

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: **RANGE ENERGY RESOURCES INC.** (formerly Range Metals Inc.) (the "Issuer").

Trading Symbol: RGO

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## **Second Quarter (6 months ended) June 30, 2010**

Unaudited consolidated financial statements of the Issuer for the six-month period ended June 30, 2010, as filed with securities regulatory authorities are attached to this Form 5 - Quarterly Listing Statement as Appendix A .

### **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

#### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

With respect to related party transactions, for information supplementary to that contained in the notes to the interim consolidated financial statements, which are attached hereto, please refer to Management's Discussion & Analysis for the six-month period ended June 30, 2010, as filed with securities regulatory authorities, and attached to this Form 5 - Quarterly Listing Statement as Appendix B .

#### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

As at December 31, 2009, the Issuer's last Annual Updated Form 2A - Listing Statement,

161,877,840 common shares in the capital of the Issuer were issued and outstanding .

- (a) summary of securities issued during the period from December 31, 2009 to June 30, 2010:

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number    | Price   | Total Proceeds | Type of Consideration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Comm Paid |
|---------------|--|--|-----------|---------|----------------|--|--|-----------|
| Jan 5, 2010   | Common Shares  | Exercise of options  | 500,000   | \$0.075 | \$37,500       | Cash   | Not Related  | N/A       |
| May 11, 2010  | Common Shares  | Exercise of options  | 1,000,000 | \$0.075 | \$75,000       | Cash   | Related, Director of the Company   | N/A       |

- (b) summary of options granted during the period from December 31, 2009 to June 30, 2010:

| Date         | Number <sup>(1)</sup> | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date  | Market Price on date of Grant |
|--------------|-----------------------|---|--|----------------|--------------|-------------------------------|
| Jan. 7, 2010 | 2,000,000             | Donald Sheldon, Director & Officer of Issuer        |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | 2,000,000             | Norman Davidson Kelly, Director & Officer of Issuer |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | 2,000,000             | Roger Bethell, Director & Officer of Issuer         |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | 2,000,000             | Garth Edgar, Officer of Issuer                      |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | 500,000               | R. Brian Murray, Director of Issuer                 |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | 500,000               | Patrick de Genevraye, Director of Issuer            |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | 500,000               | Ala Nuseibeh, Director of Issuer                    |  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| Jan. 7, 2010 | <u>1,000,000</u>      | N/A   | Saeed Thyab, Consultant to the Issuer  | \$0.30         | Jan. 7, 2015 | \$0.30                        |
| <b>TOTAL</b> | 10,500,000            |   |  |                |              |                               |

<sup>(1)</sup> Total number of options outstanding at June 30, 2010 is 14,837,500.

### 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

As at June 30, 2010, the authorized capital of the Issuer consisted of an unlimited number of common shares without par value, and without any special rights or restrictions, of which 163,377,840 common shares were issued and outstanding; and an unlimited number of Preferred shares, issuable in series with special rights or restrictions attached, none of which were issued.

The holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Issuer and are entitled to one vote in respect of each common share held at such meetings. Subject to the rights, if any at the time, of shareholders holding shares with special rights as to dividends (none of which are authorized or outstanding at the date of this Quarterly Listing Statement), holders of common shares of the Issuer are entitled to dividends as and when declared by the directors. Subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, the holders of common shares are entitled to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Issuer.

The Preferred shares may be issued from time to time in one or more series and the directors of the Issuer may, by resolution, fix the number of shares in, and determine the designation of the shares of, each series and create, define and attach special rights and restrictions to the shares of each series. Upon the liquidation, dissolution or winding-up of the affairs of the Issuer, holders of Preferred shares shall be entitled to receive, before any distribution shall be made to holders of common shares or other shares of the Issuer then ranking junior the Preferred shares, repayment of capital and, if applicable, premiums and dividends.

- (b) number and recorded value for shares issued and outstanding,

| Date                | Number of common shares | Recorded value of common shares |
|---------------------|-------------------------|---------------------------------|
| As at June 30, 2010 | 163,377,840             | \$24,625,267                    |

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

**Options:** Options to purchase common shares in the capital of the Issuer are granted by the Issuer's Board of Directors to eligible persons pursuant to the Issuer's 2010 Stock Option Incentive Plan. During the 3 month period ended June 30, 2010, the Issuer did not grant any options.

As at June 30, 2010, options were outstanding entitling holders to purchase an aggregate 14,837,500 common shares in the capital of the Issuer as summarized below:

| <b>Date of Grant</b> | <b>Number of Options</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|----------------------|--------------------------|-----------------------|--------------------|
| February 7, 2007     | 750,000                  | \$0.55                | February 7, 2012   |
| June 12, 2008        | 800,000                  | \$0.20                | June 12, 2013      |
| July 4, 2008         | 850,000                  | \$0.30                | July 4, 2013       |
| July 23, 2008        | 800,000                  | \$0.62                | July 23, 2013      |
| July 23, 2008        | 200,000                  | \$0.62                | July 23, 2011      |
| July 8, 2009         | 262,500                  | \$0.35                | July 8, 2014       |
| July 8, 2009         | 262,500                  | \$0.35                | July 8, 2014       |
| July 8, 2009         | 262,500                  | \$0.35                | July 8, 2014       |
| July 8, 2009         | 50,000                   | \$0.35                | July 8, 2014       |
| July 8, 2009         | 100,000                  | \$0.35                | July 8, 2014       |
| January 7, 2010      | <u>10,500,000</u>        | \$0.30                | January 7, 2015    |
| <b>TOTAL</b>         | <b>14,837,500</b>        |                       |                    |

**Warrants:** The following warrants entitling the holders to purchase an aggregate of 137,194,900 common shares in the capital of the Issuer were outstanding as at June 30, 2010:

| <b>Date of Issue</b> | <b>Number of Warrants</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|----------------------|---------------------------|-----------------------|--------------------|
| Dec. 28, 2006        | 1,000,000                 | \$0.10                | Dec. 28, 2010      |
| Oct. 21, 2009        | 120,540,000               | \$0.40                | Oct. 21, 2011      |
| Oct. 21, 2009        | 5,650,000                 | \$0.40                | Oct. 21, 2011      |
| Nov. 2, 2009         | 1,250,000                 | \$0.40                | Nov. 2, 2011       |
| Nov. 17, 2009        | 1,500,000                 | \$0.30                | Nov. 17, 2011      |
| Nov. 17, 2009        | <u>7,254,900</u>          | \$0.20                | Nov. 17, 2011      |
| <b>TOTAL</b>         | <b>137,194,900</b>        |                       |                    |

**Convertible Securities:** The Issuer has no convertible securities outstanding.

(d) number of shares in each class of shares subject to escrow or pooling

agreements or any other restriction on transfer.

As at June 30, 2010, 18,906 common shares of the Issuer were held in a performance escrow pursuant to an Escrow Agreement made as of May 19, 1994 among TML Foods Inc. (predecessor to TML Ventures Inc., the Issuer's pre-arrangement parent company – see section 2.3 of the Issuer's Form 2A – Annual Updated Listing Statement for the year ended December 31, 2008, which is posted on the CNSX's Listings Disclosure Hall), Montreal Trust Company of Canada as Trustee, and certain security holders. Pursuant to an Escrow Assumption Agreement made as of April 12, 2004, Pacific Corporate Trust Company became party to the Escrow Agreement in place of Computershare Trust Company of Canada, the predecessor of the Trustee. No securities are subject to a pooling agreement.

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

| <b>Name of Director/Officer</b> | <b>Position with Issuer</b>                        |
|---------------------------------|--|
| Donald R. Sheldon               | Director and Chief Executive Officer               |
| Norman Davidson Kelly           | Director and President                             |
| Garth Edgar                     | Director and Chief Financial Officer and Secretary |
| Robert Brian Murray             | Director   |
| Roger Bethell                   | Director   |
| Patrick de Genevraye            | Director   |
| Ala Nuseibeh                    | Director   |

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion & Analysis for the six-month period ended June 30, 2010, as filed with securities regulatory authorities, is attached to this Form 5 - Quarterly Listing Statement as Appendix B.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: August 11, 2010.

