

# **RANGE ENERGY RESOURCES INC.**

## **Management's Discussion & Analysis**

**Six months period ended June 30, 2019**

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Management's discussion and analysis ("MD&A") provides a review of the performance of Range Energy Resources Inc.'s ("Range" or the "Company") operations and has been prepared on the basis of available information up to August 26, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six month period ended June 30, 2019 ("Q2-2019") and the audited consolidated financial statements for the year ended December 31, 2018 and the related notes thereto ("fiscal 2018"), 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.

The Company's consolidated financial statements for the year ended December 31, 2017 have been restated to correct for errors in the original financial statements. The Company identified that an incorrect basis had been used for recording interest expense on its convertible loans stemming from those first issued on February 14, 2017. The Company had been recording interest using a simple rather than compound rate of interest. In connection with the foregoing, the Company determined that the February 14, 2017 exchange of existing short-term loans and accrued interest for secured convertible loans more appropriately represented a substantial modification of an existing financial liability required to be accounted for an extinguishment, rather than a non-substantial modification as previously treated. The comparative figures in this report have been restated giving effect to the required corrections. Refer to Note 16 of the consolidated financial statements for the year ended December 31, 2018 for the detail of the restatement adjustments.

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 Securities Exchange (the "CSE") 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**

On January 19, 2016, the Company announced that it reached an agreement with Gas Plus Khalakan Limited (“GPK”), Black Gold Khalakan Limited (“Black Gold”) and New Age Alzarooni 2 Limited (“NAAZ2”) to settle all litigation over the Company’s right to receive and disclose certain material information on petroleum operations at the Khalakan Block in the Kurdistan Region of Iraq. Under the agreement, these parties agreed to permanently settle and release all actions, claims and demands related to litigation regarding the release of information to the Company. In turn, GPK agreed to make periodic press releases regarding on-going petroleum operations at the Khalakan Block.

Since the Company, GPK, Black Gold, and NAAZ2 entered into this settlement agreement, GPK has made public disclosures regarding petroleum operations on the Khalakan Block. The Company in turn issued a press release following each such public disclosure in an effort to report these events to its shareholders. A summary of these public disclosures is included under the heading “Khalakan Block, Kurdistan Region of Iraq” below. On March 7, 2019, the Company announced that GPK has filed for a court ordered winding up. Since the Company’s shareholding rights in NAAZ2 have been reduced or restricted, the Company has concluded that it will not protest the winding-up of GPK. On June 5, 2019, the Company has been advised by the Joint Liquidators that it is continuing to discharge the assets and liabilities of GPK, so that GPK will be in a position to be dissolved.

On April 11, 2019, the Company entered into a loan agreement with Gulf LNG America, LLC (“Gulf”) in the amount of US\$25,000. The loan is interest bearing at a rate of 13% per annum and matures on January 13, 2020.

On July 31, 2019, 2706791 Ontario Inc., a company controlled by Mr. Allan Bezanson, acquired 609,351,075 common shares of the Company pursuant to private acquisition transactions from Gulf and DTN Investments LLC, representing approximately 71% of the Company’s currently issued and outstanding common shares. In addition, 2706791 Ontario Inc. acquired from Gulf certain outstanding convertible loans in the aggregate principal amount of \$15,982,472 and the Company entered into a loan agreement with 2706791 Ontario Inc. in the principal amount of up to \$50,000. The loan is interest bearing at a rate of 6% per annum calculated monthly and matures in two years time.

On July 31, 2019, the Company cancelled 326,256,411 warrants at an exercise price of \$0.05 pursuant to the Share and Loan Purchase agreement between Gulf and 2706791 Ontario Inc.

On July 31, 2019, the Company appointed Mr. Allan Bezanson as CEO of the Company in place of Mr. Toufic Chahine, who resigned as director and CEO of the Company. In addition, the Company appointed Mr. Peter McRae and Mr. Rick Pawluk as directors of the Company in place of Mr. Eric Stoerr and Ms. Michelle Upton who have resigned as directors of the Company. The resignations of the aforementioned Gulf nominees coincided with Gulf’s exiting from its investment in the Company.

Subsequent to June 30, 2019, 20,000,000 warrants at an exercise price of \$0.055 expired unexercised.

