

RANGE ENERGY RESOURCES INC.

Management's Discussion & Analysis

Three month period ended March 31, 2013

**800 West Pender Street, Suite 615
Vancouver, BC, Canada V6C 2V6
Tel: 604 687-2038 Facsimile: 604 687-3141
range@rangeenergyresources.com**

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 May 30, 2013 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2013 ("Q1-2013") and the audited consolidated financial statements for the year ended December 31, 2012 and the related notes thereto ("fiscal 2012"), which 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 developments 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, petroleum reserves estimates, work programs, capital expenditures, timelines, strategic plans, market price of oil or natural gas or other statements that are not statements 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 could cause actual results to differ materially from Range's expectations include uncertainties involved in disputes, arbitration 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

Private Placements

On March 12, 2013, the Company completed a private placement of 87,500,000 units at \$0.04 per unit for gross proceeds of \$3,500,000. Each unit consists of one common share and one share purchase warrant. Gulf LNG America, LLC ("Gulf") purchased 62,500,000 of the units for a total purchase price of \$2,500,000. Gulf now holds 130,400,000 common shares representing 39.14% of the issued and outstanding common shares. If Gulf exercised the right to acquire an additional 62,500,000 common shares, it would own 192,900,000 common shares representing 48.75% of the Company's issued and outstanding common shares. Proceeds from the private placement will be used to continue fulfilling its exploration and development obligations on the Khalakan Block, evaluating new opportunities and for general corporate purposes.

Corporate changes

There have been no changes in the current fiscal year to date in key management personnel. 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") that governs exploration and production activities with respect to the 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 learned from public sources that the drilling of an exploration well in the Khalakan Block commenced in March 2012. The Company also believes based on unsubstantiated sources that this first well was completed but was non-producing. Cumulative public evidence indicates that new construction for a second well is underway.

Outlook

Range continues to meet all relevant obligations related to the Khalakan PSC and anticipates the 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 as well as results of any exploration or production activities under 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 Black Gold Khalakan Limited. The arbitration hearing was commenced and completed during the last week in April 2013 in London under the Arbitration Rules of the International Chamber of Commerce. The Company has requested remedies that would enable the Company to obtain information regarding its investment in the Khalakan Block. The arbitration tribunal has not yet issued its ruling in the proceeding. The Company anticipates results of these proceedings in the upcoming months. Range is also seeking additional 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 continues to review other opportunities as they may arise 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. Under the terms of the LOI, the Company loaned Blackstairs CAD\$497,450 (US\$500,000) for working capital purposes. As security for this loan, certain shares in Blackstairs were pledged to Range. 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 became repayable within 180 days from April 30, 2012, bearing 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' obligation to repay the outstanding loan and accrued interest, and to forbear from exercising remedies arising from Blackstairs' failure to timely repay this loan, for a period ending no later than December 1, 2012. The Company agreed to this waiver 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. Blackstairs did not timely repay the principal amount of the loan or accrued and unpaid interest. Range subsequently took the steps necessary to cause the pledged shares to be registered in the name of Range on Blackstairs' share register. Renegotiation of repayment of the loan receivable

is ongoing. Range has reserved the right to pursue all rights and remedies available to it. Management estimates that the fair value of the pledged shares likely exceeds the carrying value of the loan receivable and therefore management believes the carrying value of the loan receivable at March 31, 2013 is recoverable.

On December 14, 2012, the Company was advised that New Age (African Global Energy) Limited purchased from Black Gold Holdings Limited 100% of the equity interests in Black Gold Khalakan Limited. Black Gold Khalakan Limited holds 50.1% of the equity interests in NAAZ2. Following this transfer, New Age (African Global Energy) Limited owns, directly and indirectly, 75.05% of the equity interests in GPK, while Range owns, indirectly, 24.95% of the equity interests in GPK.

Financial Position

As at March 31, 2013, the Company had current assets of \$4,191,935 and current liabilities of \$362,361 compared to current assets of \$1,723,894 and current liabilities of \$280,298 as at December 31, 2012. At March 31, 2013, the Company had working capital of \$3,829,574 compared to a working capital of \$1,443,596 at December 31, 2012.

The Company had cash and cash equivalents of \$3,640,089 at March 31, 2013 compared to \$1,178,421 at December 31, 2012. During the three month period ended March 31, 2013, the Company recorded cash outflows from operations of \$304,241 compared to cash inflows of \$58,699 in the comparable period of 2012. 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 Q1-2013 includes \$709,091 (Q1-2012 - \$2,125,885) being cash called for its share of expenditures on the Khalakan Block. Additionally in Q1-2012, 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.

Cash provided by financing activities during Q1-2013 was \$3,475,000 (Q1-2012 - \$nil) from a private placement, consisting of gross proceeds of \$3,500,000 less capital raising costs of \$25,000.