Garth Edgar  
Name of Director or Senior Officer

(signed) "Garth Edgar"  
Signature

Chief Financial Officer  
Official Capacity

|  |  |                        |
|--|--|------------------------|
| <b>Issuer Details</b>  | For Quarter Ended  | Date of Report YY/MM/D |
| Name of Issuer   | June 30, 2010  | 2010/08/11             |
| RANGE ENERGY RESOURCES INC.  |  |                        |
| Issuer Address   |  |                        |
| 1177 West Hastings Street, Suite 2000  |  |                        |
| City/Province/Postal Code  | Issuer Fax No.   | Issuer Telephone No.   |
| Vancouver, British Columbia V6E 2K3  | (604) 602-1606   | (604) 688-9600         |
| Contact Name   | Contact Position   | Contact Telephone No.  |
| Garth Edgar  | CFO  | (604) 688-9600         |
| Contact Email Address  | Web Site Address   |                        |
| <a href="mailto:range@rangeenergyresources.com">range@rangeenergyresources.com</a> | <a href="http://www.rangeenergyresources.com">www.rangeenergyresources.com</a> |                        |

## **APPENDIX A**

RANGE ENERGY RESOURCES INC.

Unaudited consolidated financial statements  
for the six-month period ended June 30, 2010

# **RANGE ENERGY RESOURCES INC**

**(formerly Range Metals Inc).**

## **INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

**In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended June 30, 2010.**

## **NOTICE TO READER**

The interim balance sheet as at June 30, 2010 and the interim statements of operations and comprehensive loss, and the interim statements of cash flows for the six month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company. The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these consolidated financial statements in accordance with Canadian generally accepted accounting principles.

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**RANGE ENERGY RESOURCES INC.**  
**(formerly Range Metals Inc.)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**PERIODS ENDED JUNE 30, 2010 AND 2009**

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**RANGE ENERGY RESOURCES INC.**  
**(formerly Range Metals Inc.)**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT JUNE 30, 2010 AND DECEMBER 31, 2009**

| ASSETS                                    | June 30,<br>2010 | December 31,<br>2009 |
|---|------------------|----------------------|
| <b>CURRENT ASSETS</b>                     |                  |                      |
| Cash and cash equivalents (Note 5(c)(iv)) | \$ 2,517,829     | \$ 4,656,301         |
| Amounts receivable                        | 9,712            | 15,231               |
| Prepaid expenses and deposits (Note 6)    | 73,165           | 10,167               |
|   | 4,517,955        | 4,681,699            |
| Equipment (Note 7)                        | 1,797            | 2,100                |
| Long-term investment (Note 9)             | 19,458,222       | 18,083,940           |
|   | \$ 22,060,725    | \$ 22,767,739        |
| <b>LIABILITIES</b>                        |                  |                      |
| <b>CURRENT LIABILITIES</b>                |                  |                      |
| Accounts payable and accrued liabilities  | \$ 13,447        | \$ 94,114            |
|   | 13,447           | 94,114               |
| Convertible debentures (Notes 10)         | -                | -                    |
|   | 13,447           | 94,114               |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>  |                  |                      |
| SHARE CAPITAL (Note 11)                   | 24,625,267       | 24,512,767           |
| CONTRIBUTED SURPLUS (Note 12)             | 7,696,508        | 5,539,324            |
| DEFICIT                                   | (10,274,497)     | (7,378,466)          |
|   | 22,047,278       | 22,673,625           |
|   | \$ 22,060,725    | \$ 22,767,739        |

*See accompanying notes to the consolidated financial statements*

Approved on Behalf of the Board of Directors:

"Donald R. Sheldon"  
Donald R. Sheldon, Director

"R. Brian Murray"  
R. Brian Murray, Director

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**RANGE ENERGY RESOURCES INC.****(formerly Range Metals Inc.)****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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|  | <b>Three<br/>Months<br/>Ended<br/>June 30<br/>2010<br/>\$</b> | <b>Three<br/>Months<br/>Ended<br/>June 30<br/>2009<br/>\$</b> | <b>Six<br/>Months<br/>Ended<br/>June 30<br/>2010<br/>\$</b> | <b>Six<br/>Months<br/>Ended<br/>June 30<br/>2009<br/>\$</b> |
|--|---|---|---|---|
| <b>ADMINISTRATIVE EXPENSES</b>                           |   |   |   |   |
| Amortization   | 146   | 169   | 303   | 351   |
| Audit and accounting                                     | 74,250  | 56,156  | 105,663   | 77,175  |
| Consulting (Note 14)                                     | 173,151   | 52,500  | 248,084   | 98,180  |
| Interest and bank charges                                | 167   | 55  | 167   | 154   |
| Legal fees   | 53,703  | 10,022  | 64,709  | 15,750  |
| Management and director fees                             | 105,630   | 10,000  | 123,630   | 24,000  |
| Office and miscellaneous                                 | 31,985  | 13,228  | 46,434  | 21,860  |
| Shareholder information and printing                     | 13,394  | 6,341   | 17,180  | 6,566   |
| Stock-based compensation (Note 5)                        | —   | —   | 2,157,184   | 38,553  |
| Transfer agent and filing fees                           | 10,312  | 8,062   | 13,396  | 9,923   |
| Web, promotion, and travel                               | 81,803  | 4,954   | 127,748   | 4,954   |
| <b>LOSS BEFORE OTHER ITEMS<br/>AND INCOME TAX</b>        | <b>(544,541)</b>  | <b>(66,740)</b>   | <b>(2,904,499)</b>  | <b>(297,465)</b>  |
| <b>OTHER ITEMS</b>                                       |   |   |   |   |
| Write off bad debt                                       | —   | (3,150)   | —   | (3,150)   |
| Interest income  | 65  | 2   | 8,468   | 5   |
| <b>NET LOSS FOR THE PERIOD</b>                           | <b>(544,476)</b>  | <b>(164,634)</b>  | <b>(2,996,031)</b>  | <b>(300,610)</b>  |
| <b>BASIC LOSS PER SHARE</b>                              | <b>(0.004)</b>  | <b>(0.004)</b>  | <b>(0.022)</b>  | <b>(0.010)</b>  |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES<br/>OUTSTANDING</b> | <b>130,370,748</b>  | <b>29,187,840</b>   | <b>130,370,748</b>  | <b>29,187,840</b>   |

*See accompanying notes to the consolidated financial statements*

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**RANGE ENERGY RESOURCES INC.****(formerly Range Metals Inc.)****CONSOLIDATED STATEMENTS OF DEFICIT****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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|                            | Six Months<br>Ended<br>June 30,<br>2010 | Six Months<br>Ended<br>June 30,<br>2009 |
|----------------------------|---|---|
| DEFICIT, BEGINNING OF YEAR | \$ (7,378,466)                          | \$ (4,859,590)                          |
| NET LOSS FOR THE PERIOD    | (2,896,031)                             | (300,610)                               |
| DEFICIT, END OF PERIOD     | <u>\$(10,274,497)</u>                   | <u>\$ (5,160,200)</u>                   |

