RANGE ENERGY RESOURCES INC.

Management's Discussion & Analysis

Nine month period ended September 30, 2012

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Management's discussion and analysis ("MD&A") provides a review of the performance of Range Energy Resources Inc.'s ("Range" or the "Company") operations and has been prepared on the basis of available information up to November 26, 2012 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2012 ("fiscal 2012") and the audited consolidated financial statements for the year ended December 31, 2011 and the related notes thereto ("fiscal 2011"). The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is Canadian dollars and all dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Some of the statements made in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Range's common shares are listed on the Canadian National Stock Exchange (the "CNSX") trading symbol – RGO.

Caution on Forward-Looking Statements

The MD&A contains certain forward-looking statements concerning anticipated development in Range's operation in future periods. Forward-looking statements are frequently, but not always identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements are set forth principally under the heading "Outlook" in the MD&A and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of oil or natural gas or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Range may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Range's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and Range does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that the could cause actual results to differ materially from Range's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and estimation of reserves; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by Range from time to time and filed with the appropriate regulatory agencies.

Corporate developments and outlook

Corporate changes

Mr. Eugene Beukman was appointed as interim Chief Financial Officer on August 31, 2012. Debra Watkins was appointed Interim Corporate Secretary on September 1, 2012. Mr. Allan Bezanson, one of the Company's directors, was appointed interim President on September 7, 2012. Mr. Bezanson replaced Mr. Toufic Chahine. Mr. Chahine remains Chairman of the Company's Board. Key management personnel include the Company's directors and members of the senior management group.

Khalakan Block, Kurdistan Region of Iraq

As at the date of this report, 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.

The Company owns 49.9% of the common shares of New Age Al Zarooni 2 Limited ("NAAZ2"), a company domiciled in Jersey, Channel Islands. 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.

In March 2010, the Company completed an independent, initial resource assessment of the Khalakan Block. In November 2010, the operator of the Khalakan Block completed a comprehensive seismic program. Processing was completed in July 2011. The Company recently learned that the drilling of an exploration well in the Khalakan Block commenced in March 2012. The Company believes the drilling of this exploration well is continuing.

Outlook

Range continues to meet all relevant obligations related to the Khalakan PSC and anticipates its Khalakan Block operator will complete the exploration schedule in a timely manner. The Company's interest in the Khalakan PSC relies on third parties to provide the Company with information related to meeting the requirements and obligations of the PSC. The Company's Shareholders' Agreement for NAAZ2 provides the Company with limited rights and remedies to pursue specific information if a joint venture participant or other third party fails to provide this information when the Company requests it. On July 20, 2012, the Company commenced arbitration proceedings against NAAZ2 and the other shareholder in NAAZ2. The arbitration will take place in London under the Arbitration Rules of the International Chamber of Commerce. The Company is requesting remedies that would enable the Company to obtain information regarding its investment in the Khalakan Block. The arbitration panel that will hear the dispute was confirmed by the ICC on November 19, 2012. Range also is seeking other public sources of information to ascertain the progress of exploration in the Khalakan Block. As Range obtains reliable information on these activities in the Khalakan Block, Range will make disclosures to its Shareholders in accordance with regulatory requirements.

The Company is reviewing all other opportunities in the area but no agreements have been reached with any parties.

Other

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.

Financial Position

As at September 30, 2012, the Company had current assets of $3,694,444 and current liabilities of $519,706 compared to current assets of $8,382,561 and current liabilities of $244,758 as at December 31, 2011. At September 30, 2012, the Company had working capital of $3,174,738 compared to a working capital of $8,137,803 at December 31, 2011.

The Company had cash and cash equivalents of $3,159,407 at September 30, 2012 compared to $8,820,823 at September 30, 2011. During fiscal 2012, the Company recorded cash outflows from operations of $672,386 compared to cash outflows of $1,160,220 in the comparable period of 2011. In Q1-2012, the funds that had been paid into court of $269,411 pursuant to the December 1, 2011 garnishee order (the "Garnished Funds") for a proceeding commenced against the Company in the British Columbia Supreme Court by a former officer were released to the Company's legal counsel and the former officer was paid $120,000 plus HST thereon of $14,400 and the balance of the funds were released to the Company.