Subsequent to June 30, 2019, 6,000,000 options at an exercise price of \$0.10 were cancelled.

### **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 48.95% of the common shares of NAAZ2, a company domiciled in Jersey, Channel Islands. NAAZ2 owns 49.52% of the common shares of GPK, a company domiciled in Jersey, Channel Islands. New Age (African Global Energy) Limited (“New Age”) owns the other 50% of the common shares of GPK. 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 initially consisted of two concessions, Blocks 28 and 29 (sometimes referred to as Blocks 6 and 7) and comprised 624 square kilometers located in the central part of the Kurdistan Region of Iraq. Following the Kurdistan Regional Government’s approval of a Field Development Plan under the PSC, the portion of the Khalakan Block not covered by this Field Development Plan was relinquished back to the government as required under the terms of the PSC. New Age is the current operator of the Khalakan Block under a Management Services Agreement.

Range and its Board of Directors (the “Board”) have spent considerable time and effort to gain intelligence on the activity of the operator of the Khalakan Block. As previously reported, Range has received limited information from its joint venture partners regarding progress of the exploration and development activities on the Khalakan Block. In fact, Range commenced an arbitration proceeding against its joint venture partners in an effort to obtain more information on these development activities and to secure the right to disseminate the material information to its shareholders.

As described above, on January 19, 2016, the Company announced that it reached an agreement with GPK, Black Gold and NAAZ2 to settle all litigation over the Company’s right to receive and disclose certain material information on petroleum operations at the Khalakan Block in the Kurdistan Region of Iraq. Under the agreement, these parties agreed to permanently settle and release all actions, claims and demands related to litigation regarding the release of information to the Company. In turn, GPK agreed to make periodic press releases regarding on-going petroleum operations at the Khalakan Block.

Since the Company, GPK, Black Gold, and NAAZ2 entered into this settlement agreement, GPK has made public disclosures regarding petroleum operations on the Khalakan Block. These disclosures include the following:

On January 19, 2016, GPK issued an update on operations at the Khalakan Block, which can be found here: <http://www.newafricanglobalenergy.com/media/Related-News>

The GPK operations update includes a detailed discussion on the following topics, amongst others:

- The technical geological characteristics of the oil discovery in the Cretaceous reservoirs,
- A summary of certain assumptions and calculations in the independent audit conducted by DeGoyler and MacNaughton, including a valuation summary, reserves and resources summaries, and estimated oil quantities for the Shiranish, Kometan, and Qamchuga productive zones in the Cretaceous reservoirs, and
- GPK’s identification of the deeper and yet to be drilled Jurassic formation which may provide additional resources that are in addition to the Cretaceous discovery.

On April 5, 2016, GPK issued a statement regarding the successful testing and completion of the Shewashan-2 development well. In this statement, GPK stated that the deviated Shewashan-2 well was spudded on 1<sup>st</sup> October 2015 and drilled to a TD of 2768m MD in the Cretaceous Qamchuga reservoir at a gross cost of \$19.5m. According to GPK on open hole test from 2439m to 2768m, the well flowed with very low drawdown at a maximum rate of 4,400 barrels of oil per day (bopd) and with a BS&W of less than 1%. The oil flow is very high quality, light, 47° API oil, flowing from the Cretaceous fractured carbonate reservoirs (Shiranish, Kometan and Qamchuga). The press release can be found here: <http://www.newafricanglobalenergy.com/media/Related-News>

On May 4, 2016, GPK issued an operations update regarding the Shewashan field. The GPK operations update provided details regarding key milestones that have successfully occurred as well as activities that are anticipated to occur over the near term, including the following:

- The Shewashan-2 development well commenced production at a rate of 4,000 bopd.
- The recompletion of the Shewashan-1 well is underway. The well recompletion will include a horizontal sidetrack designed to increase the likelihood of intersecting the Cretaceous Shiranish's natural fracture network when compared to the utilization of a vertical bore or a deviated well bore. GPK intends to test and complete the Shewashan-1 sidetrack in the second quarter of 2016.
- GPK intends to request in the second or third quarter of 2016 an updated reserve audit from its independent reserve auditor.
- Expenditures of US\$3.7 million were applied to the US\$77 million Phase 1 Development Plan budget in the first quarter of 2016.