*See accompanying notes to the consolidated financial statements*

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**RANGE ENERGY RESOURCES INC.****(formerly Range Metals Inc.)****STATEMENTS OF CASH FLOWS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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|  | <b>Three<br/>Months<br/>Ended<br/>June 30<br/>2010<br/>\$</b> | <b>Three<br/>Months<br/>Ended<br/>June 30<br/>2009<br/>\$</b> | <b>Six<br/>Months<br/>Ended<br/>June 30<br/>2010<br/>\$</b> | <b>Six<br/>Months<br/>Ended<br/>June 30<br/>2009<br/>\$</b> |
|--|---|---|---|---|
| <b>CASH PROVIDED BY (USED FOR)</b>                 |   |   |   |   |
| <b>OPERATING ACTIVITIES</b>                        |   |   |   |   |
| Net loss for the period                            | (544,476)   | (164,634)   | (2,896,031)   | (300,610)   |
| <b>Items not affecting cash</b>                    |   |   |   |   |
| Amortization                                       | 146   | 169   | 304   | 351   |
| Stock-based compensation                           | –   | 38,553  | 2,157,184   | 38,553  |
| Future income tax recovery                         |   |   |   |   |
|  | (544,632)   | (125,913)   | (738,543)   | (261,706)   |
| <b>Changes in operating assets and liabilities</b> |   |   |   |   |
| Goods and services tax recoverable                 | (4,950)   | (6,930)   | (5,519)   | 706   |
| Prepaid expenses and deposits                      | 1,551,036   | 6,244   | 62,990  | 9,395   |
| Accounts payable and accrued liabilities           | 73,736))  | 85,628  | 80,668  | 132,673   |
|  | (928,019)   | (84,942)  | (876,690)   | 142,793   |
| <b>Cash flows from financing activities</b>        |   |   |   |   |
| Issue of shares for cash                           | 75,000  | –   | 112,500   | –   |
| Due to related parties                             | –   | 30,000  | –   | 80,000  |
|  | 75,000  | 30,000  | 112,500   | 80,000  |
| <b>Cash flows from investing activities</b>        |   |   |   |   |
| Investment in projects                             | (1,374,282)   | –   | (1,374,282)   | –   |
| Repayments of amounts owed                         | –   | 50,000  | –   | 50,000  |
| Deferred exploration costs                         | –   | –   | –   | –   |
|  | (1,374,282)   | 50,000  | (1,374,282)   | 50,000  |
| <b>INCREASE (DECREASE) IN CASH</b>                 | (371,264)   | (9,640)   | (2,138,472)   | (2,581)   |
| <b>CASH, beginning of period</b>                   | 2,889,093   | 12,449  | 4,656,301   | 5,391   |
| <b>CASH, end of period</b>                         | 2,517,829   | 2,809   | 2,517,829   | 2,809   |

See accompanying notes to the consolidated financial statements

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**RANGE ENERGY RESOURCES INC.**

(formerly RANGE METALS INC.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**1. NATURE OF OPERATIONS**

Range Energy Resources Inc., formerly Range Metals Inc., (the "Company") was incorporated under the laws of British Columbia, Canada on March 1, 2005. On October 24, 2006, the Company's common shares were listed and called for trading on the Canadian National Stock Exchange ("CNSX") and its current symbol is RGO. On February 12, 2007 the Company listed on the Frankfurt stock exchange. The Company is a development stage company engaged in the acquisition and exploration of mineral and oil and gas resource properties. As at June 30, 2010, the Company's principal asset is an indirect investment in an oil and gas resource property referred to as the Khalakan Block, which is domiciled in the Kurdistan Region of Iraq (see Note 9). The Company also intends to pursue other opportunities in the Middle East.

As at June 30, 2010, the Company has accumulated losses since inception of \$10,274,497. The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's long-term investment, which is subject to the existence of economically recoverable reserves and market prices for the underlying resources.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

**2. SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Presentation**

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, are expressed in Canadian dollars and include the accounts of the Company, and its wholly-owned subsidiary Range Oil & Gas (North Iraq) Inc. All significant inter-company balances and transactions have been eliminated upon consolidation.

Certain figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current period.

**(b) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of resource property interests, the valuation or recoverability of due from related party, asset retirement obligations, expected tax rates and the utilization of future income tax assets, fair value measurements for financial instruments and the measurement of stock-based transactions. Financial results as determined by actual events could differ from those estimates.

**(c) Cash Equivalents**

Cash equivalents include money market investments or term deposits where the initial maturity is less than 90 days and which can be redeemed without significant penalty.

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**RANGE ENERGY RESOURCES INC.**

(formerly RANGE METALS INC.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) Resource Property Interests

The Company initially records the acquisition of resource property interests, including option payments under purchase agreements at cost which does not necessarily reflect market or recoverable value. Recoverable value is dependent upon the successful funding and development or sale of the mineral interests and is subject to measurement uncertainty. Exploration and development expenditures are deferred and capitalized to a property until the project is put into commercial production, sold, abandoned, or when changes in events or circumstances indicate that the carrying value may be impaired. Where a resource property interest is abandoned, the accumulated acquisition and deferred costs relating to that property are written off to operations.

During the exploration stage, proceeds on dispositions of partial interests in resource properties are credited as reductions of carrying costs for the subject property. No profit or loss is realized until carrying costs have been offset by disposition proceeds. If a resource property is placed into commercial production, accumulated costs to production will be amortized on the units of production method.

Management reviews capitalized costs on mineral properties as changes in events or circumstances warrant and will assess impairment in value based upon current exploration results, their assessment of the future profitability from the property or from sale.

Certain of the Company's resource property interests are acquired, operated and funded in conjunction with other third parties under participation agreements. For resource property interests under option, the Company records only the costs incurred or committed in respect of work programs or amounts due in the reporting period for payment requirements necessary to maintain the options in good standing. Costs incurred for the initial sourcing, investigation and review of possible resource property areas or prospects, where management has determined that no specified interests are identified for acquisition are expensed in the period incurred.

(e) Long-Lived Assets and Impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate recoverable values may be less than carrying amounts. Recoverable value determinations are based on management's estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

(f) Investments

Investments not subject to significant influence with no quoted market price in an active market are designated as available-for-sale and accounted for at cost. At each balance sheet date, the Company assesses the investment for any objective evidence indicating impairment in value. If a decline in the recoverable amount below cost is considered to be other than temporary, an impairment loss equal to the difference between the carrying amount of the investment and its fair value is recorded in income for the period. Transaction costs related to the acquisition of investments are recognized as expenses in the statement of operations when incurred.

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**RANGE ENERGY RESOURCES INC.**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) Asset Retirement Obligations

The Company follows the CICA Handbook section 3110, "Asset Retirement Obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to potential statutory, regulatory, or civil obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is identifiable and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost will be amortized over the remaining life of the asset. Management has reviewed the Company's determinable or likely future obligations and retirement costs of long-lived assets for known obligations. These financial statements do not include any adjustments related to asset retirement obligations. Any future retirement obligations will be recognized when determinable and quantifiable.

(h) Stock-Based Compensation

The Company has a plan for granting stock options to management, directors, employees and consultants as described in Note 13. The Company recognizes compensation expense under this plan using the fair value method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of stock options granted to employees is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted.

(i) Foreign Currency Translation

Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

(j) Flow-Through Financing

The Company provides certain share subscribers with a flow-through component for tax benefits available on qualifying Canadian exploration, development and related provincial grants. Upon renunciation to the shareholders, the Company reduces share capital and records a temporary future income tax liability for the amount of the tax benefit renounced to shareholders. In instances where the Company has sufficient deductible temporary differences or non-capital loss carryforwards available to offset the future income tax liability created from renouncing qualifying expenditures, the reversal of the deductible temporary differences is recorded as a recovery in income in the period of renunciation.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Income Taxes**

Income taxes are accounted for using the liability method. Under this method current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the potential benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax assets and liabilities are measured using substantially enacted tax rates that apply for the years in which the temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax asset if it is not more likely than not that the asset will be realized.

**(l) Earnings (Loss) per Share**

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. Outstanding stock options and warrants have not been considered in the computation of the diluted loss per share as the result anti-dilutive.

**(m) Financial Instruments**

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities.

