court-ordered charges sought by the Applicant (collectively, the "**Charges**").
6. This Report should be read in conjunction with the Affidavit of Ziqing (Eddie) Zou, affirmed on July 2, 2024 (the "**Zou Affidavit**"), which describes in more detail the Debtors' operations and circumstances leading to their current situation.

TERMS OF REFERENCE

7. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Zou Affidavit and the Proposed Initial Order.

8. In preparing this Report, the proposed Monitor has relied upon unaudited financial information, other information available to the proposed Monitor and, where appropriate, the Debtors' books and records and discussions with various parties (collectively, the "**Information**").
9. Except as described in this Report:
 - (a) the proposed 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 proposed 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.
10. The proposed Monitor has prepared this Report in connection with the July 4 Application. This Report should not be relied on for other purposes.
11. Information and advice described in this Report that has been provided to the proposed Monitor by its legal counsel, Bennett Jones LLP (the "**Monitor's Counsel**"), was provided to assist the proposed 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.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND INFORMATION

13. 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 39 employees and contractors in its head office and 79 employees and contractor in the field.
14. Long Run's current production is approximately 6,500 barrels of oil equivalent per day. Production has continued to decline in recent months given the limited cash flow available to Long Run.
15. 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.
16. As at December 31, 2023, Long Run had current assets of \$26.6 million, non-current assets of \$755.5 million and total liabilities of \$1.4 billion. A copy of Long Run's audited financial statements are attached at Exhibit "P" of the Zou Affidavit.
17. Long Run's main assets as at December 31, 2023, include:
 - (a) accounts receivable of \$17.2 million; and
 - (b) property and equipment of \$738.2 million.
18. A summary of the Applicant's secured liabilities is provided below:
 - (a) the main secured obligations include:
 - approximately \$350.1 million in aggregate principal owed pursuant to the CCB Facilities, as more fully described in the Zou Affidavit; and

- approximately \$543.9 million owing by the Guarantor,
- (b) environmental obligations of \$308.5 million; and
- (c) unsecured obligations of approximately \$52.4 million owing to various trade creditors.

FTI'S QUALIFICATIONS TO ACT AS MONITOR

19. FTI is a trustee within the meaning of section 2(1) of the BIA, as amended, and with respect to the Debtors, is not subject to any of the restrictions on who may be appointed as monitor as set out in section 11.7(2) of the CCAA. FTI has provided its consent to act as Monitor in the CCAA Proceedings, a copy of which is attached as hereto as Appendix "A".
20. Since being engaged by the Applicant, FTI has acquired knowledge of the business and operations of Long Run, including its key personnel, stakeholders and key issues in the proposed CCAA Proceedings. As a result, FTI is in a position to immediately act as the Monitor in the CCAA Proceedings, if so appointed by this Court.
21. The senior FTI personnel with carriage of the matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees who have acted in numerous restructurings and CCAA matters of this nature and scale.
22. Neither FTI, nor any of its representatives, have been, at any time in the two proceeding years:
- (a) a director, officer or employee of the Debtors;
 - (b) related to the Debtors or to any director or officer of the Debtors; or
 - (c) the auditor, accountant or legal counsel, or a partner or employee of the auditor, accountant or legal counsel, of the Debtors.

23. FTI was initially engaged by counsel to the Applicant on April 1, 2024, to assist in reviewing Long Run's business plan and providing financial, strategic and restructuring advice in respect of Long Run. During the course of this mandate, FTI has, among other things:
- (a) participated in numerous meetings and discussions with Long Run's senior management and the Applicant's legal advisors in connection with Long Run's business and financial affairs generally and in connection with the preparation of the Cash Flow Statement;
 - (b) participated in numerous meetings and discussions with Long Run, the Applicant and their legal advisors in connection with relief to be requested in these CCAA Proceedings;
 - (c) obtained and reviewed financial and certain other information produced by Long Run relating to its operations, cash flow forecast and financial situation;
 - (d) assisted Long Run in the preparation of its cashflow forecasts; and
 - (e) prepared this Report.