Cash used in investing activities during the nine month period ended September 30, 2012 includes $5,709,833 (September 30, 2011 - $906,628) being cash called for its share of expenditures on the Khalakan Block. Additionally, Range loaned $497,450 (US$500,000) to Blackstairs for working capital purposes pursuant to the terms of the LOI between the respective parties effective March 3, 2012.

Results of Operations

Nine month period ended September 30, 2012 (fiscal 2012) compared with nine month period ended September 30, 2011 (fiscal 2011)

	Fiscal 2012	Fiscal 2011
	(Unaudited)	(Unaudited)
Expenses		
Audit and related fees	$ 35,000	$ 41,950
Consulting	197,615	195,835
Contract termination costs	-	200,015
Corporate finance fees	-	71,434
Depreciation	342	293
Directors fees	76,423	47,832
General and administrative	44,701	77,351
Legal fees	803,792	84,975
Management fees	149,475	274,529
Share-based compensation	161,645	-
Transfer agent and filing fees	13,948	16,779
Travel and promotion	2,809	115,919
Loss before the following	(1,485,750)	(1,126,912)
Interest income	60,931	99
Net loss and comprehensive loss for period	$ (1,424,819)	$ (1,126,813)
Loss per share	$ (0.01)	$ (0.01)
Weighted average number of shares used in calculation of loss per share - basic and diluted	238,958,934	186,961,274

Net loss

The Company reported a net loss of $1,424,819 for fiscal 2012 as compared to a net loss of $1,126,813 for the same period in 2011. Included in the current period's results is interest earned of $60,931 on surplus funds from the financings, which consisted of two non-brokered private placements of equity that closed in May and July, 2011 and a warrant conversion that occurred in May 2012, that were invested in variable rate term deposits.

Expenses

Operating expenses for fiscal 2012 totalled $1,485,750 compared to fiscal 2011 expenses of $1,126,912. Included in expenses is a charge of $161,645 (2011 - $Nil) for share-based compensation. After adjustment for share-based compensation, expenses totalled $1,324,105 for the nine month period ended September 30, 2012 compared to $1,126,912 for the nine month period ended September 30, 2011, representing an increase of $197,193 or 17%. The significant factors that contributed to the variances are discussed below:

Consulting fees for fiscal 2012 totalled $197,615 compared to $195,835 for fiscal 2011 representing an increase of $1,780 or 1%. In fiscal 2012, fees of US$15,000 per month were paid to EMK Energy MetriKs Limited for Farid Zouioueche to provide various consulting services to the Company, including representing Range on NAAZ2 matters, and the balance of fees were paid to Cantel Mining & Exploration Ltd. for the services of Roger Bethell in evaluating potential project opportunities as well as to Eugene Beukman for corporate consulting services. In fiscal 2011, fees were paid for the ongoing interpretation of data compiled from the comprehensive seismic program conducted on the Khalakan Block by the operator in fiscal 2010.

Corporate finance fees paid in fiscal 2011 of $71,434 related to services provided by parties in identifying potential sources of financing the exploration of the Khalakan Block.

Contract termination costs of $200,015 were paid out in fiscal 2011 upon the resignation and termination of former management's services agreements.

Directors' fees of US$25,000 per annum are being paid to each independent director that is not being compensated for management and consulting services. Fees are accrued and paid on a quarterly basis.

General and administrative expenses totalled $44,701for fiscal 2012 compared to $77,351 for fiscal 2011. Included in this category are bank fees, communications lines (telephone, facsimile and internet), delivery, office supplies, printing and rent. Significant decrease in this expense category is primarily a result of sub-letting excess office space, minimal charges for communication and no insurance premiums being paid for key management personnel in fiscal 2012.