Financial assets and liabilities classified as held for trading are measured at fair value, with gains and losses recognized in net earnings. Available for sale financial assets with quoted market prices are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have quoted market prices in an active market are measured at cost.

Financial assets classified as held to maturity and loans and receivables are measured at amortized cost using the effective interest method of amortization. Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company classifies its cash and cash equivalents as held for trading, amounts receivable and due from related party as loans and receivables, long-term investment as available for sale and accounts payable and accrued liabilities as other financial liabilities.

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**3. NEW ACCOUNTING STANDARDS****(a) Adoption of New Accounting Standards****(i) CICA 3862, "Financial Instruments – Disclosures"**

During the year, the CICA amended Section 3862 to enhance fair value and liquidity disclosures. The standard now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Each level is based on the transparency of inputs to the valuation of the financial asset or liability as of the measurement date. Adoption of this standard did not have any material effect on the consolidated financial statements. The disclosures required by this amendment are disclosed in Note 5.

**(ii) EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"**

In January 2009, the CICA issued an Emerging Issues Committee Abstract ("EIC") on "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This EIC discusses how an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this standard did not have a material effect on the Company's consolidated financial statements.

**(iii) EIC-174, "Mining Exploration Costs"**

In March 2009, the CICA issued EIC-174 on "Mining Exploration Costs". This EIC provides guidance for the accounting and the impairment review of mining exploration costs. Adoption of this standard did not have a material effect on the Company's consolidated financial statements.

**(b) New Accounting Standards not yet Adopted**

Accounting pronouncements that have been announced but are not yet effective are as follows:

**(i) CICA 1582, "Business Combinations", CICA 1601, "Consolidated Financial Statements" and CICA 1602, "Non-Controlling Interests"**

In January 2009, the CICA issued Section 1582, "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which replace Section 1600, "Consolidated Financial Statements". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582, "Business Combinations". The Company is currently assessing the impact on adopting these standards and has not yet determined its effect on its consolidated financial statements.

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**RANGE ENERGY RESOURCES INC.****(formerly RANGE METALS INC.)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**3. NEW ACCOUNTING STANDARDS (continued)**

(b) New Accounting Standards not yet Adopted (continued)

(ii) Transition to International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will have to provide comparative IFRS information for the previous fiscal year. The Company is assessing the impact of this transition to IFRS on the Company's consolidated financial statements and developing an implementation plan.

**4. CAPITAL MANAGEMENT**

The Company manages its capital to ensure it will be able to continue as a going concern and continue the acquisition, exploration and development of its resource properties and the funding of its long-term investment. The Company has no operations that generate cash flow and depends on financings to fund its exploration programs, long-term investment and administrative expenses. These stock issues depend on numerous factors including a positive oil and gas and mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The capital structure of the Company consists of shareholders' equity, which is comprised of share capital, contributed surplus and deficit. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not exposed to any externally imposed capital requirements.

**5. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND RISKS**

(a) Fair Values of Financial Instruments

The fair values of financial instruments are summarized as follows:

|  | June 30, 2010  |            | December 31, 2009 |            |
|--|----------------|------------|-------------------|------------|
|  | Carrying Value | Fair Value | Carrying Value    | Fair Value |
|  | \$             | \$         | \$                | \$         |
| <b>Financial Assets</b>                  |                |            |                   |            |
| <i>Held for trading</i>                  |                |            |                   |            |
| Cash and cash equivalents                | 2,517,829      | 2,517,829  | 4,656,301         | 4,656,301  |
| Advances / prepaids                      | 73,165         | 73,165     |                   |            |
| <i>Loans and receivables</i>             |                |            |                   |            |
| Amounts receivable                       | 9,712          | 9,712      | 15,231            | 15,231     |
| Due from related party                   | —              | —          | —                 | —          |
| <b>Financial Liabilities</b>             |                |            |                   |            |
| <i>Other financial liabilities</i>       |                |            |                   |            |
| Accounts payable and accrued liabilities | 13,447         | 13,447     | 94,114            | 94,114     |
| Convertible debentures                   | —              | —          | —                 | —          |

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**5. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND RISKS (continued)**

As at June 30, 2010, the carrying value of the Company's long-term investment is \$18,083,940. The long-term investment does not have a reliably measurable fair value as it does not have a quoted market price in an active market.

**(b) Fair Value Measurements**

The Company has various financial instruments including cash, receivables, accounts payable and accrued liabilities and due to related parties.

CICA 3862, *Financial Instruments – Disclosures*, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

**Level 1**

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

**Level 2**

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

**Level 3**

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value of cash and cash equivalents is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. As at June 30, 2010, the Company believes that the carrying values of amounts receivable, due from related party and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations. Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of June 30, 2010 as follows:

|                           | Fair Value Measurements Using  |   |  |                        |
|---------------------------|--|---|--|------------------------|
|                           | Quoted Prices<br>in<br>Active Markets<br>For Identical<br>Instruments<br>(Level 1)<br>\$ | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2)<br>\$ | Significant<br>Unobservable<br>Inputs<br>(Level 3)<br>\$ | June 30,<br>2010<br>\$ |
| Assets:                   |  |   |  |                        |
| Cash and cash equivalents | 2,517,829  | –   | –  | 2,517,829              |

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**RANGE ENERGY RESOURCES INC.****(formerly RANGE METALS INC.)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**5. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND RISKS (continued)****(c) Financial Risks****(i) Credit Risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash and cash equivalents, amounts receivable and due from related party. Cash and cash equivalents are held with an investment grade Canadian financial institution as assessed by external rating agencies. The deposits held with this institution may exceed the amount of insurance provided on such deposits. Amounts receivable are due from an agency of the Canadian government. Management believes the risk of loss to be minimal. As at June 30, 2010, the Company's maximum credit risk is the carrying value of cash and cash equivalents and amounts receivable.

**(ii) Commodity Price Risk**

The Company is subject to price risk from fluctuations in market prices of the commodities underlying its long-term investment. This exposure includes the ability to raise capital with favourable terms. The Company does not currently hold any financial instruments that mitigate this risk.

**(iii) Liquidity Risk**

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. As at June 30, 2010, the Company has working capital surplus of **\$2,577,547**. The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances including purchasing cash equivalents with early redemption features that may be sold into an active market. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

**(iv) Interest Rate Risk**

As at June 30, 2010, the Company's cash equivalents consists of a term deposit in the amount of \$2,400,000 which is scheduled to mature on November 18, 2010, but may redeemed early by the Company without significant penalty. The term deposit is subject to interest rate price risk it carries a fixed rate of interest of 1%. The Company does not engage in any hedging activity to mitigate these risks. A plus or minus 1% change in market interest rates would not have a significant effect on the Company's loss and comprehensive loss for the year.

**(c) Financial Risks (continued)****(v) Currency Risk**

As the Company operates in an international environment, some of the Company's transactions and balances are denominated in currencies other than the Canadian dollar. The Company's foreign exchange risk arises primarily with respect to the United States dollar. The Company is required to make regular cash contributions denominated in United States dollars to fund the companies underlying its long-term investment (see Note 9). Fluctuations in the exchange rate between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

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**RANGE ENERGY RESOURCES INC.****(formerly RANGE METALS INC.)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**5. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENTS AND RISKS (continued)**

As at June 30, 2010, a strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would have an insignificant impact on the Company's loss and comprehensive loss.

**6. DEPOSITS**

Deposits as at June 30, 2010 of \$73,165 consists of an advance to the Company's UK legal counsel related to the Khalakan project (\$50,165); and \$23,000 to suppliers of investor relations services relating to investor meetings in Europe (See Note 8).

