Range Energy Resources Inc.

Condensed interim consolidated financial statements

As at and for the nine month period ended September 30, 2015

Expressed in Canadian dollars

(Unaudited – prepared by management)

RANGE ENERGY RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

Expressed in Canadian Dollars

		September 30 2015		December 31, 2014
Current assets				
Cash and cash equivalents	$	115,077	$	850,416
Amounts receivable		-		3,232,025
Loan receivable (note 5)		1		1
Prepaid expenses		-		32,363
		115,078		4,114,805
Non-current assets				
Property and equipment (note 6)		407		525
Long-term investment (note 7)		47,182,353		42,549,776
		47,182,760		42,550,301
Total assets	**$**	**47,297,838**	**$**	**46,665,106**
Current liabilities				
Accounts payable and accrued liabilities	$	647,082	$	345,836
Shareholders' equity				
Share capital (note 8(a) & (b))		42,485,693		41,395,590
Reserves (note 8(c))		19,587,559		19,334,292
Deficit		(15,422,496)		(14,410,612)
		46,650,756		46,319,270
Total liabilities and shareholders' equity	**$**	**47,297,838**	**$**	**46,665,106**

Nature of operations and going concern (note 1)
Commitment (note 10)
Subsequent event (note 14)

Approved on Behalf of the Board of Directors:

(signed) Toufic Chahine

(signed) Allan Bezanson

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

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

Expressed in Canadian Dollars

	Share capital		Reserves			
	Number of shares	Amount	Warrants	Contributed surplus	Deficit	Total equity
Balance - December 31, 2013	455,177,840	$ 38,222,807	$ 5,700,329	$ 10,436,254	$ (16,625,271)	$ 37,734,119
Private placement	74,791,726	1,950,618	1,937,927	-	-	3,888,545
Capital raising costs	-	(33,453)	15,400	-	-	(18,053)
Net loss for period	-	-	-	-	(576,936)	(576,936)
Balance - September 30, 2014	529,969,566	40,139,972	7,653,656	10,436,254	(17,202,207)	41,027,675
Private placement	50,000,000	1,255,618	1,244,382	-	-	2,500,000
Warrants expired	-	-	(509,294)	509,294	-	-
Net loss for period	-	-	-	-	2,791,595	2,791,595
Balance - December 31, 2014	579,969,566	$ 41,395,590	$ 8,388,744	$ 10,945,548	$ (14,410,612)	$ 46,319,270
Private placements	24,345,500	1,090,103	127,172	-	-	1,217,275
Stock-based compensation	-	-	-	126,095	-	126,095
Warrants expired	-	-	(1,552,586)	1,552,586	-	-
Net loss for period	-	-	-	-	(1,011,884)	(1,011,884)
Balance - September 30, 2015	604,315,066	$ 42,485,693	$ 6,963,330	$ 12,624,229	$ (15,422,496)	$ 46,650,756

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

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

Expressed in Canadian Dollars

	Three month period ended September 30, 2015	Three month period ended September 30, 2014	Nine month period ended September 30, 2015	Nine month period ended September 30, 2014
Expenses				
Audit and related fees	$ (13,765)	$ 2,200	$ 935	$ (9,300)
Consulting	25,821	24,133	76,462	73,435
Depreciation	39	57	118	169
Directors fees	16,922	25,000	66,922	75,000
General and administrative	20,358	15,084	58,008	49,841
Legal fees	292,081	155,525	728,482	175,952
Management fees	30,349	25,500	81,349	76,500
Stock-based compensation	126,095	-	126,095	-
Transfer agent and filing fees	5,985	4,951	15,772	14,727
Travel and promotion	(1,452)	-	7,060	-
Loss before other income	(502,433)	(252,450)	(1,161,203)	(456,324)
Interest income	-	7,646	-	29,947
Foreign exchange gain or (loss)	(17,968)	1,343	154,206	(114,003)
Write-down of loan receivable (note 5)	-	(8,602)	-	(13,244)
Write-down of amounts receivable	(4,887)	(13,244)	(4,887)	(23,312)
Net loss and comprehensive loss for period	$ (525,288)	$ (265,307)	$ (1,011,884)	$ (576,936)
Loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares - basic and diluted	597,977,887	526,273,914	586,038,304	484,342,237