Legal fees in fiscal 2012 totalled $803,792 compared to $84,975 for the comparable period in the prior year. The increase in fees paid during the nine month period ended September 30, 2012 related to legal counsel being engaged in London and Jersey to provide general advice with respect to Range's interest in the Khalakan Block and assistance in compiling documentation to commence the arbitration proceedings against NAAZ2 and the other shareholder in NAAZ2, and in relation to services provided for the proposed acquisition of Blackstairs; and fees for the settlement of the legal action commenced against the Company in the British Columbia Supreme Court in December 2011 by a former officer.

Management fees in fiscal 2012 totalled $149,475 compared to $274,529 for the comparable period in the prior year, representing a decrease of $125,054 or 46%. During Q2-2011, a full time Chief Executive Officer was contracted for a six month period and an increase in monthly fees being charged by former members of management commencing in the second quarter of fiscal 2011.

During fiscal 2012, the Company recorded share-based compensation expense of $161,645 for the award of an option to a director.

Travel and promotion for fiscal 2012 totalled $2,809 compared to $115,919 for the prior comparative period. Extensive travel was done in the prior comparative period to facilitate financings.

Three month period ended September 30, 2012 (Q3-2012) compared with three month period ended September 30, 2011 (Q3-2011)

		Q3 - 2012		Q3 - 2011
		(Unaudited)		(Unaudited)
Expenses				
Audit and related fees	$	-	$	5,700
Consulting		77,437		35,669
Contract termination costs		-		176,015
Corporate finance fees		-		24,553
Depreciation		114		71
Directors fees		25,273		11,900
General and administrative		32,871		15,066
Legal fees		363,474		21,005
Management fees		45,625		123,193
Share-based compensation		-		-
Transfer agent and filing fees		4,393		4,725
Travel and promotion		-		32,082
Loss before the following		(549,187)		(449,979)
Interest income		19,371		-
Net loss and comprehensive loss for period	$	(529,816)	$	(449,979)
Loss per share	$	(0.00)	$	(0.00)
Weighted average number of shares used in calculation of loss per share - basic and diluted		245,640,934		220,643,717

The Company reported a net loss of $529,816 for Q3-2012 as compared to a net loss of $449,979 for the same period in 2011. The fluctuations in line item amounts are due to the same factors discussed in the fiscal 2012 analysis.

Summary of Quarterly Results – Unaudited

The following table summarizes quarterly results for the past eight quarters:

Quarter Ended	Net revenues	Net income (loss)*	Loss per share - basic	Loss per share - diluted
	$'s	$'s	$'s	$'s
30-Sep-12	-	(529,816)	(0.00)	(0.00)
30-Jun-12	-	(527,868)	(0.00)	(0.00)
31-Mar-12	-	(367,137)	(0.00)	(0.00)
31-Dec-11	-	(397,816)	(0.00)	(0.00)
30-Sep-11	-	(449,755)	(0.00)	(0.00)
30-Jun-11	-	(352,044)	(0.00)	(0.00)
31-Mar-11	-	(324,790)	(0.00)	(0.00)
31-Dec-10	-	(854,986)	(0.00)	(0.00)

* Values may not add to reported amount for the years then ended due to rounding

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters. Factors that can cause fluctuations in the Company's quarterly results are the timing of stock option grants, exploration property impairments and sales of available-for-sale investments.

Liquidity and Capital Resources

Cash on hand at September 30, 2012 is not adequate to meet requirements for fiscal 2013 based on the Company's current budgeted expenditures for operations and exploration. 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. To meet working capital requirements, the Company will have to access financial resources through equity placements in the junior resource market, procure industry partners for its primary exploration projects and/or sell its projects in exchange for equity/cash. However, there can be no assurance that the Company will have access in the future to these financial resources.