**7. EQUIPMENT**

| <b>June 30, 2010</b>   | <b>Cost</b> | <b>Accumulated<br/>Amortization</b> | <b>Net Book<br/>Value</b> |
|------------------------|-------------|-------------------------------------|---------------------------|
| Computers and software | \$ 4,239    | \$ 2,442                            | \$ 1,797                  |

**8. RESOURCE PROPERTY INTERESTS**

The Company has identified the Middle East, especially Iraq, as a key region of interest. A regional program for the sourcing acquisition and development of future oil and gas prospects is being conducted. The Company has incurred expenditures and entered into certain consulting and administration agreements related to this program.

**(a) Iraq / Kurdistan**

Over the past year the Company has visited the region several times and been in discussions with local Kurdistan and Middle East companies with a view to forming a joint venture to bid for one or more production sharing agreements in the Kurdistan region of Iraq.

On July 30, 2009 a Head of Terms agreement was executed, with an owner of an interest in such a production sharing agreement, to advance the Company's acquisition of an interest in a concession. On November 17, 2009 the Company closed an asset acquisition agreement and financing whereby the Company purchased an indirect interest in a 2 block concession known as the Khalakan Block (see Note 9).

**9. LONG-TERM INVESTMENT**

On November 6, 2009, Range Oil & Gas Inc. entered into a share acquisition agreement with a privately held company (the "Vendor") under which the Company would purchase 49.9% of the common shares of New Age Al Zarooni 2 Limited ("NAAZ2"), a company domiciled in Jersey, Channel Islands. The consideration paid for the shares was as follows:

- (a) US\$16,367,000 (\$16,862,774) cash;
- (b) 2,000,000 common shares of the Company with an estimated fair value of \$400,000 measured on the date of issuance;

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- (c) 1,500,000 warrants to purchase 1,500,000 common shares of the Company exercisable for a term of five years at a price of \$0.30 per share, valued at \$509,293 measured on the date of issuance using the Black-Scholes option-pricing model; and
- (d) US\$44,000 (\$46,728) of expenses reimbursed to the Vendor.

The transaction closed on November 17, 2009. In connection with the transaction, the Company issued 3,250,000 common shares of the Company for corporate advisory services to unrelated third parties. The estimated fair value of these shares of \$650,000, measured on the date of issuance, has been recorded as transaction costs in the statement of operations during the year ended December 31, 2009.

NAAZ2 holds 50% of the common shares of Gas Plus Khalakan Limited ("GPK"), a company domiciled in Jersey, Channel Islands. GPK holds an 80% interest in the Khalakan production sharing contract ("PSC") for an oil and gas resource property referred to as the Khalakan Block. The Kurdistan Regional Government of Iraq holds the remaining 20% interest in the PSC. The Khalakan Block consists of two concessions, Blocks 28 and 29 (sometimes referred to as Blocks 6 and 7), and comprises 624 square kilometres located in the central part of the Kurdistan Region of Iraq. The Khalakan Block lies between the concession which contains the Taq Taq oilfield and the concession which contains the recent discovery at Miran by Heritage Oil Limited.

Under the GPK Shareholders' Agreement, a company beneficially owned by the Kurdistan Regional Government of Iraq is entitled to a 40% interest in the net profits ("NPI") of the project. At any time, the 40% NPI may be exchanged for 40% of the issued common shares of GPK for a price equal to US\$1 per common share. In addition, a 3.5% interest in the net profits is payable under management services agreement.

Under the NAAZ2 shareholders' agreement, each shareholder is required to fund its relative portion of cash calls by NAAZ2. Should a shareholder fail to fund its portion of these cash calls, the non-defaulting shareholder will have the option to fund any shortfalls and thereby increase its relative interest in NAAZ2. Should the non-defaulting shareholder decline to fund any shortfalls, a buy-out event may be triggered under which the defaulting party's interest may be purchased by the non-defaulting party for a price pre-determined by a formula in the shareholders' agreement.

During the year ended December 31, 2009, the Company advanced US\$249,500 (\$265,145) to cover its portion of cash calls to NAAZ2. During the period, the Company advanced an additional \$1,374,282 to continue to cover its cash obligations.

Under the GPK shareholders' agreement, each shareholder is required to fund its relative portion of cash calls by GPK. Should a shareholder fail to fund its portion of these cash calls, the non-defaulting shareholder will have the option to fund any shortfalls and thereby increase its relative interest in GPK. Should the non-defaulting shareholder decline to fund any shortfalls, a buy-out event may be triggered under which the defaulting party's interest may be purchased by the non-defaulting party for a price pre-determined by a formula in the shareholders' agreement.

**10. CONVERTIBLE DEBENTURES**

All convertible debentures were settled or otherwise paid out at December 31, 2009. Other than options and warrants detailed in this report there are no other convertible instruments issued by the Company.

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**11. SHARE CAPITAL**

(a) Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of shares without par value and an unlimited number of preferred shares, issuable in series. The preferred share rights and restrictions may be set by the Company's directors upon issue.

(b) Issued and Outstanding Share Capital

The issued and outstanding common shares are as follows:

|  | Number of<br>Shares | Amount               |
|--|---------------------|----------------------|
| Balance, December 31, 2008                                     | 29,187,840          | 3,367,630            |
| Issued during the year:  |                     |                      |
| For cash:  |                     |                      |
| Private placement, net of share issuance costs (Note 11(b)(i)) | 121,790,000         | 18,965,137           |
| For long-term investment (Note 9)                              | 2,000,000           | 400,000              |
| For settlement of debt (Note 11(b)(ii))                        | 5,650,000           | 1,130,000            |
| For services:  |                     |                      |
| Transaction costs for long-term investment (Note 9)            | 3,250,000           | 650,000              |
| <b>Balance, December 31, 2009</b>                              | <b>161,877,840</b>  | <b>\$ 24,512,767</b> |
| Issued during the period                                       |                     |                      |
| For cash:  |                     |                      |
| Exercise of options  | 500,000             | 37,500               |
| Exercise of options  | 1,000,000           | 75,000               |
| <b>Balance, June 30, 2010</b>                                  | <b>163,377,840</b>  | <b>\$ 24,625,267</b> |

(i) Private Placement

On November 17, 2009, the Company issued 121,790,000 units under a private placement at a price of \$0.20 per unit for gross proceeds of \$24,358,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 per share for a period of two years from the closing of the financing.

In connection with the private placement, the Company paid finders' fees of \$1,450,980, corporate finance fees of \$452,500 and other cash share issuance costs of \$207,799. In addition, the Company issued as finders' fees 7,254,900 warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 for a period of 2 years from closing of the financing. The warrants were valued at \$3,281,584, measured on the date the counterparties completed their performance, using the Black-Scholes option-pricing model.

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**11. SHARE CAPITAL (continued)**

(b) Issued and Outstanding Share Capital (continued)

(ii) Shares Issued for Debt

On November 17, 2009, the Company issued 5,650,000 units to extinguish \$1,130,000 of debt consisting of convertible notes, promissory notes and accounts payable. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 per share for a period of two years from the date of issuance. The estimated fair value of the units issued was \$1,130,000, measured using the market price for identical instruments on the date of issuance (see Note 11(b)(i)).

(iii) Exercise of options

On January 5, 2010, 500,000 options were exercised for the purchase of common shares at a price of \$0.075 for total proceeds of \$37,500.

(iv) Exercise of options

On May 11, 2010, 1,000,000 options were exercised for the purchase of common shares at a price of \$0.075 for total proceeds of 75,000.

(c) Stock Options

The Company has adopted an amended stock option incentive plan (the "Plan") that was approved by the board of directors on January 6, 2010 and by the shareholders on May 27, 2010. The aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 16,237,784 shares. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan shall be determined by the Company's directors, provided that such price shall not be lower than the closing sales price of the Company's shares for the market trading day immediately prior to the time of grant, less any discount permitted by CNSX. Stock options granted under the Plan may be subject to vesting terms that are set at the discretion of the Directors at the time of grant.

