Range Energy Resources Inc.

Consolidated Financial Statements

As at and for the years ended December 31, 2014 and 2013

Expressed in Canadian dollars

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Range Energy Resources Inc.

We have audited the accompanying consolidated financial statements of Range Energy Resources Inc. which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of changes in equity, comprehensive income (loss) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Range Energy Resources Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Range Energy Resources Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 28, 2015

Range Energy Resources Inc.
Consolidated Statements of Financial Position

Expressed in Canadian Dollars

	December 31, 2014	December 31, 2013
Current assets		
Cash and cash equivalents	$ 850,416	$ 4,086,880
Amounts receivable (note 5)	3,232,025	23,743
Loan receivable (note 6)	1	1
Prepaid expenses	32,363	28,823
	4,114,805	4,139,447
Non-current assets		
Property and equipment (note 7)	525	749
Long-term investment (note 8)	42,549,776	33,667,670
	42,550,301	33,668,419
Total assets	**$ 46,665,106**	**$ 37,807,866**
Current liabilities		
Accounts payable and accrued liabilities (note 11)	$ 345,836	$ 73,747
Equity		
Share capital (note 9(a) & (b))	41,395,590	38,222,807
Reserves (note 9(c))	19,334,292	16,136,583
Deficit	(14,410,612)	(16,625,271)
	46,319,270	37,734,119
Total liabilities and equity	**$ 46,665,106**	**$ 37,807,866**

Nature of operations and going concern (note 1)
Commitment (note 12)
Subsequent events (note 16)

Approved on Behalf of the Board of Directors:

(signed) Toufic Chahine

(signed) Allan Bezanson

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

Range Energy Resources Inc.
Consolidated Statements of Changes in Equity

Expressed in Canadian Dollars

	Share Capital		Reserves			
	Number of shares	Amount	Warrants	Contributed surplus	Deficit	Total equity
Balance - December 31, 2012	245,677,840	$ 33,838,842	$ 576,573	$ 10,368,975	$ (14,596,816)	$ 30,187,574
Private placements	209,500,000	4,419,867	5,180,133	-	-	9,600,000
Warrants expired	-	-	(67,279)	67,279	-	-
Capital raising costs	-	(35,902)	10,902	-	-	(25,000)
Net loss for year	-	-	-	-	(2,028,455)	(2,028,455)
Balance - December 31, 2013	455,177,840	38,222,807	5,700,329	10,436,254	(16,625,271)	37,734,119
Private placements	124,791,726	3,206,236	3,182,309	-	-	6,388,545
Warrants expired	-	-	(509,294)	509,294	-	-
Capital raising costs	-	(33,453)	15,400	-	-	(18,053)
Net income for year	-	-	-	-	2,214,659	2,214,659
Balance - December 31, 2014	579,969,566	$ 41,395,590	$ 8,388,744	$ 10,945,548	$ (14,410,612)	$ 46,319,270

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

Range Energy Resources Inc.
Consolidated Statements of Comprehensive Income (Loss)

Expressed in Canadian Dollars

	For the years ended December 31,	
	2014	**2013**
Expenses		
Audit and related fees	$ 15,700	$ 38,000
Consulting fees (note 11)	97,886	110,553
Depreciation	224	321
Directors fees (note 11)	100,000	103,973
General and administrative (note 11)	67,714	61,676
Legal fees	483,314	1,040,610
Management fees (note 11)	103,500	102,000
Transfer agent and filing fees	18,768	18,223
Travel and promotion	-	30,887
Loss before other income (expenses)	(887,106)	(1,506,243)
Arbitration award (note 5(a))	3,047,560	-
Interest income	7,185	53,135
Foreign exchange gain	60,263	-
Impairment of amounts receivable (note 5(b))	(13,243)	-
Impairment of loan receivable (note 6)	-	(575,347)
Net income (loss) and comprehensive income (loss) for the year	$ 2,214,659	$ (2,028,455)
Earnings (loss) per share - basic and diluted	$ 0.00	$ (0.01)
Weighted average number of common shares - basic and diluted	503,776,050	336,767,153