The full text of the GPK Operations Update can be accessed here:

<http://www.newafricanglobalenergy.com/media/Related-News>

On August 15, 2016, GPK issued an operations update regarding the Shewashan field. The GPK Shewashan operations update provided details regarding key events and activities that have occurred as well as activities that are anticipated to occur over the near term, including:

- **Oil Production:** The Shewashan – 2 well continues to produce with a current rate of circa 4,000 bopd and the production from both wells is sold into the domestic refinery market via existing topside production facilities and tanker trucks. GPK anticipates total field production to reach the target 10,000 bopd early next year when Shewashan – 4 will come on stream.
- **Shewashan-1 Sidetrack:** The Shewashan – 1 Sidetrack well was successfully drilled and recompleted as a horizontal producing well in the Qamchuga formation. The well is currently producing approximately 500-700 bopd and the well completion may require further stimulation to reach expected predrill production estimates based upon the original Shewashan – 1 vertical well. The Shewashan – 1 vertical well bore remains a future candidate for additional horizontal sidetrack wells or a recompletion of the Shewashan – 1 Sidetrack horizontal sidetrack to further enhance the well's productive capacity.
- **Drilling Activity:** The Shewashan – 3 well has now spudded and this well will again target the productive Cretaceous formations as a vertical producer. The well is anticipated to be completed in Q4 2016 with an estimated budget of USD 16 million. The vertical Shewashan – 4 well is due to be drilled later this year to accelerate Phase 1 production in the Cretaceous and test the deeper unexplored Jurassic reservoirs.

The full text of GPK Operations Update can be accessed here:

<http://www.newafricanglobalenergy.com/media/Related-News>

On November 10, 2016, GPK issued an operations update. The key events on which GPK reported include;

- **Shewashan-4 Spud:** The 4<sup>th</sup> Shewashan production well has been spud with dual targets including the existing productive zones in the Cretaceous and the unexplored and deeper Jurassic formation.
- **Shewashan-3 Drilling Continues:** The deviated well is drilling in the targeted Cretaceous reservoir with completion and production expected to occur before the end of the year.
- **Oil Production and Sales Continue:** Oil sales from the Shewashan-2 well have averaged 3,600 bopd in 2016 with deliveries to the KRG's Bazian refinery. Proceeds from oil sales have been received through the end of September.
- **Seismic Reprocessing:** GPK continues to reprocess and remap existing seismic data which is indicating further oil potential in the reservoir attic.

- **Revised Reserve Audit:** Reserve auditor DeGolyer & MacNaughton will revise the existing 2015 reserve report and is expecting the report to be published prior to year-end.

On February 2, 2017, GPK issued another operations update.

- **Shewashan-3 Commences Production:** The Shewashan-3 well reached total depth of 2874m MDBRT in December 2016 and was placed into production in late January 2017 at a rate of 2,600 bbl/d with a 24/64” choke, very low drawdown and no produced water. However, the well has now started to pull formation water and this is being investigated.
- **Shewashan-4 Drilling Progress:** The fourth Shewashan production well, Shewashan-4, was spud in November with dual targets including the existing productive zones in the Cretaceous and the explored and deeper Jurassic formations. Shewashan-4 is expected to reach total depth in late March 2017.

On May 11, 2017, GPK reported that DeGolyer and MacNaughton (D&M) has provided a revised year end 2016 reserve audit for the Shewashan field which has led to a material increase in the estimated reserves and net present worth of the Shewashan oil field.

On September 20, 2017, GPK issued another operations update on the Shewashan field.

The D&M 2016 reserve report estimate of Shewashan’s 2P gross reserves is 113.8 Mbbl, representing a 53% increase in 2P gross reserves above the 2015 D&M reserve audit. The increase to GPK’s reserves is attributed to the large area mapped following seismic reprocessing.

On January 11, 2018, GPK provided an year end 2017 update on the operations and activity that has occurred on the Shewashan oil field. Total payments received by GPK for oil sales amounted to \$9.0 million representing 190,115 barrels of GPK entitlement oil sold through to the end of September 2017. Sales from October to December has been invoiced through the traditional operating procedures in place with the KRG Ministry of Natural Resources.

