Range Energy Resources Inc.

Condensed Interim Consolidated Financial Statements

As at and for the nine month period ended September 30, 2012

Expressed in Canadian dollars

(Unaudited – prepared by management)

Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these interim financial statements.

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

Expressed in Canadian Dollars

	September 30, 2012	December 31, 2011
Current assets		
Cash and cash equivalents	$ 3,159,407	$ 8,029,476
Restricted cash	-	269,411
Accounts receivable	19,406	57,986
Loan receivable (note 5)	501,576	-
Deposit and prepaid expenses	14,055	25,688
	3,694,444	8,382,561
Non-current assets		
Property and equipment (note 6)	1,184	1,126
Long-term investment (note 7)	27,097,291	21,387,458
	27,098,475	21,388,584
Total assets	**$ 30,792,919**	**$ 29,771,145**
Current liabilities		
Accounts payable and accrued liabilities	$ 519,706	$ 244,758
Shareholders' equity		
Share capital (note 8(a) & (b))	33,838,842	31,212,335
Reserves (note 8(c))	10,945,548	11,400,410
Deficit	(14,511,177)	(13,086,358)
	30,273,213	29,526,387
Total liabilities and shareholders' equity	**$ 30,792,919**	**$ 29,771,145**

Nature of operations and going concern (note 1)

Approved on Behalf of the Board of Directors:

Signed: "*Toufic Chahine*"
Toufic Chahine, Director

Signed: "*Allan Bezanson*"
Allan Bezanson, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

Expressed in Canadian Dollars

	Share capital		Reserves			
	Number of shares	Amount	Warrants	Contributed surplus	Deficit	Total equity
Balance - December 31, 2010	164,377,840	$24,725,267	$3,790,878	$ 4,369,784	$(11,561,954)	$21,323,975
Private placement	67,900,000	10,185,000	-	-	-	10,185,000
Fair value of warrants issued	-	(3,345,324)	3,345,324	-	-	-
Capital raising costs	-	(352,608)	(172,855)	-	-	(525,463)
Warrants issued	-	-	67,279	-	-	67,279
Net loss for period	-	-	-	-	(1,126,813)	(1,126,813)
Balance - September 30, 2011	232,277,840	$31,212,335	$7,030,626	$ 4,369,784	$(12,688,767)	$29,923,978
Balance - December 31, 2011	232,277,840	$31,212,335	$3,749,042	$ 7,651,368	$(13,086,358)	$29,526,387
Warrants exercised	13,400,000	2,010,000	-	-	-	2,010,000
Reallocation of the fair value of warrants on conversion	-	616,507	(616,507)	-	-	-
Warrants expired	-	-	(2,555,961)	2,555,961	-	-
Share-based compensation	-	-	-	161,645	-	161,645
Net loss for period	-	-	-	-	(1,424,819)	(1,424,819)
Balance - September 30, 2012	245,677,840	$33,838,842	$ 576,574	$10,368,974	$(14,511,177)	$30,273,213

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

Expressed in Canadian Dollars

	Three month period ended September 30, 2012	Three month period ended September 30, 2011	Nine month period ended September 30, 2012	Nine month period ended September 30, 2011
Expenses				
Audit and related fees	$ -	$ 5,700	$ 35,000	$ 41,950
Consulting	77,437	35,669	197,615	195,835
Contract termination costs	-	176,015	-	200,015
Corporate finance fees	-	24,553	-	71,434
Depreciation	114	71	342	293
Directors fees	25,273	11,900	76,423	47,832
General and administrative	32,871	15,066	44,701	77,351
Legal fees	363,474	21,005	803,792	84,975
Management fees	45,625	123,193	149,475	274,529
Share-based compensation (note 8(c))	-	-	161,645	-
Transfer agent and filing fees	4,393	4,725	13,948	16,779
Travel and promotion	-	32,082	2,809	115,919
Loss before other income	(549,187)	(449,979)	(1,485,750)	(1,126,912)
Interest income	19,371	-	60,931	99
Net loss and comprehensive loss for period	$ (529,816)	$ (449,979)	$ (1,424,819)	$ (1,126,813)
Loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares used in calculation of loss per share - basic and diluted	245,640,934	220,643,717	238,958,934	186,961,274

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Range Energy Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Expressed in Canadian Dollars