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

Range Energy Resources Inc.
Consolidated Statements of Cash Flows

Expressed in Canadian Dollars

	For the years ended December 31, 2014	2013
Operating activities		
Net income (loss) for the year	$ 2,214,659	$ (2,028,455)
Accrued interest on loan receivable	-	(25,808)
Depreciation	224	321
Unrealized foreign exchange gain	-	(36,273)
Impairment of amounts receivable	13,243	-
Impairment of loan receivable	-	575,347
Arbitration award (note 5(a))	(3,047,560)	-
	(819,434)	(1,514,868)
Changes in non cash working capital items		
Amounts receivable	(173,965)	(13,535)
Prepaid expenses	(3,540)	(6,825)
Accounts payable and accrued liabilities	272,089	(206,551)
Cash used in operating activities	(724,850)	(1,741,779)
Investing activity		
Cash call payments to New Age Al Zarooni 2 Limited (note 8)	(8,882,106)	(4,924,762)
Cash used in investing activity	(8,882,106)	(4,924,762)
Financing activities		
Private placements (note 9(b))	6,388,545	9,600,000
Capital raising costs	(18,053)	(25,000)
Cash provided by financing activities	6,370,492	9,575,000
Increase (decrease) in cash and cash equivalents	(3,236,464)	2,908,459
Cash and cash equivalents - beginning of year	4,086,880	1,178,421
Cash and cash equivalents - end of year	$ 850,416	$ 4,086,880
Cash and cash equivalents consist of:		
Cash	$ 850,416	$ 586,880
Guaranteed investment certificates	-	3,500,000
	$ 850,416	$ 4,086,880

The accompanying notes are an integral part of these 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 Securities Exchange (“CSE”) 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 615, 800 West Pender Street, Vancouver, BC V6C 2V6. The Company is a development stage company engaged in investing in entities involved in the acquisition, exploration and development of oil and gas properties. As at December 31, 2014, 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.

These 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 year ended December 31, 2014, the Company incurred negative operating cash flows of $724,850 and has no sources of recurring revenues. As at December 31, 2014, the Company has accumulated losses since inception of $14,410,612. 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 it may be unable 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; and,
- The realization of returns from its investment 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 consolidated financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

Based on the financial position at December 31, 2014, available funds are not considered adequate to meet requirements for fiscal 2015 based on budgeted expenditures for funding of the Company’s long-term investment. 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 with International Financial Reporting Standards

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Committee (“IFRIC”).

These consolidated financial statements have been authorized for release by the Company’s Board of Directors on April 28, 2015.

3. Significant accounting policies

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

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

(b) Consolidation

These consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, Faucon Hec Resources Ltd. (formerly Range Oil & Gas (North Iraq) Inc.). All intercompany transactions and balances are eliminated on consolidation.

(c) Foreign currency transactions

Transactions in currencies other than the functional currency of the reporting entity are recorded at rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit and term deposits with banks with maturities of 90 days or less at inception.

(e) Accounts receivable

Accounts receivable are stated at carrying value, which approximates its fair value due to short terms to maturity, less provisions for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due accordingly.

(f) Property and equipment

Property and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided for on a declining balance basis at rates calculated to write off the cost less estimated residual value of each asset over it expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life.

Computer hardware and software are being depreciated at the rate of 30% per annum on a declining balance basis.

The carrying value of tangible capital assets is assessed annually and any impairment charged to the consolidated statement of comprehensive income (loss). The expected useful life of tangible capital assets is reviewed annually.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in comprehensive income (loss) in the year the item is derecognized.

3. Significant accounting policies – continued

(g) Investments

Investments not subject to significant influence are designated as available-for-sale and accounted for at fair value. In limited circumstances, cost may be an appropriate estimate of the fair value of an investment with no quoted price in an active market. Transaction costs related to the acquisition of investments are recognized as expenses in the consolidated statement of comprehensive income (loss) when incurred.

(h) Impairment of a non-financial asset

At each consolidated statement of financial position date, or when impairment indicators are evident, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of the fair market value less costs to sell and the value in use.

Previously recognized impairment losses are reversed in subsequent periods if the conditions giving rise to impairment reverse.

(i) Share-based payment transactions

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based payments. The fair value is calculated using the Black-Scholes Option Pricing Model (“Black-Scholes”).