CASH FLOW STATEMENT

24. Given that the Guarantor has no operations the Cash Flow Statement is based on the operations of Long Run.
25. Management of Long Run, with the assistance of the proposed Monitor, has prepared the Cash Flow Statement to set out the liquidity requirements of the Debtors during the Forecast Period. The Cash Flow Statement and management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA are attached hereto as Appendix "B". The Cash Flow Statement is summarized in the following table:

Cash Flow Statement	
Period ending July 14, 2024	2 Week
(\$MM)	Total
Receipts	
Revenue	\$ 0.0
Total - receipts	0.0
Disbursements	
New Star Energy operations	(0.1)
Royalties	(0.0)
Processing and transportation	-
Operating expense	(0.9)
Lease rentals	-
G&A expense	(0.3)
Insurance	-
Property taxes	(0.1)
Professional fees	(0.3)
GST	-
Total - disbursements	(1.7)
Net cash flow	(1.7)
Opening cash	4.0
Net cash flow	(1.7)
Ending cash	\$ 2.3

26. The Cash Flow Statement indicates that, during the period ending on July 14, 2024, Long Run will have a net cash loss of approximately \$1.7 million with total disbursements of approximately \$1.7 million including professional fees of \$0.3 million.
27. The Cash Flow Statement is based on the following key assumptions:
- (a) cash disbursements of approximately \$1.7 million primarily related to trade payments, payroll and benefits, other operating disbursements and professional fees; and
 - (b) the Cash Flow Statement does not contemplate the payment of any amounts to secured creditors, including principal and interest.

Proposed Monitor's Comments on the Cash Flow Statement

28. Section 23(1)(b) of the CCAA states that the Proposed Monitor shall, “review the company’s cash-flow statement as to its reasonableness and file a report with the court on the Proposed Monitor’s findings”.
29. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:
- (a) the Cash Flow Statement has been prepared by management of Long Run, with the assistance of the proposed Monitor, for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out therein;
 - (b) the Proposed Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of Long Run. Since hypothetical assumptions need not be supported, the proposed Monitor’s procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The proposed Monitor has also reviewed the information provided by Management in support of the probable assumptions and the preparation and presentation of the Cash Flow Statement;
30. Based on its review, and as at the date of this Report, nothing has come to the attention of the proposed Monitor that causes it to believe that, in all material respects:
- (a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (b) the probable assumptions developed by management are not suitably supported and consistent with the plans of Long Run or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

- (c) the Cash Flow Statement does not reflect the probable and hypothetical assumptions;
- (d) since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Proposed Monitor in preparing this Report; and
- (e) the Cash Flow Statement has been prepared solely for the purpose of estimating liquidity requirements of Long Run during the forecast period. The Cash Flow Statement should not be relied upon for any other purpose.

RELIEF SOUGHT IN INITIAL ORDER AND AMENDED AND RESTATED ORDER

Implementing the Stay of Proceedings

- 31. The Debtors are seeking a Stay of Proceedings up to and including July 14, 2024.
- 32. As a result of, among other things, its insolvent status, the Debtors require the Stay of Proceedings and other protections provided by the CCAA. In particular, the Stay of Proceedings is needed to maintain the status quo and provide time for Long Run to attempt to restructure its financial affairs.

Administration Charge

- 33. The Proposed Initial Order provides for the Administration Charge up to \$250,000 covering the period up to and including July 14, 2024, charging the assets of Debtors in favour of the proposed Monitor, the Proposed Monitor's counsel and the Applicant's counsel as security for their professional fees and disbursements incurred both before and after the commencement of the CCAA Proceedings.

34. The proposed Monitor has reviewed (i) the underlying assumptions upon which the quantum of the proposed Administration Charge is based, (ii) the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge, and (iii) is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.
35. The proposed Monitor believes it is appropriate for the beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.
36. FTI understands that the Applicant is seeking expanded powers for the Monitor under the CCAA in order to ensure there is a party with adequate authorization to monitor the financial affairs of the Debtors.
37. The Proposed Monitor is qualified to undertake these expanded powers based on extensive prior experience as receiver and manager in prior insolvency proceedings in the oil and gas industry. The proposed Monitor has consented to undertake these additional powers, if authorized by this Honourable Court.

Directors' Charge

38. The Proposed Initial Order provides for the charge over the Debtors' property in favour of the directors and officers of the Debtors as security for the indemnity contained in the Proposed Initial Order in respect of specified obligations and liabilities that the directors and officers may incur after the commencement of the CCAA Proceeding. The Directors' Charge will not exceed an aggregate amount of \$250,000.
39. The Debtors' directors and officers have the necessary background and knowledge that will be beneficial to the Applicant's efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings.