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

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

Expressed in Canadian Dollars

	Nine month period ended September 30, 2015	2014
Operating activities		
Net loss for period	$ (1,011,884)	$ (576,936)
Accrued interest on loan receivable	-	(22,763)
Depreciation	118	169
Stock-based compensation	126,095	-
Unrealized foreign exchange gain	(202,270)	(549)
Write-down of amounts receivable	4,887	13,244
Write-down of loan receivable	-	23,312
	(1,083,054)	(563,523)
Changes in non cash working capital items		
Amounts receivable	-	7,887
Deposit and prepaid expenses	32,363	28,823
Accounts payable and accrued liabilities	301,246	166,573
Arbitration awards	3,429,408	-
Cash provided by (used in) operating activities	2,679,963	(360,240)
Investing activities		
Cash call payments to New Age Al Zarooni 2 Limited (note 7)	(4,632,577)	(7,087,310)
Cash provided by (used in) investing activities	(4,632,577)	(7,087,310)
Financing activities		
Private placements (note 8(b))	1,217,275	3,888,545
Capital raising costs	-	(18,052)
Cash provided by (used in) financing activities	1,217,275	3,870,493
Increase (decrease) in cash and cash equivalents	(735,339)	(3,577,057)
Cash and cash equivalents - beginning of period	850,416	4,086,880
Cash and cash equivalents - end of period	$ 115,077	$ 509,823
Cash and cash equivalents consist of:		
Cash	$ 115,077	$ 509,823
Guaranteed investment certificates	-	-
	$ 115,077	$ 509,823
Supplemental schedule of non-cash investing and financing activities		
Agents warrants issued	$ -	$ 15,400

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

1. Nature of operations and going concern

Range Energy Resources Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on March 1, 2005. On October 24, 2006, the Company's common shares were listed and called for trading on the Canadian 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 September 30, 2015, 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 unaudited condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine month period ended September 30, 2015, the Company incurred a net loss totalling $1,011,884. The accumulated deficit at September 30, 2015 is $15,422,496. 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 sale of assets in the ordinary course of business.

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

If the going concern assumption were not appropriate for these unaudited interim 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 September 30, 2015, available funds are not considered adequate to meet requirements for fiscal 2015 based on budgeted expenditures for operations and project exploration and investigation. To meet working capital requirements, the Company will have to access financial resources through equity placements. There can be no assurances that such funds will be available and/or on terms acceptable by the Company.

2. Statement of compliance

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

These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2014. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2014.

These unaudited condensed interim consolidated financial statements have been authorized for release by the Company's Board of Directors on November 27, 2015.

3. Significant accounting policies

Basis of presentation

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

4. Significant accounting estimates and judgments

The preparation of the unaudited condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the unaudited condensed interim 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 valuation of loan receivable and long-term investment, expected tax rates and the utilization of deferred income tax assets, the measurement of share-based transactions and the fair value measurement of financial instruments as areas where significant judgments, estimates and assumptions are made, where actual results may differ from these estimates and this may materially affect the Company's financial results or consolidated statement of financial position in future periods.

5. Loan receivable

On March 3, 2012, the Company entered into a Letter of Intent ("LOI") with Blackstairs Energy PLC ("Blackstairs") whereby the Company proposed to acquire 100% of the issued share capital of Blackstairs subject to a number of conditions set out in the LOI, including, satisfactory completion by the Company of its due diligence review of Blackstairs on or before April 30, 2012, entering into a Definitive Agreement and obtaining requisite regulatory and shareholders' approvals, if required. 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.

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.

5. Loan receivable – continued

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, the loan receivable was written down by $575,347 to a nominal amount during the year ended December 31, 2013. As at September 30, 2015, total principal of US$500,000 and accrued interest of US$40,944, is due to the Company.

6. Property and equipment

	Computer hardware and software		
	Cost	Accumulated depreciation	Net book value
Balance - December 31, 2013	4,639	(3,890)	749
Depreciation	-	(224)	(224)
Balance - December 31, 2014	$ 4,639	$ (4,114)	$ 525
Depreciation	-	(118)	(118)
Balance - September 30, 2015	$ 4,639	$ (4,232)	$ 407

7. 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. These warrants expired unexercised; 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.

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.

7. Long-term investment – continued

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 nine months ended September 30, 2015, the Company funded cash calls made by NAAZ2 totalling $4,632,577 (US $3,742,999) (December 31, 2014 - $8,882,106 (US $8,161,603)).

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.

8. Equity

(a) Authorized

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

(b) Private placements

On May 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. These warrants were not exercised and have now expired.

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.

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.

On July 14, 2015, the Company closed a non-brokered private placement of 17,800,000 units at $0.05 per unit for gross proceeds of $890,000. 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 July 14, 2020.

8. Equity – continued

(b) Private placements – continued

On August 20, 2015, the Company closed a non-brokered private placement of 6,545,500 units at $0.05 per unit for gross proceeds of $327,275. 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 August 20, 2020.

(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

	September 30, 2015			December 31, 2014		
	Number of warrants		Amount	Number of warrants		Amount
Opening balance	335,244,948	$	8,388,744	211,625,000	$	5,700,329
Warrants issued	24,345,500		127,172	125,119,948		3,197,709
Warrants expired	(88,453,222)		(1,552,586)	(1,500,000)		(509,294)
Closing balance	271,137,226	$	6,963,330	335,244,948	$	8,388,744

The warrants issued during the nine month period ended September 30, 2015 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
5 years	50%	0%	0.84%	17,800,000	$	69,823
5 years	50%	0%	0.73%	6,545,500		57,349
				24,345,500	$	127,172

At September 30, 2015, warrants outstanding are as follows:

Number of warrants outstanding and exercisable	Exercise price		Fair value of warrants	Expiry dates
122,000,000	$0.05		3,653,849	November 1, 2018
29,791,726	$0.07		816,889	May 21, 2019
25,000,000	$0.07		623,215	June 19, 2019
20,000,000	$0.055		497,823	July 17, 2019
20,000,000	$0.05		497,882	October 20, 2019
30,000,000	$0.05		746,500	November 14, 2019
17,800,000	$0.05		69,823	July 14, 2020
6,545,500	$0.05		57,349	August 20, 2020
271,137,226		$	6,963,330	

8. Equity – continued

(e) Stock options

The Company adopted the 2015 Stock Option Incentive Plan (the "Plan") that was approved by the shareholders on July 3, 2015. The aggregate number of shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 86,995,435 shares. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan shall be determined by the Company's directors, provided that such price shall not be lower than the closing 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 nine month period ended September 30, 2015 and the year ended December 31, 2014:

	September 30, 2015		**December 31, 2014**	
	Number of options	**Weighted average exercise price of options exercisable**	**Number of options**	**Weighted average exercise price of options exercisable**
Opening balance	6,000,000	$0.27	6,262,500	$0.27
Options granted	10,250,000	$0.10	-	-
Options expired	(4,000,000)	$0.30	(262,500)	$0.35
Closing balance	12,250,000	$0.12	6,000,000	$0.27

At September 30, 2015, stock options outstanding are as follows:

Number of options outstanding and exercisable	**Range of exercise prices**	**Weighted average exercise price of options exercisable**	**Weighted average remaining contractual life**
2,000,000	$0.20	$0.20	1.42 years
10,250,000	$0.10	$0.10	4.95 years
12,250,000			

9. Related party transactions

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

The Company entered into a corporate management agreement for accounting services with a company controlled by the interim Chief Financial Officer of the Company (Note 10).

Details of key management personnel compensation are as follows:

	Three month period ended September 30, 2015	Three month period ended September 30, 2014	Nine month period ended September 30, 2015	Nine month period ended September 30, 2014
Services provided:				
Accounting fees	$ 235	$ -	$ 4,935	$ -
Consulting fees	5,067	6,249	17,565	18,747
Directors fees	16,922	25,000	66,922	75,000
Management fees	24,349	28,500	81,349	85,500
Key management personnel compensation	$ 46,573	$ 59,749	$ 170,771	$ 179,247

	As at September 30, 2015	As at December 31, 2014
Balances payable to key management personnel	$ 158,578	$ 162,526

10. Commitment

The Company is party to a corporate management and accounting services agreement the initial term of which expired on December 31, 2014 (Note 9). This management agreement automatically renewed for an additional 12 months after date of expiry. The future minimum payments are $28,500 for the year ending December 31, 2015.

11. Segmented information

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

	September 30, 2015			December 31, 2014		
	Canada	Channel Islands	Total	Canada	Channel Islands	Total
Property and equipment	$ 407	$ -	$ 407	$ 525	$ -	$ 525
Long-term investment	-	47,182,353	47,182,353	-	42,549,776	42,549,776
Total	$ 407	$ 47,182,353	$ 47,182,760	$ 525	$ 42,549,776	$ 42,550,301

12. 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 unaudited condensed interim 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 Condensed Interim Consolidated Statements of Financial Position for financial instrument balances as at September 30, 2015 and December 31, 2014.

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 September 30, 2015, 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 September 30, 2015, the Company has a working capital deficiency of $532,004. 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.

12. Financial instruments – continued

(d) Interest rate risk

As at September 30, 2015, 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 the companies underlying its long-term investment (note 7). Fluctuations in the exchange rate between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2015, a strengthening (weakening) of the Canadian dollar against the United States dollar of 10% would have an insignificant impact on the Company's consolidated loss and comprehensive loss.

13. 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.

14. Subsequent events

On October 7, 2015, the Company closed the first tranche of the non-brokered private placement for a total of 29,750,000 units of the Company at a price of $0.04 per unit for gross proceeds of $1,190,000. Each unit consists of one common share and one transferrable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company on or before October 7, 2020 at a price of $0.05 per common share.

On October 30, 2015, the Company closed the second tranche of the non-brokered private placement for a total of 16,403,750 units of the Company at a price of $0.04 per unit for gross proceeds of $656,150. Each unit consists of one common share and one transferrable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company on or before October 30, 2020 at a price of $0.05 per common share.

On November 9, 2015, the Company closed the third tranche of the non-brokered private placement for a total of 10,727,500 units of the Company at a price of $0.04 per unit for gross proceeds of $429,100. Each unit consists of one common share and one transferrable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company on or before November 6, 2020 at a price of $0.05 per common share. The Company paid a finders' fee of $5,000 and 125,000 finder's warrants. Each finders' warrant entitles the finder to purchase one common share of the Company on or before November 6, 2016 at a price of $0.05 per common share.

The Company funded cash calls made by NAAZ2 totalling $2,002,499 (US $1,521,950).