In total, cumulative field production to date exceeds 1,300,000 barrels of oil. Current total field production is 1,000 barrels per day. These amounts are significantly below that required to meet forecast annual production targets and break-even economics. There are two main reasons for this lower production. Firstly, water production rates in the Qamchuga formation have limited oil production rates. The Qamchuqa formation is heavily fractured and many of these fractures are connected to the aquifer. Secondly, production rates from the Shiranish and Kometan reservoirs have been limited, due to these formations having a tight matrix, with their fracture network being not as developed and extensive as in the Qamchuqa reservoir. GPK continues to recomplete the four Shewashan wells to limit water production in the Qamchuga and stimulate the Kometan and Shiranish reservoirs to facilitate greater production rates.

Range shareholders may review details of the November 10, 2016, February 2, 2017, May 11, 2017, September 20, 2017, and January 11, 2018 GPK Operations Updates here:

<http://www.newafricanglobalenergy.com/media/Related-News>

In November 2017, the Company announced that it does not plan to proceed with the cash call it has received for the month of November to fund the current drilling program. Future capital calls will be dependent upon the Company’s ability to raise additional capital and successful operations in the field.

On March 7, 2019, the Company announced that GPK has filed for a court ordered winding up. Since the Company’s shareholding rights in NAAZ2 have been reduced or restricted, the Company has concluded that it will not protest the winding-up of GPK.

## **Outlook**

The Company's interest in the Khalakan PSC relies on third parties to provide the Company with information related to meeting the requirements and obligations of the PSC. The Company's Shareholders Agreement for NAAZ2 provides the Company with limited rights and remedies to pursue specific information if a joint venture participant or other third party fails to provide this information when the Company requests it.

Because of the refusal of its joint venture participants to make available to the Company information on petroleum operations at the Khalakan Bloc, in 2012 the Company commenced an arbitration proceeding against NAAZ2 and Black Gold seeking to compel these parties to provide this information. The Company ultimately was successful in this arbitration, obtaining an arbitration award in May 2014. In this award, the arbitration tribunal awarded the Company orders and declarations which supported the Company's right to obtain material information as to its investments, and to use such material information (which the Company must otherwise hold confidential) to produce public summaries of the status of the work at the Khalakan Block as is necessary to comply with applicable securities laws. The arbitral tribunal also awarded the Company with 100% of its costs incurred in connection with the arbitration. In December 2014, an English court rejected appeals of the arbitration award brought by NAAZ2 and Black Gold. Before the Company could enforce the arbitration award, in January 2015, the Royal of Court of Jersey, at the request of GPK, issued an interim injunction that enjoined NAAZ2 from disclosing to the Company, as required under the arbitration award, certain confidential information regarding the Khalakan Block.

On September 1, 2015, the Company announced a temporary initial three months suspension agreement with GPK and NAAZ2 regarding the on-going litigation over the Company's right to receive and disclose certain material information on petroleum operations at the Khalakan Block in Kurdistan Region of Iraq.

On January 19, 2016, the Company announced that it reached an agreement with GPK, Black Gold and NAAZ2 to settle all litigation over the Company's right to receive and disclose certain material information on petroleum operations at the Khalakan Block in the Kurdistan Region of Iraq. Under the agreement, these parties agreed to permanently settle and release all actions, claims and demands related to litigation regarding the release of information to the Company. In turn, GPK agreed to make periodic press releases regarding on-going petroleum operations at the Khalakan Block.

Since the Company, GPK, Black Gold, and NAAZ2 entered into this settlement agreement, as summarized above GPK has made public disclosures regarding petroleum operations on the Khalakan Block.

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. This loan was secured by the shares in Blackstairs held by certain shareholders. 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 was 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.

Blackstairs failed to repay the loan when due. 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. On December 21, 2015, the annual general meeting of Blackstairs's creditors was held. The Blackstairs liquidator disclosed at that meeting that the liquidation process is continuing.

On December 20, 2016, the liquidator's lawyer wrote a letter to the Company's lawyer stating that the liquidator concluded that Blackstairs's sale of its only asset—a production sharing contract with the government of Senegal—to New Horizon Oil and Gas Limited (trading a T5 Oil and Gas) and the consideration received for that sale represented the best price achievable for this asset. The letter also said that the liquidator has sought court relief under applicable law from its duties as liquidator.

The Company continues to consider what, if any, actions it may take to obtain recovery out of Blackstairs's assets of all or some portion of the outstanding principal of, and accrued and unpaid interest on, the loan.