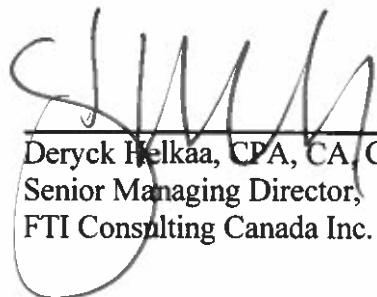
40. Given the number of employees the proposed Monitor is of the view that the amount of the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability of the Debtors' directors and officers.

CONCLUSIONS AND RECOMMENDATIONS

41. The proposed Monitor is of the view that the relief requested by the Applicant pursuant to the Proposed Initial Order is necessary, reasonable and justified in the circumstances. The Proposed Initial Order and Stay of Proceedings will provide the Debtors with stability and the best opportunity to preserve value and maximize recoveries for its stakeholders.
42. Accordingly, the proposed Monitor respectfully recommends that the Applicant's request for the Proposed Initial Order be granted.
43. Based on the foregoing, the proposed Monitor supports the relief being sought by the Applicant and respectfully recommends that the Court grant the Proposed Initial Order.

All of which is respectfully submitted this 3rd day of July 2024.

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


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

Pre-Filing Report of FTI Consulting Canada Inc.,
In its capacity as Proposed Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

Appendix “A” – Consent to Act

COURT FILE NUMBER 2401-
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 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.

APPLICANT CHINA CONSTRUCTION BANK TORONTO BRANCH
RESPONDENT LONG RUN EXPLORATION LTD.
DOCUMENT **CONSENT TO ACT AS MONITOR**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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Attention: Kelsey Meyer
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Email: meyerk@bennettjones.com

CONSENT TO ACT AS MONITOR

FTI Consulting Canada Inc. hereby consents to act as the court-appointed Monitor, with enhanced powers, in respect of *Companies' Creditors Arrangement Act* proceedings in relation to the Applicants, Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp., if so appointed by this Honourable Court.

DATED at Calgary, Alberta this 3 day of July, 2024.

FTI CONSULTING CANADA INC.

Per:


Name: Deryck Helkaa
Title: Senior Managing Director

Appendix “B” – Cash Flow Statement for the period ending July 14, 2024

Cash Flow Statement					Notes
Period ending July 14, 2024					
(\$MM)	Week Beginning	Week 1 1-Jul	Week 2 8-Jul	2 Week Total	
Receipts					
Revenue		\$ 0.0	\$ -	\$ 0.0	1
Total - receipts		0.0	-	0.0	
Disbursements					
New Star Energy operations		-	(0.1)	(0.1)	2
Royalties		(0.0)	-	(0.0)	3
Processing and transportation		-	-	-	4
Operating expense		(0.3)	(0.6)	(0.9)	5
Lease rentals		-	-	-	6
G&A expense		0.0	(0.4)	(0.3)	7
Insurance		-	-	-	8
Property taxes		(0.1)	-	(0.1)	9
Professional fees		-	(0.3)	(0.3)	10
GST		-	-	-	11
Total - disbursements		(0.4)	(1.3)	(1.7)	
Net cash flow		(0.3)	(1.3)	(1.7)	
Opening cash		4.0	3.6	4.0	
Net cash flow		(0.3)	(1.3)	(1.7)	
Ending cash		\$ 3.6	\$ 2.3	\$ 2.3	

Wendy Barber

Digitally signed by Wendy Barber
 DN: cn=Wendy Barber, o=Long Run Exploration Ltd.,
 ou=Interim CEO,
 email=wsa@longrunexploration.com, c=CA
 Date: 2024.07.03 17:19:27 -0600

Per: Wendy Barber, Interim CEO
 Long Run

Notes:

Management of Long Run Exploration Ltd. ("Long Run") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Long Run during the period of July 1 to July 14, 2024. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Note 1-11. 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 operations relates to Long Run's collection of revenue and payment of operating expenses of New Star Energy as a sister company.
- 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.
- 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 policies.
- 9 Property taxes relates to Long Run's 2024 TIPP payment for property taxes.
- 10 Professional fees includes estimates for Long Run's legal counsel, proposed Monitor and proposed Monitor's counsel.
- 11 GST relates to goods and services tax incur by Long Run during the forecast period.