The following table summarizes stock option activity during the period ended June 30, 2010:

|                            | Number of<br>Shares<br>Under Option | Weighted<br>Average<br>Exercise Price |
|----------------------------|-------------------------------------|---------------------------------------|
| Balance, December 31, 2009 | 5,837,500                           | \$0.32                                |
| Granted                    | 10,500,000                          | 0.30                                  |
| Exercised                  | (500,000)                           | 0.075                                 |
| Exercised                  | (1,000,000)                         | 0.075                                 |
| Expired                    | —                                   | —                                     |
| Balance, June 30, 2010     | 14,837,500                          | \$0.31                                |

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**11. SHARE CAPITAL (continued)**

The following table summarizes stock options outstanding and exercisable at June 30, 2010:

| Options Outstanding  |                     |  | Options Exercisable                      |                        |  |  |
|----------------------|---------------------|--|--|------------------------|--|--|
| Exercise Price<br>\$ | Number of<br>Shares | Weighted Average<br>Remaining<br>Contractual Life<br>(years) | Weighted Average<br>Exercise Price<br>\$ | Number<br>Exercisable  | Weighted Average<br>Exercise Price<br>\$ |  |
| 0.62                 | 1,000,000           | 0.46   | 0.62                                     | 1,000,000              | 0.62                                     |  |
| 0.55                 | 750,000             | 0.02   | 0.55                                     | 750,000                | 0.55                                     |  |
| 0.35                 | 937,500             | 0.48   | 0.35                                     | 937,500                | 0.35                                     |  |
| 0.30                 | 850,000             | 0.41   | 0.30                                     | <sup>(1)</sup> 680,000 | 0.30                                     |  |
| 0.20                 | 800,000             | 0.36   | 0.20                                     | 800,000                | 0.20                                     |  |
| 0.30                 | 10,500,000          | 4.75   | 0.30                                     | 10,500,000             | 0.030                                    |  |
| 0.20 – 0.62          | 14,837,500          | 3.32   | 0.31                                     | 14,667,500             | 0.31                                     |  |

<sup>(1)</sup>170,000 options will vest on July 4, 2010 at which time all outstanding options will have vested.

Stock options outstanding at June 30, 2010 will expire between July 23, 2011 and January 7, 2015.

(d) Warrants

The following table summarizes warrant activity during the period ended June 30, 2010:

|                            | Number<br>of Warrants | Purchase Price<br>per Share |
|----------------------------|-----------------------|-----------------------------|
| Balance, December 31, 2009 | 137,194,900           | \$0.39                      |
| Issued                     | –                     | –                           |
| Expired                    | –                     | –                           |
| Balance, June 30, 2010     | 137,194,900           | \$0.39                      |

Warrants outstanding at June 30, 2010 expire between December 28, 2010 and November 17, 2011.

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**RANGE ENERGY RESOURCES INC.****(formerly RANGE METALS INC.)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**11. SHARE CAPITAL (continued)**

The following table summarizes share purchase warrants outstanding at June 30, 2010:

| Number of Warrants | Exercise Price \$ | Expiry Date       | Weighted Average Remaining Contractual Life |
|--------------------|-------------------|-------------------|---|
| 1,000,000          | 0.10              | December 28, 2010 | 0.50 years                                  |
| 7,254,900          | 0.20              | November 17, 2011 | 1.38 years                                  |
| 1,500,000          | 0.30              | November 17, 2011 | 1.38 years                                  |
| 120,540,000        | 0.40              | October 21, 2011  | 1.26 years                                  |
| 5,650,000          | 0.40              | October 21, 2011  | 1.26 years                                  |
| 1,250,000          | 0.40              | November 2, 2011  | 1.33 years                                  |
| 137,194,900        | 0.39              |                   | 1.27 years                                  |

**12. CONTRIBUTED SURPLUS**

|   | June 2010    | Dec. 2009    |
|---|--------------|--------------|
| Balance, beginning of period                      | \$ 5,539,324 | \$ 1,320,567 |
| Stock-based compensation (Note 13)                | 2,157,184    | 427,880      |
| Warrants issued as finders' fees (Note 11(b)(i))  | —            | 3,281,584    |
| Warrants issued for long-term investment (Note 9) | —            | 509,293      |
| Balance, end of period                            | \$ 7,696,508 | \$ 5,539,324 |

**13. STOCK-BASED COMPENSATION**

During the period ended June 30, 2010, the Company granted 10,500,000 (2009 - 937,500) stock options to directors, officers, employees and consultants of the Company. The weighted average fair value of each option granted was \$0.30 (2009 - \$0.29) computed using the Black-Scholes option-pricing model on the date of each grant using the following weighted average assumptions:

|                                     | June 2010 | Dec. 2009 |
|-------------------------------------|-----------|-----------|
| Expected stock option lives (years) | 4.5       | 5.0       |
| Expected stock price volatility (%) | 106.0     | 118.0     |
| Risk-free interest rate (%)         | 2.40      | 2.4       |
| Expected dividend yield (%)         | —         | —         |

During the period ended June 30, 2010, the Company recognized compensation cost of \$2,157,184 (2009 - \$38,553) as stock-based compensation expense.

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**RANGE ENERGY RESOURCES INC.**

**(formerly RANGE METALS INC.)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIODS ENDED JUNE 30, 2010 AND 2009**

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**14. RELATED PARTY TRANSACTIONS AND BALANCES**

Due to Related Parties

As at June 30, 2010, the Company has paid or accrued \$207,630 (2009 – \$447,000) due to directors (fees), to companies controlled by directors (consulting services), and an officer of the Company (consulting services). The current amounts are non-interest bearing, unsecured and due on demand.

## **APPENDIX B**

RANGE ENERGY RESOURCES INC.

Management's Discussion & Analysis  
for the six-month period ended June 30, 2010

# **RANGE ENERGY RESOURCES INC.**

**(formerly RANGE METALS INC.)**

## ***Management's Discussion & Analysis***

***for the six month period ended  
June 30, 2010***

**1177 West Hastings Street, Suite 2000  
Vancouver, BC, Canada V6E 2K3  
Tel: (604) 688-9600 Fax: (604) 602-1606  
[www.rangeenergyresources.com](http://www.rangeenergyresources.com)**

## **General**

Range Energy Resources Inc., formerly Range Metals Inc., (“Range” or the “Company”) was incorporated under the laws of British Columbia, Canada on March 1, 2005. On October 24, 2006, the Company's common shares were listed and called for trading on the Canadian National Stock Exchange (“CNSX”) and its current symbol is RGO. On February 12, 2007 the Company listed on the Frankfurt stock exchange. The Company amalgamated with its wholly-owned subsidiary Range Oil & Gas Inc., effective December 31, 2009, and on January 12, 2010 changed its name from Range Metals Inc. to Range Energy Resources Inc. The Company is a development stage company engaged in the acquisition and exploration of mineral and oil and gas resource properties. As at June 30, 2010, the Company’s principal asset is an indirect investment in an oil and gas resource property referred to as the Khalakan Block which is domiciled in the Kurdistan Region of Iraq (see Financing and Acquisition Activities). The Company also intends to pursue other opportunities in the Middle East.

Management’s discussion and analysis (“MD&A”) has been prepared based on information available to the Company as of July 28, 2010, unless otherwise stated. This MD&A provides a detailed analysis of the Company’s business and compares its results with those of the previous year and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2009. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

In November, 2009 the Company completed a Subscription Receipt financing totalling \$25,488,000 - \$24,358,000 in cash and \$1,130,000 exchange for debt. Approximately \$17.3 million of the proceeds were used to complete an acquisition transaction that saw the Company acquire, in an arm’s length acquisition, a 24.95% indirect interest in a company with an 80% interest in a production sharing contract governing the Khalakan Block in the Kurdistan Region of Iraq. The remainder of the proceeds will be used to fulfil its exploration and development obligations and for general corporate purposes.