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share-based payments for non-employees is determined based on the fair value of the goods or services received or if the fair value of the services received cannot be reliably measured, the options granted are measured at the date on which the Company obtains the goods or services

Share-based compensation expense is recognized over each tranche’s vesting period in the consolidated statement of comprehensive income (loss), or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on the grant date. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(j) Share capital

Proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. In a unit offering, the Company prorates the proceeds between common shares and warrants using the relative fair value method. Share issuance costs are recorded as a reduction of share capital.

(k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected payable on the taxable income for the period using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

3. Significant accounting policies – continued

(k) Income taxes (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the liability method. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using rates enacted or substantively enacted at the consolidated statement of financial position date.

(l) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization period.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated further cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of comprehensive income (loss).

Available-for-sale – Non-derivative financial assets not included in one of the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of comprehensive income (loss).

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which is described above.

3. Significant accounting policies – continued

(m) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

Financial liabilities at FVTPL – These financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value and changes therein are recognized in profit and loss.

Other financial liabilities – These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company classifies its financial liabilities as other financial liabilities.

(n) Earnings (loss) per share

The calculation of earnings (loss) per share is based on the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share is calculated whereby all "in the money" stock options and warrants are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. If the Company incurs net losses during the period, basic and diluted loss per share are the same as the exercise of options and warrants is considered to be anti-dilutive.

(o) Segment reporting

The Company operates in a single reportable operating segment – investing in entities involved in the acquisition, exploration and development of oil and gas properties.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(q) New accounting policies

On January 1, 2014, the Company adopted new standards with respect to levies (IFRIC 21), and amendments to recoverable amount disclosures (IAS 36). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

The following future changes in accounting pronouncements are not yet effective as of December 31, 2014:

IFRS 9, Financial Instruments: Classification and Measurement
IFRS 9 was issued in December 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted if the date of initial application is before February 1, 2015, introduces new requirements for the classification and measurement of financial instruments. IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

3. Significant accounting policies – continued

(q) New accounting policies (continued)

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures
The amendments to IFRS 10, IFRS 12 and IAS 28 were issued by the IASB in December 2014 to address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments provide clarification on the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. It also clarifies that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity and when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2016. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2016. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*
The IASB issued amendments to IAS 1 in December 2014 to address perceived impediments to preparers exercising their judgement in presenting their financial statements by clarifying that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2016. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

4. Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated 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 following 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. Significant areas requiring management judgement include:

4. Significant accounting estimates and judgments - continued

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

Utilization of deferred income tax assets

Deferred tax assets require management judgement in order to determine the amounts to be recognized and the likelihood that there will be future taxable income for which the deferred tax assets can be utilized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

Impairment assessments of long-term investment and loan receivable

Application of the factors of impairment to the facts and circumstances of the long-term investment and loan receivable requires a significant amount of judgement.

Significant areas requiring the use of management estimates include the valuation of loan receivable, valuation of amounts receivable, valuation of the long-term investment, valuation of warrants and share-based payments, recognition of deferred income tax assets and deferred income tax rates.

5. Amounts receivable

		December 31, 2014		December 31, 2013
Arbitration gain receivable (a)	$	3,227,138	$	-
GST receivable (b)		4,887		7,788
Interest receivable		-		15,955
Total	$	3,232,025	$	23,743

(a) On May 27, 2014, the International Chamber of Commerce issued a final arbitration award in which it was held that an amount equal to $2,737,960 (US$2,512,351) plus accrued interest (which ultimately amounted to $65,573 (US$59,075) must be paid to the Company for the costs that the Company incurred in connection with the arbitration proceeding that the Company commenced against New Age Alzarooni 2 Limited and Black Gold Khalakan Limited. In a proceeding commenced to challenge this arbitration award, the court ordered on December 19, 2014 that the claimants pay to the Company an amount equal to $244,027 (US$210,350) for the costs that the Company incurred in connection with this proceeding. As at December 31, 2014, the balance consists of a foreign exchange translation gain of $179,578. The arbitration awards and accrued interest were received in full subsequent to year end (note 16(a)).

(b) During the year ended December 31, 2014, the Canada Revenue Agency disallowed $13,243 in GST input tax credits claimed by the Company. The disallowed amounts have been written off during the current year.

6. 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. Under the terms of the LOI, the Company loaned Blackstairs US$500,000 for working capital purposes. As security for this loan, certain shares in Blackstairs were pledged to the Company. 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.