Capital Resources
The Company has been successful in meeting its exploration capital requirements through the completion of equity placements. Range may be impacted by any potential downward trend in market conditions. Trends affecting Range's liquidity are dictated by the demands on financial resources created by the advancing nature of the Company's current exploration assets and the Company's ability to access the financial resources required to meet these demands. As the exploration properties advance through exploration, they typically require more capital-intensive programs that apply pressure to the Company's financial resources. Additional planned exploration programs on the non-producing leaseholds or other areas of interest will result in a steady drain to the Company's liquidity.

In acquiring the required capital to pursue the Company's business plan, the Company anticipates that capital will be generated from a combination of accessing equity markets, procuring industry partners for its primary exploration assets or sale of exploration assets for equity positions or cash.

Trends that affect the market generally, and the perception of Range within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for petroleum or natural gas and commodity prices. Trends in the perception of Range in the resource marketplace will be affected by general trends in the resource equity markets, the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

Uncertainty is a prevalent element in exploration and therefore can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

As of September 30, 2012, the Company has no long-term debt.

As of September 30, 2012, the Company has no long-term contractual agreements to acquire properties.

Transactions with Related Parties

In the normal course of business, Range has had transactions with individuals and companies considered related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, directors or insiders of the Company and by companies with which they are associated as owners, contractors or employees.

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 contract described below. The Board has approved this contract 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.

Pender Street Corporate Consulting Ltd. ("Pender") is an entity solely owned by Mr. Eugene Beukman. On January 1, 2012, Range entered into a service agreement with Pender to provide management and administrative services for a 12 month period for a fee of $3,500 (increased to $8,500 on September 1, 2012) per month plus HST and reimbursement of out-of-pockets costs. Mr. Eugene Beukman is the Interim Corporate Secretary and Interim Chief Financial Officer. During fiscal 2012, Pender charged fees of $53,700 for services rendered. Mr. Beukman replaced Ms. Jacqueline Tucker as Interim Chief Financial Officer on September 1, 2012. During fiscal 2012, $107,975 has been paid to a company controlled by Ms. Tucker.

Additionally, the Company paid consulting fees to Cantel Mining and Exploration Ltd. ("Cantel), a private company solely owned by Roger Bethell, a director. Cantel is paid on a per diem basis. During fiscal 2012, fees of $28,183 were paid or accrued to Cantel.

The Company's policy is to pay directors who are not receiving fees from the Company for management and consulting services an annual fee of US$25,000 prorated from date of appointment. For fiscal 2012, $76,423 (US$75,000) in aggregate has been paid to Allan Bezanson, Toufic Chahine, Michelle Upton and Pamela Powers to compensate them for their time to fulfill their duties and obligations to the Company in this capacity for the respective quarter.

Proposed Transactions

As at September 30, 2012, Range does not have any proposed material transactions.

Critical Accounting Estimates

The significant accounting policies used by Range are disclosed in note 3 to the audited consolidated financial statements for the year ended December 31, 2011. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion helps to assess the critical accounting policies and practises of the Company and the likelihood of materially different results being reported.

Exploration and evaluation assets

Exploration and evaluation costs related to an area of interest are carried forward as an intangible asset in the balance sheet where the rights to tenure of an area of interest are current and its expected expenditure will be recovered through the successful development and exploration of the area of interest or alternatively by its sale. Where these conditions are not met, such costs are written off as incurred. The expenditure is carried at cost less impairment. Unproven oil and gas properties are assumed to have an indefinite life until such time as production of the associated property commences at which time the definite life of the assets will be assessed based on the estimated reserves life.

Development expenditure incurred by or on behalf of the Company or acquired from a third party is also classified as an intangible asset and is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition cost and other costs directly attributable to the construction of a mine and the related infrastructure. This expenditure is carried at costs less impairment.

Exploration, evaluation and development costs are under intangible assets in the Consolidated Statement of Financial Position. Exploration, evaluation and development costs include all directly attributable expenditure together with the relevant depreciation of property equipment utilized within the project.

Once a development decision has been made, the carrying amount of the exploration, evaluation and development expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as “oil and natural gas property”.

No amortization is recognized in respect of exploration, evaluation and development expenditures until it is reclassified as an oil and natural gas property.