Results of Operations

(Three month period ended March 31, 2013 (Q1-2013) compared with three month period ended March 31, 2012 (Q1-2012))

	Q1 - 2013	Q1-2012
	(Unaudited)	(Unaudited)
Expenses		
Audit and related fees	\$ -	\$ 15,000
Consulting	\$ 71,722	55,996
Depreciation	\$ 80	114
Directors fees	\$ 25,390	24,978
General and administrative	\$ 36,143	4,181
Legal fees	\$ 226,577	72,248
Management fees	\$ 25,500	49,100
Share-based compensation	\$ -	161,645
Transfer agent and filing fees	\$ 2,652	2,221
Travel and promotion	\$ 150	2,809
Loss before the following	(388,214)	(388,292)
Interest income	8,203	21,155
Net loss and comprehensive loss for period	\$ (380,011)	\$ (367,137)
Loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares used in calculation of loss per share - basic and diluted	265,103,378	232,240,028

Net loss

The Company reported a net loss of \$380,011 (\$0.00 per share) for Q1-2013 as compared to a net loss of \$367,137 (\$0.00 per share) for the same period in 2012. Included in the current period's results is interest earned of \$8,203 (Q1-2012 - \$21,155) on surplus funds from the financings and interest accrued on the loan receivable. Surplus funds were invested in variable rate term deposits.

Expenses

Operating expenses for Q1-2013 totalled \$388,214 compared to Q1-2012 expenses of \$388,292. Included in expenses in Q1-2012 was a charge of \$161,645 for share-based compensation. After adjustment for share-based compensation, expenses totalled \$388,214 for Q1-2013 compared to \$226,647 for Q1-2012, representing an increase of \$161,567 or 71%. The significant factors that contributed to the variances are discussed below:

Audit and related fees for Q1-2013 totalled \$nil compared to \$15,000 for Q1-2012 representing a decrease of \$15,000. During Q1-2012, audit and related fees were expensed as these fees were not fully accrued as at December 31, 2011.

Consulting fees for Q1-2013 totalled \$71,722 compared to \$55,996 for Q1-2012 representing an increase of \$15,726. During Q1-2013 and Q1-2012, fees of US\$15,000 per month were paid or accrued to EMK Energy MetriKs Limited for Farid Zouioueche to provide various consulting services to the Company, including acting as the Range-nominated director on the board of NAAZ2. In Q1-2013, fees were paid for corporate consulting while all

remaining fees were paid to Cantel Mining & Exploration Ltd. for the services of Roger Bethell in evaluating potential project opportunities.

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

General and administrative expenses totalled \$36,143 for Q1-2013 compared to \$4,181 for Q1-2012 representing an increase of \$31,962. Included in this category are bank fees, communications lines (telephone, facsimile and internet), delivery, office supplies, printing, insurance, rent and foreign exchanges gains and losses. The increase in this expense category is primarily a result of an increase in insurance costs of \$6,224 and a net increase in foreign exchange losses of \$23,991 during Q1-2013 compared to Q1-2012.

Legal fees for Q1-2013 totalled \$226,577 compared to \$72,248 for the comparable period in the prior year. The increase in fees accrued and paid during Q1-2013 is primarily a result of legal fees incurred on the arbitration proceedings initiated by the Company.

Management fees for Q1-2013 totalled \$25,500 compared to \$49,100 for the comparable period in the prior year, representing a decrease of \$23,600 or 48%. This decrease was primarily due to a reduction in fees paid to the Interim Chief Financial Officer and related accounting fees.

During Q1-2012, the Company recorded share-based compensation expense of \$161,645 for the award of options to a director.

Summary of Quarterly Results

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
31-Mar-13	-	(380,011)	(0.00)	(0.00)
31-Dec-12	-	(85,637)	(0.00)	(0.00)
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)

* 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

On March 12, 2013, the Company issued 87,500,000 common shares for gross proceeds of \$3,500,000. However, cash on hand at March 31, 2013 is not adequate to meet requirements for fiscal 2013 based on the Company's current budgeted expenditures for operations and exploration. There is material uncertainty 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 project and/or sell its project 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 for petroleum resources 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 March 31, 2013, the Company has no long-term debt.

As of March 31, 2013, 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 Chief Financial Officer of Range. During Q1-2013, Pender charged fees of \$25,500 for services rendered. Mr. Beukman replaced Ms. Jacqueline Tucker as Interim Chief Financial Officer on September 1, 2012. During Q1-2012, \$38,600 had been paid or accrued 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 Q1-2013 fees of \$10,415 were paid or accrued to Cantel compared to \$9,850 for the comparable period in the prior year.

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 Q1-2013 \$25,390 (US\$25,000) in aggregate has been paid or accrued 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 March 31, 2013, 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, 2012. 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 disclosed 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 March 31, 2013 and December 31, 2012, 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 333,177,840 common shares issued of which 18,906 are held in escrow, 89,625,000 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 \$3,640,089 and working capital of \$3,829,574 at March 31, 2013. Based on current budgeted expenditures for operations and exploration, cash on hand at March 31, 2013 is not adequate to meet capital requirements for fiscal 2013. There is a material uncertainty 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 interest in the Khalakan Block. 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 13 of the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2013.

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 Khalakan PSC. The Company's ability to direct the management of NAAZ2 and GPK is extremely 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 has limited access to information on the current state of exploration and development of the Khalakan Block.

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, adverse actions 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.