6. Loan receivable - continued

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 if it was not timely repaid. Blackstairs failed to make payment by December 1, 2012. By letter dated December 11, 2012, and again by letter dated February 15, 2013, the Company demanded that Blackstairs make payment of all outstanding principal of, and interest on, the loan. Blackstairs did not timely repay these amounts by the February 18, 2013 date specified in the Company's February 15, 2013 letter. The Company subsequently took the steps necessary to cause the pledged shares to be transferred to the Company and registered in the name of the Company on Blackstairs' share register.

By letter dated December 22, 2014, the Company was informed that Deloitte & Touche was appointed liquidator of Blackstairs.

The Company has reserved the right to pursue all rights and remedies available to it. As the fair value of the pledged shares is indeterminable at December 31, 2014 and 2013, the loan receivable was written down by $575,347 to a nominal amount during the year ended December 31, 2013. As at December 31, 2014, total principal of US$500,000 and accrued interest of US$40,944, is due to the Company.

7. Property and equipment

	Computer hardware and software		
	Cost	Accumulated depreciation	Net book value
Balance – December 31, 2012	$ 4,639	$ (3,569)	$ 1,070
Depreciation	-	(321)	(321)
Balance – December 31, 2013	4,639	(3,890)	749
Depreciation	-	(224)	(224)
Balance – December 31, 2014	$ 4,639	$ (4,114)	$ 525

8. Long-term investment

On November 6, 2009, Range Oil & Gas Inc. entered into a share acquisition agreement with a privately held company (the "Vendor") under which the Company purchased 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 (expired November 2014); and,
(d) US$44,000 ($46,728) of expenses reimbursed to the Vendor.

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

8. Long-term investment – continued

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.

Under the GPK shareholders agreement, a company beneficially owned by a third party is entitled to a 40% interest in the net profits ("NPI") of the project. At any time, the 40% NPI may be exchanged for 40% of the issued common shares of GPK for a price equal to US$1 per common share. In addition, a 3.5% interest in the net profits is payable to the current operator under a management services agreement.

The NAAZ2 shareholders agreement requires each shareholder to fund its cash calls based on its ownership interest. If a shareholder fails to fund its portion of these cash calls, the non-defaulting shareholder has the option to fund any shortfalls and thereby increasing its relative interest in NAAZ2, and in turn its indirect interest in GPK. Should the non-defaulting shareholder decline to fund any shortfalls, a buy-out event may be triggered under which the defaulting party's interest may be purchased by the non-defaulting party for a price pre-determined by a formula in the shareholders agreement. During the year ended December 31, 2014, the Company funded cash calls made by NAAZ2 totalling $8,882,106 (US $8,161,603) (December 31, 2013 - $4,924,762 (US $4,747,385)).

The GPK shareholders agreement requires each shareholder to fund its proportional share of cash calls based on its shareholdings. If a shareholder fails to fund its portion of these cash calls, the non-defaulting shareholder will have the option to fund any shortfalls and thereby increase its relative interest in GPK. Should the non-defaulting shareholder decline to fund any shortfalls, a buy-out event may be triggered under which the defaulting party's interest may be purchased by the non-defaulting party for a price pre-determined by a formula in the shareholders agreement.

9. 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 March 12, 2013, the Company closed a non-brokered private placement of 87,500,000 units at $0.04 per unit for gross proceeds of $3,500,000. Each unit is comprised of one common share and one transferable share purchase warrant entitling the holder to acquire one additional common share at a price of $0.05 per share up to March 12, 2015. An additional 625,000 finders' warrants were issued each entitling the holder to purchase one common share for $0.05 on or before March 12, 2015.

On November 1, 2013, the Company closed a non-brokered private placement of 122,000,000 units at $0.05 per unit for gross proceeds of $6,100,000. Each unit is comprised of one common share and one transferrable share purchase warrant entitling the holder to acquire one additional common share at a price of $0.05 per share up to November 1, 2018.

On May 21, 2014, the Company closed a non-brokered private placement of 29,791,726 units at $0.055 per unit for gross proceeds of $1,638,545. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.07 per share up to May 21, 2019. The Company paid a finders' fee of $18,053 and issued 328,222 finders' warrants with an estimated fair value of $15,400. Each finder's warrant entitles the finder to purchase one common share for $0.07 on or before May 21, 2015.