Exploration, evaluation and development expenditure and oil and natural gas property are tested annually for impairment if facts and circumstances indicate that impairment may exist. Exploration, evaluation and development expenditure is also tested for impairment once commercial reserves are found, before the assets are transferred to oil and natural gas property.

Share-Based Compensation and Warrants

Compensation expense for options and warrants granted is determined based on estimated fair values of the options and warrants at the time of grant, the cost of which is recognized over the vesting period of the respective options and grants. The key parameters impacting the calculation of fair value of options and warrants are the share volatility and the expected life.

Income taxes

The determination of income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Financial Instruments

Designation and Fair Value

Range classified its cash and cash equivalents as financial assets held-for-trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities. At September 30, 2012 and December 31, 2011, there were no significant differences between the carrying amounts of the financial instruments reported on the balance sheet and their estimated fair values due primarily to the short-term maturity of the financial instruments.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Currently, the certification required by the Company’s certifying officers under National Instrument 52-109 Certificate of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109F), the Venture Issuer Basic Certificate, does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. This includes:

i. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,
ii. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Disclosure for Venture Issuers without Significant Revenues

Refer to elsewhere in the MD&A or the Company's consolidated financial statements for capitalized or expensed exploration and development costs, general and administrative expenses and other material costs. Additional information relating to the Company is on SEDAR www.sedar.com.

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.

As at the date of this report, Range had 245,677,840 common shares issued of which 18,906 are held in escrow, 2,572,000 warrants and 6,262,500 options issued and outstanding.

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 various technical risks including geological and engineering risks, and environmental, commodity price, political and economic risks.

Financial Capability and Additional Financing \

The Company relies on equity financings to fund its activities. While it has been successful in raising funds in the past, there is no assurance that adequate funds will be available in the future. The Company has cash and cash equivalents of $3,159,407 and working capital of $3,174,738 at September 30, 2012. Based on current budgeted expenditures for operations and exploration, cash on hand at September 30, 2012 is not adequate to meet capital requirements for fiscal 2013. 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. To meet working capital requirements, the Company will have to access financial resources through equity placements in the junior resource market, procure industry partners for its primary exploration projects and/or sell its projects in exchange for equity/cash. However, there can be no assurance that the Company will have access in the future to these financial resources.

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.

A discussion of risk factors particular to the financial instruments is presented in note 11 of the unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2012.

Exploration Risk

The Company has no significant source of operating cash flow and no revenues from operations. The Company's primary asset is a 24.95% indirect interest in Gas Plus Khalakan Limited, which holds an 80% interest in the PSC. The Company's ability to direct the management of NAAZ2 and GPK is limited. 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.

Environmental Risk

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.

Political Policy Risk

All of the Company's oil and gas property interests are located in Kurdistan. As such, the Company's oil and gas property interests are subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determination or rulings by governmental authorities, changes in energy policies or in the personnel administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's oil and gas property interests are located, as well as risks of loss due to civil strife, acts of war, guerrilla activities, and insurrections. The Company's oil and gas property interests may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of the Company including, among other things, adverse legislation in Iraq and/or Kurdistan, a change in crude oil or natural gas pricing policy, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations, and the development and abandonment of fields.

The political and security situation in Iraq (outside Kurdistan) is unsettled and volatile. Kurdistan is the only Region that is constitutionally established pursuant to the Iraq Constitution. The political issues of federalism and the autonomy of Regions in Iraq are matters about which there are major differences between the various political factions in Iraq. These differences could adversely impact the PSC and the Company's interest in Kurdistan.

No federal Iraq legislation has yet been agreed to or enacted by the Iraq Council of Ministers (Cabinet) and Council of Representatives (Parliament) to address the future organization of Iraq's petroleum industry or the sharing of petroleum and other revenues with Iraq. Failure to enact legislation or the enactment of federal legislation contradictory to Kurdistan legislation could materially adversely impact the PSC and the Company's interest in Kurdistan.