	Three month period ended September 30, 2012	Three month period ended September 30, 2011	Nine month period ended September 30, 2012	Nine month period ended September 30, 2011
Operating activities				
Net loss for period	$ (529,816)	$ (449,979)	$ (1,424,819)	$ (1,126,813)
Accrued interest on loan receivable	(5,879)	-	(9,931)	-
Depreciation	114	71	342	293
Share-based compensation	-	-	161,645	-
Unrealized foreign exchange gain	17,906	-	5,805	-
	(517,675)	(449,908)	(1,266,958)	(1,126,520)
Changes in non cash working capital items				
Restricted cash	-	-	269,411	-
Accounts receivable	35,507	(17,623)	38,580	(17,452)
Deposit and prepaid expenses	192	12,362	11,633	(5,329)
Accounts payable and accrued liabilities	145,856	(18,031)	274,948	(10,919)
Cash provided by (used in) operating activities	(336,120)	(473,200)	(672,386)	(1,160,220)
Investing activities				
Loan advances (note 5)	-	-	(497,450)	-
Purchase of equipment	-	-	(400)	-
Cash call payments to New Age Al Zarooni 2 Limited (note 7)	(1,771,612)	(769,982)	(5,709,833)	(906,628)
Cash provided by (used in) investing activities	(1,771,612)	(769,982)	(6,207,683)	(906,628)
Financing activities				
Private placements	-	6,165,000	-	10,185,000
Capital raising costs	-	(237,059)	-	(458,184)
Warrants exercised	-	-	2,010,000	-
Cash provided by (used in) financing activities	-	5,927,941	2,010,000	9,726,816
Increase (decrease) in cash and cash equivalents	(2,107,732)	4,684,759	(4,870,069)	7,659,968
Cash and cash equivalents - beginning of period	5,267,139	4,136,064	8,029,476	1,160,855
Cash and cash equivalents - end of period	$ 3,159,407	$ 8,820,823	$ 3,159,407	$ 8,820,823
Cash and cash equivalents consist of:				
Cash	$ 159,407	$ 820,823	$ 159,407	$ 820,823
Cash equivalents	3,000,000	8,000,000	3,000,000	8,000,000
	$ 3,159,407	$ 8,820,823	$ 3,159,407	$ 8,820,823
Supplemental schedule of non-cash investing and financing activities				
Agents warrants issued	$ -	$ 67,279	$ -	$ 67,279

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Nature of operations and going concern

Range Energy Resources 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’s corporate head office is located at Suite 800, 1199 West Hastings Street, Vancouver, BC V6E 3T5. The Company is a development stage company engaged in the acquisition, exploration and development of oil and gas properties. As at September 30, 2012, the Company’s principal asset is an indirect investment in an oil and gas property referred to as the Khalakan Block, which is domiciled in the Kurdistan Region of Iraq. The Company also intends to pursue other opportunities in the Middle East.

These condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine month period ended September 30, 2012, the Company had incurred a net loss totalling $1,424,819. The accumulated deficit at September 30, 2012 is $14,511,177. There is a material uncertainly related to these conditions that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Company to meet its commitments and ongoing operating expenses will depend upon the following:

- The ability to raise further funds through the issue of equity financing;
- The ability to procure industry partners for its primary exploration projects; and,
- The sale of assets in the ordinary course of business.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the condensed interim consolidated statement of financial position classifications used. Such adjustments could be material.

Based on the financial position at September 30, 2012, available funds are not considered adequate to meet requirements for fiscal 2013 based on budgeted expenditures for operations and project exploration and investigation. To meet working capital requirements, the Company will have to access financial resources through equity placements. There can be no assurances that such funds will be available and/or on terms acceptable by the Company.

2. Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Standard 34 Interim Financial Reporting of the International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and interpretations of the International Financial Reporting Committee ((“IFRIC”). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s audited financial statements for the year ended December 31, 2011. The polices applies in these condensed interim consolidated financial statements are based on IFRS issued as of November 26, 2012, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2011.

3. Significant accounting policies

Basis of presentation
The consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a

3. Significant accounting policies - continued

higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4.

These condensed interim consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company is Canadian dollars.

4. Significant accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the valuation or recoverability of oil and natural gas reserves, expected tax rates and the utilization of deferred income tax assets, the measurement of share-based transactions and the fair value measurement of financial instruments as areas where significant judgments, estimates and assumptions are made, where actual results may differ from these estimates and this may materially affect the Company's financial results or consolidated statement of financial position in future periods.

The carrying values and assessment of impairment of reserves is based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the status of the drilling program, the nature of the resource deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production.

5. Loan receivable

On March 3, 2012, the Company entered into a Letter of Intent ("LOI") with Blackstairs Energy PLC ("Blackstairs") whereby the Company proposed to acquire 100% of the issued share capital of Blackstairs subject to a number of conditions set out in the LOI, including, satisfactory completion by the Company of its due diligence review of Blackstairs on or before April 30, 2012, entering into a Definitive Agreement and obtaining requisite regulatory and shareholders' approvals, if required. As one of the conditions of the LOI, the Company loaned Blackstairs CAD$497,450 (US$500,000) for working capital purposes. As the structure of a Definitive Agreement could not be agreed upon, the LOI was terminated on March 29, 2012 and as such, the loan is repayable within 180 days from April 30, 2012 and bears interest at the rate of US prime plus 1.5% per annum compounded monthly until repayment.