On June 19, 2014, the Company closed a non-brokered private placement of 25,000,000 units at $0.05 per unit for gross proceeds of $1,250,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.07 per share up to June 19, 2019.

9. Equity – continued

(b) Private placements - continued

On July 17, 2014, the Company closed a non-brokered private placement of 20,000,000 units at $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.055 per share up to July 17, 2019.

On October 20, 2014, the Company closed a non-brokered private placement of 20,000,000 units at $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.05 per share up to October 20, 2019.

On November 14, 2014, the Company closed a non-brokered private placement of 30,000,000 units at $0.05 per unit for gross proceeds of $1,500,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.05 per share up to November 14, 2019.

(c) Reserves

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

(d) Warrants

	December 31, 2014		December 31, 2013	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	211,625,000	$ 5,700,329	2,572,000	$ 576,573
Warrants issued	125,119,948	3,197,709	210,125,000	5,191,035
Warrants expired	(1,500,000)	(509,294)	(1,072,000)	(67,279)
Closing balance	335,244,948	$ 8,388,744	211,625,000	$ 5,700,329

The fair value of the 125,119,948 warrants issued in connection with the unit private placements completed during the year ended December 31, 2014 totalled $3,197,709.

At December 31, 2014, warrants outstanding are as follows:

Number of warrants outstanding and exercisable	Range of exercise prices	Weighted average exercise price of warrants exercisable	Weighted average remaining contractual life
88,453,222	$0.05-0.07	$0.05	0.20 years
122,000,000	$0.05	$0.05	3.84 years
124,791,726	$0.05-0.07	$0.06	4.61 years
335,244,948			

9. Equity – continued

(d) Warrants (continued)

The warrants issued during the year ended December 31, 2014 were valued using the Black-Scholes Option Pricing Model, using the following assumptions:

Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants issued	Fair value
1 year	255%	0%	1.05%	328,222	$ 15,400
5 years	248%	0%	1.56%	29,791,726	816,889
5 years	246%	0%	1.54%	25,000,000	623,215
5 years	232%	0%	1.50%	20,000,000	497,823
5 years	235%	0%	1.43%	20,000,000	497,882
5 years	235%	0%	1.53%	30,000,000	746,500
				125,119,948	$ 3,197,709

A total of 88,125,000 warrants expired subsequent to year end unexercised (note 16(c)).

(e) Stock options

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 10 years. The exercise price of options granted under the Plan shall be determined by the Company's directors, provided that such price shall not be lower than the closing share price on the day before the grant date less the applicable discount permitted under CSE 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 years ended December 31, 2014 and 2013:

	December 31, 2014		**December 31, 2013**	
	Number of options	**Weighted average exercise price of options exercisable**	**Number of options**	**Weighted average exercise price of options exercisable**
Opening balance	6,262,500	$0.27	6,262,500	$0.27
Options expired	(262,500)	$0.35	-	-
Closing balance	6,000,000	$0.27	6,262,500	$0.27

At December 31, 2014, 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**
4,000,000	$0.30	$0.30	0.02 years
2,000,000	$0.20	$0.20	2.16 years
6,000,000			

A total of 4,000,000 options expired subsequent to year end unexercised (note 16(b)).

10. Income tax

The Company's provision for income taxes differs from amounts computed by applying the combined Canadian federal and provincial income tax rates, as a result of the following:

		2014		2013
Enacted rates		26.00%		25.75%
Income tax recovery (expense) computed at statutory rates	$	(575,811)	$	522,327
Permanent differences		(144,896)		6,438
Change in tax rates and other		74,794		126,747
Expiration of non-capital losses		(23,673)		-
Change in deferred assets not recognized		669,586		(655,512)
Recovery of (provision for) income taxes	$	-	$	-

The tax effects of temporary timing differences that give rise to significant components of the deferred tax assets and deferred tax liabilities are as follows:

		2014		2013
Deferred tax assets				
Financing costs	$	35,195	$	60,280
Non-capital loss carry forwards		2,789,105		3,458,442
Other		201,952		177,116
Total gross deferred tax assets		3,026,252		3,695,838
Deferred tax assets not recognized		(3,026,252)		(3,695,838)
Net deferred tax assets	$	-	$	-

At December 31, 2014, the Company has non-capital losses of approximately $10,727,325 which may be carried forward to apply against future year's income for Canadian income tax purposes, subject to final determination by taxation authorities, expiring as follows:

2028	748,128
2029	1,987,052
2030	2,448,244
2031	804,696
2032	2,316,825
2033	2,422,380
	$ 10,727,325

11. Related party transactions and balances

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.