The oil and gas exploration business is risky and most exploration projects will not become producing wells. The Company may offer an opportunity to an oil and gas company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from its treasury to investors. These stock issues depend on numerous factors including a positive resource exploration environment, positive commodity and stock market conditions, the Company’s track record, and the experience of management. The recent credit crisis and turmoil in the capital markets is severely limiting the access to funds and the Company is moving forward cautiously.

## **Critical Accounting Policies**

New accounting standards and the Company’s accounting policies are described in Notes 2 and 3 to the audited consolidated financial statements for the period ended December 31, 2009. Management considers the following policies to be the most critical in understanding the judgments and estimates that are involved in the preparation of its consolidated financial statements.

## **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of resource property interests, the valuation or recoverability of due from related party, asset retirement obligations, expected tax rates and the utilization of future income tax assets, fair value measurements for financial instruments and the measurement of stock-based transactions. Financial results as determined by actual events could differ from those estimates.

## Resource Property Interests

The Company's current business activity focus is on the exploration and development of oil and gas properties. The cost of evaluating and developing potential oil and gas projects have been expensed. In the event that the Company elects to proceed with the development of a project, capitalized acquisition, exploration and development expenditures will be amortized against future production upon commencement of commercial production, or written off if the properties are sold or abandoned.

## Overall Performance

The Company continues to seek oil and gas exploration and development opportunities, primarily in Iraq and the Middle East (Oman).

In November, 2009 the Company completed a Subscription Receipt financing totalling \$25,488,000 (\$24,358,000 in cash and \$1,130,000 in exchange for debt). Approximately \$17.3 million of the proceeds were used to complete an acquisition transaction that saw the Company acquire, in an arm's length acquisition, a 24.95% indirect interest in a company with an 80% interest in a production sharing contract governing the Khalakan Block in the Kurdistan Region of Iraq. The remainder of the proceeds will be used to fulfil its exploration and development obligations and for general corporate purposes.

Effective December 31, 2009 the Company, then Range Metals Inc., amalgamated with its wholly owned subsidiary Range Oil & Gas Inc. and on January 12, 2010, changed its name to Range Energy Resources Inc.

In March 2010, the Company completed an independent, initial resource assessment of the Khalakan Block. A seismic program was commenced during the period which is scheduled for completion in August. Processing and interpretation of the seismic data and procuring tangibles for the initial well suggests a spud date towards the end of this year.

## Results of Operations

*Period ended June 30, 2010 compared with period ended June 30, 2009*

The Company reported net loss of \$2,896,031 (\$0.022 per share) for the period ended June 30, 2010, 2010 as compared to net loss of \$300,610 (\$0.006 per share) for the same period in 2009. The June 30, 2010 result includes a stock based compensation charge of \$2,157,184. Operating expenses (net of stock based compensation) for the period ended June 30, 2010 totalled \$747,315 which is \$488,403 higher than the 2009 expenses of \$258,912. Notable administrative costs include legal and accounting, corporate finance fees, and travel and accommodation expenses. As at June 30, 2010, the Company has accumulated losses since inception of \$10,274,497.

## Summary of Quarterly Results

The summary of consolidated quarterly results has been prepared in accordance with Canadian GAAP:

|                      | Revenue | Income (Loss)    | Income (Loss) per share |
|----------------------|---------|------------------|-------------------------|
|                      | \$      | \$               | \$                      |
| <b>June 30, 2010</b> | -       | <b>(544,476)</b> | <b>(0.004)</b>          |
| March 31, 2010       | -       | (2,431,138)      | (0.03)                  |
| December 31, 2009    | -       | (2,225,102)      | (0.013)                 |
| September 30, 2009   | -       | (887,893)        | (0.031)                 |
| June 30, 2009        | -       | (164,634)        | (0.004)                 |
| March 31, 2009       | -       | (121,297)        | (0.004)                 |
| December 31, 2008    | -       | (132,090)        | (0.005)                 |
| September 30, 2008   | -       | (646,379)        | (0.022)                 |

Note: On November 17, 2009 the Company completed a financing and closed an asset acquisition transaction that resulted in the issuance of 132,690,000 common shares and 136,194,900 share purchase warrants

### ***Use of Proceeds***

On February 28, 2009, the Company raised \$50,000 through the issuance of two promissory notes. The promissory notes pay simple interest at a rate of 8.0% per annum and have a due date of February 28, 2011. During the period the Company also received \$66,600 in short term loans, with no interest or prepayment provisions, from the President of the Company. These amounts were paid down prior to the year-ended December 31, 2009.

On October 22, 2009 the Company closed a private placement financing of subscription receipts, previously announced on September 21, 2009, for gross proceeds of \$25,238,000. On November 2, 2009 an additional \$250,000 was added for total gross proceeds of \$25,488,000. The Company issued 127,440,000 subscription receipts ("Subscription Receipts") at a price of \$0.20 per Subscription Receipt. The Subscriptions Receipts were subsequently converted, on November 17, 2009, into an equal number of common shares and share purchase warrants, where each Subscriber's Warrant entitles the holder to purchase one common share at C\$0.40 for a two-year period from the date of issuance.

On January 5, 2010, 500,000 options were exercised at a price of \$0.075 for total proceeds of \$37,500. On May 11, 2010, 1,000,000 options were exercised at a price of \$0.075 for total proceeds of \$75,000.

### **Resource Properties**

#### **a) Iraq / Kurdistan**

On November 17, 2009 the Company completed the acquisition of a 24.95% indirect interest in a company with an 80% interest in a production sharing contract governing the Khalakan Block in the Kurdistan Region of Iraq. The Company acquired 49.9% of the shares of New Age Al Zarooni 2 Limited ("NAAZ2"), a company domiciled in Jersey, Channel Islands, from a privately held company (the "Vendor") which owns 50% of the shares in Gas Plus Khalakan Limited which is the sole contractor for the Khalakan Block under a Production Sharing Contract, dated June 11, 2009, with the Kurdistan Regional Government of Iraq.

The Khalakan Block consists of two concessions, Blocks 28 and 29 (sometimes referred to as Blocks 6 and 7), and comprises 624 sq. km. (154,205 acres) located in the central part of the Kurdistan Region of Iraq. The Khalakan Block lies between the concession which contains the Taq Taq oilfield and the concession which contains the recent discovery at Miran by Heritage Oil Limited.

**See the Company's news releases dated October 22, 2009, November 3, 2009 and November 17, 2009.**

During the period, Company management met with the partners in the Production Sharing Contract to continue to construct and advance the exploration and development program for the Khalakan Block. In March, the Company reported that Citadel Engineering Ltd. had completed an independent, initial resource assessment of the Khalakan Block. Citadel estimated an unrisksed "Best Estimate" of 1.642 billion barrels of petroleum in place as of March 1, 2010. The Company's indirect working interest, oil-in-place is estimated at 409.6 million barrels. See the Company's news release dated March 22, 2010. A seismic program was commenced during the period which is scheduled for completion in Q3 2010.

### **Liquidity**

Financing of operations during the period was provided from a \$25.488 million financing completed in November 2009. See Financing and Acquisition Activities. At June 30, 2010, the Company had \$2,517,289 in cash, \$9,712 in receivables, \$73,165 in prepaids and advances, and a working capital surplus of \$2,577,547.

Operating expenses (net of stock based compensation) for the period ended June 30, 2010 totalled \$747,315 which is \$488,403 higher than the 2009 expenses of \$258,912. The 2010 expenditures were higher primarily due to increased legal and accounting, corporate finance fees, and travel and accommodation expenses. The Company reported net loss of \$544,476 (\$0.004 per share) for the 3 month period ended June 30, 2010 as compared to net loss of \$164,634 (\$0.004 per share) for the same period in 2009. The June 30, 2010 result includes a stock based compensation charge of \$2,157,184. See Financing and Acquisition Activities.