On November 13, 2012, the Company and Blackstairs entered into a letter agreement regarding this loan. Under this letter agreement, the Company agreed to waive Blackstairs's obligation to repay the outstanding loan and accrued interest, and to forbear from exercising remedies arising from Blackstairs's failure to timely repay this loan, for a period ending no later than December 1, 2012. The Company agreed to this wavier and forbearance to provide Blackstairs time to complete an equity financing transaction. In consideration for this waiver and forbearance, Blackstairs agreed to pay a higher interest rate on the loan if it is not timely repaid.

The balance consists of the following:

	Principal	Interest	Total
Balance -December 31, 2011	$ -	$ -	$ -
Loan advance	497,450	-	497,450
Accrued interest	-	9,931	9,931
Unrealized foreign exchange gain - translation	(5,600)	(205)	(5,805)
Balance -September 30, 2012	$ 491,850	$ 9,726	$ 501,576

6. Long Property and equipment

	Computer hardware and software		
	Cost	Accumulated depreciation	Net book value
Balance -December 31, 2010	$ 4,239	$ (2,701)	$ 1,538
Depreciation		(412)	(412)
Balance -December 31, 2011	4,239	(3,113)	1,126
Additions	400		400
Depreciation		(342)	(342)
Balance -September 30, 2012	$ 4,639	$ (3,455)	$ 1,184

7. Long-term investment

On November 17, 2009, the Company acquired 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;
(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.

NAAZ2 owns 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 ("Khalakan Block") and the Kurdistan Regional Government of Iraq holds the remaining 20% interest. 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 Company is required to fund cash calls made by NAAZ2, as one of its shareholders. NAAZ2 uses the funds received from the cash calls to finance its capital contribution obligations as a shareholder in GPK. During the nine month period ended September 30, 2012, the Company funded cash calls made by NAAZ2 totalling $5,709,833 (US $5,686,105) (year ended December 31, 2011 $1,251,200 (US$1,256,232)).

8. Equity

(a) Authorized
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) Private placements
On May 18, 2011, the Company completed a non-brokered private placement consisting of 26,800,000 units at a price of $0.15 per unit. The gross proceeds of the unit placement totalled $4,020,000. Each unit was comprised of one common share and one share purchase warrant that entitled the holder to acquire one common share at a price of $0.15 per share up to May 18, 2012. An additional 1,072,000 finders' warrants were issued each entitling the holder to purchase one common share for $0.15 on or before May 18, 2013.

On July 26, 2011, the Company completed a non-brokered private placement consisting of 41,100,000 units at a price of $0.15 per unit. The gross proceeds of the unit placement totalled $6,165,000. Each unit was comprised of one common share and one share purchase warrant that entitled the holder to acquire one common share at a price of $0.15 per share up to July 26, 2012.

8. Equity - continued

(c) Reserves

Reserves consist of share purchase warrants and the accumulated fair value of common share stock options recognized as share-based compensation.

Warrants

	September 30, 2012		December 31, 2011	
	Number of warrants	**Amount**	**Number of warrants**	**Amount**
Opening balance	70,472,000	$ 3,749,042	136,194,900	$ 3,790,878
Warrants issued	-	-	68,972,000	3,239,748
Warrants exercised	(13,400,000)	(616,507)	-	-
Warrants expired	(54,500,000)	(2,555,961)	(134,694,900)	(3,281,584)
Closing balance	2,572,000	$ 576,573	70,472,000	$ 3,749,042

The fair value of the 68,972,000 warrants issued in connection with the unit private placement completed during the year ended December 31, 2011 totalled $3,412,603 before warrant issue costs amounting to $172,855 (net $3,239,748).

The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants issued	Relative fair value	Warrant issue costs	Net
1 year	171%	0%	1.36%	26,800,000	$ 1,328,309	$ 95,296	$ 1,233,013
2 years	180%	0%	1.76%	1,072,000	67,279	-	67,279
1 year	172%	0%	1.24%	41,100,000	2,017,015	77,559	1,939,456
				68,972,000	$ 3,412,603	$ 172,855	$ 3,239,748

Share-based compensation

The Company adopted the 2011 Stock Option Incentive Plan (the "Plan") that was approved by the Board of Directors on March 18, 2011 and the shareholders on May 10, 2011. The aggregate number of shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 24,656,676 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 closing share price on the day before the grant date less the applicable discount permitted under CNSX policies. 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 nine month period ended September 30, 2012 and the year ended December 31, 2011:

	September 30, 2012		December 31, 2011	
	Number of options	**Weighted average exercise price of options exercisable**	**Number of options**	**Weighted average exercise price of options exercisable**
Opening balance	7,825,000	$0.33	14,837,500	$0.35
Options granted	2,000,000	$0.20	-	-
Options expired	(500,000)	$0.55	(200,000)	$0.62
Options forfeited	(3,062,500)	$0.32	(6,812,500)	$0.33
Closing balance	6,262,500	$0.27	7,825,000	$0.33

8. Equity - continued

The fair value of the 2,000,000 options granted during the nine month period ended September 30, 2012 amounted to $161,645 resulting in a compensation expense of $161,645. The options were valued using the Black-Scholes valuation model with the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Options granted	Fair value
5 years	190%	0%	1.56%	2,000,000	$ 161,645

At September 30, 2012, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted average exercise price of options exercisable	Weighted average remaining contractual life
2,000,000	$0.20	$0.20	4.41 years
4,262,500	$0.30-$0.35	$0.30	2.24 years
6,262,500			

9. Related party transactions

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Details of key management personnel compensation are as follows:

Nine month period ended September 30,		**2012**		**2011**
Services provided:				
Consulting fees	$	40,383	$	69,625
Directors fees		76,423		47,832
Management fees		149,475		221,148
Share-based compensation		161,645		-
Key management personnel compensation	$	427,926	$	338,605

		September 30, 2012		**December 31, 2011**
Balances payable to key management personnel	$	48,743	$	57,583

10. Segmented information

The Company's operations comprise one reportable segment. The carrying value of the Company's non-current assets on a country-by-country basis is as follows:

	September 30, 2012			December 31, 2011		
	Canada	Channel Islands	Total	Canada	Channel Islands	Total
Property and equipment	$ 1,184	$ -	$ 1,184	$ 1,126	$ -	$ 1,126
Long-term investment	-	27,097,291	27,097,291	-	21,387,458	21,387,458
Total	$ 1,184	$ 27,097,291	$ 27,098,475	$ 1,126	$ 21,387,458	$ 21,388,584

11. Financial instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, deposit and accounts payable and accrued liabilities. The carrying value of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities as presented in the consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

The Company's financial instruments have been classified as follows:

Financial instrument	Classification	Fair value hierarchy
Cash and cash equivalents	Financial assets held-for-trading	Level 1
Restricted cash	Financial assets held-for-trading	Level 1
Accounts receivable	Loans and receivables	n/a
Accounts payable and accrued liabilities	Other financial liabilities	n/a

See the Company's Condensed Interim Consolidated Statements of Financial Position for financial instrument balances as at September 30, 2012 and December 31, 2011.

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
Level 3: Inputs that are not based on observable market data.

Risk exposure and management

The Company is exposed to various financial instrument risks and continuously assesses the impact and likelihood of this exposure. These risks include credit risk, commodity price risk, liquidity risk, interest rate risk, currency risk and financial capability and additional financing risk. Where material these risks are reviewed and monitored by the Board of Directors.

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 and accounts receivable. Cash and cash equivalents and $7,480 of accounts receivable 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. Accounts receivable of $10,920 is due from an agency of the Canadian government. Management believes the risk of loss to be minimal. As at September 30, 2012, the Company's maximum credit risk is the carrying value of cash and cash equivalents and accounts receivable.

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.

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 September 30, 2012, the Company has working capital of $3,174,738. 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 matches the maturity profile of financial assets and liabilities.

11. Financial instruments – continued

Interest rate risk
As at September 30, 2012, the Company's cash equivalents consist of a variable rate term deposit in the amount of $3,000,000. The term deposit is subject to interest rate cash flow risk as it carries a variable rate of interest. 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 consolidated loss and comprehensive loss for the period.

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 (note 7). 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. As at September 30, 2012, a strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would have an insignificant impact on the Company's consolidated loss and comprehensive loss.

Financial capability and additional financing
The Company's failure to obtain additional funding to meet its funding obligations could result in the Company's forfeiture, or forced sale at a discount, of its interests in its properties (including the Khalakan Block) or reduce or terminate its exploration or development plans. Additionally, if a joint venture participant in the Khalakan Block fails to meet its obligation to fund certain cash calls and the Company or another entity does not fund that cash call, the PSC could be terminated or the Company could be required to forfeit, or sell at a discount, its interest in the Khalakan Block.

12. Management of capital

The Company manages its capital to ensure it will be able to continue as a going concern and continue the funding of its long-term investment. The Company has no operations that generate cash flow and depends on financings to fund its long-term investment and administrative expenses. The success of each financing depends on numerous factors including positive oil and gas 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, reserves 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.