The Company entered into a corporate management agreement for accounting services with a company controlled by the Chief Financial Officer that expired on December 31, 2014 (note 12). This management agreement will automatically renew for an additional 12 months after the date of expiry.

Details of key management personnel compensation are as follows:

		2014		2013
Services provided:				
Consulting fees	$	27,196	$	29,162
Directors fees		100,000		103,973
Management fees		103,500		102,000
Rent and storage		12,000		13,000
Key management personnel compensation	$	242,696	$	248,135
Balances payable to key management personnel	$	162,526	$	36,586

12. Commitment

The Company is party to a corporate management and accounting services agreement that expired on December 31, 2014 (note 11). This management agreement will automatically renew for an additional 12 months after date of expiry. The future minimum payments are $102,000 for the year ending December 31, 2015.

13. 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:

	December 31, 2014			December 31, 2013		
	Canada	Channel Islands	Total	Canada	Channel Islands	Total
Property and equipment	$ 525	$ -	$ 525	$ 749	$ -	$ 749
Long-term investment	-	42,549,776	42,549,776	-	33,667,670	33,667,670
Total	$ 525	$ 42,549,776	$ 42,550,301	$ 749	$ 33,667,670	$ 33,668,419

14. Financial instruments

The Company's financial instruments include cash and cash equivalents, loan receivable, long-term investment and accounts payable. The carrying value of cash and cash equivalents, amounts receivable and accounts payable as presented in these consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments. Long-term investment does not have a reliably measurable fair value as it does not have a quoted market price in an active market.

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.

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
Amounts receivable	Loans and receivables	n/a
Loan receivable	Loans and receivables	n/a
Long-term investment	Available-for-sale	n/a
Accounts payable	Other financial liabilities	n/a

See the Company's consolidated statements of financial position for financial instrument balances as at December 31, 2014 and 2013.

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 and currency risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash and cash equivalents, amounts receivable and loan receivable. Cash and cash equivalents are held with an investment grade Canadian financial institution as assessed by external rating agencies. The deposits held with this institution may exceed the amount of insurance provided on such deposits. Management believes the risk of loss to be minimal. As at December 31, 2014, the Company's maximum credit risk is the carrying value of cash and cash equivalents, amounts receivable and loan receivable.

(b) 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.

(c) 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 December 31, 2014, the Company has a working capital surplus of $3,768,969. 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.

14. Financial instruments - continued

(c) Liquidity risk (continued)

Contractual undiscounted cash flow requirements of financial liabilities at December 31, 2014 are as follows:

	Carrying value $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $	Total
Accounts payable	320,836	320,836	-	-	320,836

(d) Interest rate risk

As at December 31, 2014, the Company does not hold any variable rate term deposits. The Company is not subject to any significant interest rate risk.

(e) 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 its underlying its long-term investment (note 8). 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 December 31, 2014, a strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would result in a decrease (increase) in the Company's net income and comprehensive income by $297,000 as a result of the significant amount receivable in the United States dollar from the arbitration proceeding.

15. 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 a 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.

16. Subsequent events

From January 1, 2015 to April 28, 2015:

(a) The Company received total proceeds of US$2,512,351 and accrued interest of US$59,075 as a cost reimbursement award from the arbitration case between the Company versus New Age Alzarooni 2 Limited (NAAZ2) and Black Gold Khalakan Limited. The Company also received total proceeds equal to US$210,350 as a cost reimbursement award from an English court hearing that challenged the arbitration award.

(b) A total of 4,000,000 stock options with an exercise price of $0.30 expired unexercised.

(c) A total of 88,125,000 warrants with an exercise price of $0.05 expired unexercised.

(d) The Company funded cash calls made by NAAZ2 totalling $1,833,201 (US$1,497,499).