## **Capital Resources**

The Company has capital assets of \$1,797 consisting of computer equipment. The Company expenses all research, evaluation and investigative costs related to the resource properties until the properties are put into commercial production and amortized or written-off when abandoned or when delays in the development process require a revaluation.

## **Financing and Acquisition Activities**

In November, 2009 the Company completed a Subscription Receipt financing totalling \$25,488,000 - \$24,358,000 in cash and \$1,130,000 exchange for debt. The Company issued 127,440,000 subscription receipts ("Subscription Receipts") at a price of \$0.20 per Subscription Receipt. The Subscriptions Receipts were subsequently converted into an equal number of shares and share purchase warrants, where each subscribers' warrant entitles the holder to purchase one share for C\$0.40 for a two-year period from issuance of the Subscription Receipt.

On January 5, 2010, 500,000 options were exercised at a price of \$0.075 for total proceeds of \$37,500. On May 11, 2010, 1,000,000 options were exercised at a price of \$0.075 for total proceeds of \$75,000.

## **Transactions with Related Parties**

The management functions of the Company are performed by our directors and senior officers and we have no management agreements or arrangements under which such management functions are performed by persons other than the directors and senior officers of the Company other than the contracts described below. The Board has approved these contracts having taken into consideration the level of service provided and compensation offered by companies comparable to the Company in terms of size, assets and stage of development. The Board is satisfied that the level of compensation continues to be competitive with that of comparable companies.

The Company has an existing Executive Services Agreement with Sayonara Holdings Ltd., a company wholly owned by Donald Sheldon. Mr. Sheldon is director, Chief Executive Officer and Chairman of the Company. The Agreement provides for a monthly fee of \$5,000 plus approved expenses. During the period, the Company paid or accrued fees of \$30,000 under this arrangement.

The Company has an existing Corporate Management Agreement with VenturePlus Partners, an entity operated by Garth Edgar. Mr. Edgar is director and Chief Financial Officer of the Company and is responsible for general management, accounting, governance and overall administrative duties. The Agreement provides for a monthly fee of \$10,000 plus approved expenses. During the period, the Company paid or accrued fees of \$60,000 under this arrangement.

The Company has an existing Agreement for Services with Davidson Kelly & Co Ltd., a private company operated by Norman Davidson Kelly. Mr. Davidson Kelly is director and President of the Company (since January 28, 2010). The agreement provides for a monthly fee of \$8,000 plus approved expenses. During the period, the Company paid or accrued fees of \$48,000 under this arrangement.

The Company also paid consulting fees and expenses to Cantel Mining and Exploration Ltd. ("Cantel"), a private company operated by Roger Bethell, a director of the Company. Cantel is paid a per diem on an "as-used" basis and travel expenses. During the period the Company paid or accrued fees of \$30,000 under this arrangement.

Director fees totalling \$US37,500 was also paid to 3 directors of the Company.

## **Changes in Accounting Policies, including Initial Adoption**

Effective the first quarter commencing January 1, 2009, the Company has adopted the guidelines governed by Section 3862, "Financial Instruments - Disclosures"; and EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"; and, EIC-174, "Mining Exploration Costs". These policies are outlined in Note 3 in the financial statements for the period ended December 31, 2009.

## International Financial Reporting Standards (“IFRS”)

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, for annual and interim financial statements for years beginning on or after January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

Canadian GAAP and IFRS are similar in many respects, but the conversion will result in differences in recognition, measurement and disclosure in the financial statements. In order to prepare for this transition to IFRS, the Company has defined an official governance structure requiring the involvement of senior management and audit committee members and has also retained the services of external consultants.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the company does not anticipate the adoption to have a significant impact on its financial position as at December 31, 2009. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS.

## Share Data

The share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in series, the rights and restrictions of which may be set by the Company’s directors.

On November 17, 2009 the Company closed an asset acquisition transaction that resulted in the issuance of 132,690,000 common shares and 136,194,900 share purchase warrants.

At the date of this MD&A, there were no preferred shares issued and 163,377,840 common shares issued and outstanding.

On January 6, 2010 the Board of Directors approved a new 2010 Stock Option Incentive Plan that would allow up to 16,237,784 options to be granted.

At the date of this MD&A, there are 14,837,500 options outstanding and summarized below.

| <b>Date of Grant</b> | <b>Number of Options</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|----------------------|--------------------------|-----------------------|--------------------|
| February 7, 2007     | 750,000                  | \$0.55                | February 7, 2012   |
| June 12, 2008        | 800,000                  | \$0.20                | June 12, 2013      |
| July 4, 2008         | 850,000                  | \$0.30                | July 4, 2013       |
| July 23, 2008        | 800,000                  | \$0.62                | July 23, 2013      |
| July 23, 2008        | 200,000                  | \$0.62                | July 23, 2011      |
| July 8, 2009         | 937,500                  | \$0.35                | July 8, 2014       |
| January 7, 2010      | <u>10,500,000</u>        | \$0.30                | Jan. 7, 2015       |
| <b>TOTAL</b>         | <b>14,837,500</b>        |                       |                    |

On January 5, 2010, 500,000 options were exercised at a price of \$0.075 per common share for total proceeds of \$37,500. On May 11, 2010, 1,000,000 options were exercised at a price of \$0.075 per common share for total proceeds of \$75,000.

On January 7, 2010 the Company allocated and otherwise granted 10,500,000 options as follows: 4,500,000 to current directors of the Company; 2,000,000 to an officer of the Company; 3,000,000 to directors of former

subsidiary Range Oil & Gas Inc., and who also are nominees standing for election to the Company's Board of Directors at the upcoming Annual General Meeting; and 1,000,000 to the Company's Middle East advisor.

The following table sets out all the outstanding share purchase warrants of the Company:

| <b>Number of Warrants to Purchase Common Shares</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|---|-----------------------|--------------------|
| 1,000,000   | \$0.10                | December 28, 2010  |
| 120,540,000 <sup>(1)</sup>                          | \$0.40                | October 21, 2011   |
| 5,650,000 <sup>(2)</sup>                            | \$0.40                | October 21, 2011   |
| 1,250,000 <sup>(1)</sup>                            | \$0.40                | November 2, 2011   |
| 7,254,900 <sup>(3)</sup>                            | \$0.20                | November 17, 2011  |
| <u>1,500,000<sup>(4)</sup></u>                      | \$0.30                | November 17, 2011  |
| 137,194,900   |                       |                    |

(1) In November 2009, the Company completed a financing and closed an asset acquisition transaction that resulted in the issuance of 121,790,000 common shares and 121,790,000 share purchase warrants. See "Financing and Acquisition Activities".

(2) In November 2009, the Company issued 5,650,000 units to extinguish \$1,130,000 of debt consisting of convertible notes, promissory notes and accounts payable. Each unit consists of one common share of the Company and one share purchase warrant.

(3) Finders Fees issued pursuant to the November 2009 private placement of 121,790,000 units.

(4) Partial consideration paid in connection with a share acquisition agreement entered into on November 6, 2009 for a 24.95% indirect interest in a company with an 80% interest in a production sharing contract governing the Khalakan Block.

## **Risks and Uncertainties**

Companies in the oil and gas exploration and development industry sectors are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economic risks.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has no oil and gas interests that are economically viable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish commercial viability of its current projects.

The Company is in the exploration stage only, without known bodies of commercial grade reserves. Oil and gas exploration is subject to a high degree of risk and requires significant financial resources. Exploration activities seldom result in the discovery of a commercially viable petroleum resource. The Company will therefore require additional financing to carry on its business, and such financing may not be available when it is needed.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. Environmental hazards may exist on the properties on which the Company is seeking an interest, which are unknown to the Company at present and which may have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future, be required and obtained in connection with the Company's operations.

## **Forward Looking Information**

Certain statements contained in this Management's Discussion & Analysis constitute forward looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward looking statements while considering the risks set forth above. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, except as required by law.

To view the public documents of the Company, please visit the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).