### **Financial Position**

As at June 30, 2019, the Company had current assets of \$19,927 and current liabilities of \$20,631,962 compared to current assets of \$103,966 and current liabilities of \$19,440,218 as at December 31, 2018. At June 30, 2019, the Company had working capital deficiency of \$20,612,035 compared to a working capital deficiency of \$19,336,252 at December 31, 2018.

The Company had cash of \$1,673 at June 30, 2019 compared to \$60,444 at December 31, 2018. During the six months ended June 30, 2019, the Company recorded cash outflows used in operations of \$92,070 compared to cash outflows of \$140,532 in the comparable period of 2018.

Cash used in investing activities during the six months ended June 30, 2019 includes \$Nil (2018 - \$Nil) being cash called for its share of expenditures on the Khalakan Block.

During the six months ended June 30, 2019, the Company received a total of \$33,299 in a loan from a related party compared to \$Nil in the comparable period of 2018.

### Convertible Loans from 2706791 Ontario Inc.

In 2016, the Company entered into four separate loan agreements with Gulf, which holds 71.02% of the Company's issued and outstanding common shares. These agreements were: (i) the loan agreement, dated June 21, 2016, between Gulf and the Company, as amended, under which the Company borrowed US\$700,000; (ii) the second loan agreement, dated July 26, 2016, between Gulf and the Company, as amended, under which the Company borrowed US\$713,570; (iii) the third loan agreement, dated September 9, 2016, between Gulf and the Company under which the Company borrowed US\$1,007,980.00; and (iv) the fourth loan agreement, dated November 23, 2016, between Gulf and the Company under which the Company borrowed US\$820,000.00. Each loan was unsecured and was interest bearing at a rate of 7% per annum. The Company incurred each loan to provide the funds necessary to fulfil its obligations with respect to the development of the Khalakan Block and to provide the Company with general working capital. The Company was required to repay the outstanding principal amount of each of the loans and all accrued and unpaid interest on the first three loans by September 26, 2016 and the fourth loan by December 23, 2016 (each such date a "Maturity Date"). The Company was unable to repay any of the loans by the applicable Maturity Date. As a result, the Company was in default under each loan agreement and the overdue amount of each loan accrued interest at 9% per annum from the date of such non-payment.

On January 11, 2017, the Company received an additional unsecured loan in the amount of \$1,175,512 from Gulf. The loan was interest bearing at a rate of 7% per annum and was due on February 11, 2017.

On February 14, 2017, the Company and Gulf entered into a new loan agreement under which Gulf will provide from time to time secured convertible loans (the "Gulf Secured Convertible Loan Agreement"). Also on that date, the Company entered into an amendment and restatement agreement with Gulf pursuant to which all existing short-term loans from Gulf, in an aggregate amount of \$5,603,371, were amended and restated into secured convertible loans under the Gulf Secured Convertible Loan Agreement, and the existing short-term loan agreements were terminated. The promissory note evidencing this loan matures on February 14, 2018, accrues interest compounded monthly at the rate of 10% per annum, and is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On February 12, 2018, the maturity date was extended to May 15, 2018, on May 9, 2018, it was further extended to August 13, 2018 and on August 10, 2018, it was further extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.



On February 15, 2017, the Company received a secured convertible loan of \$1,319,749 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$1,319,749. The maturity date of the principal amount, interest and any fees of the loan is February 15, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On February 12, 2018, the maturity date was extended to May 16, 2018, on May 9, 2018, it was further extended to August 14, 2018 and on August 10, 2018, it was further extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On March 3, 2017, the Company received a secured convertible loan of \$2,007,600 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$2,007,600. The maturity date of the principal amount, interest and any fees of the loan is March 5, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On March 19, 2018, the maturity date was extended to May 16, 2018, on May 9, 2018, it was further extended to August 14, 2018 and on August 10, 2018, it was further extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On May 25, 2017, the Company received a secured convertible loan of \$2,031,500 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$2,031,500. The maturity date of the principal amount, interest and any fees of the loan is May 25, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On May 9, 2018, the maturity date was extended to August 23, 2018 and on August 10, 2018, it was further extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On June 28, 2017, the Company received a secured convertible loan of \$1,175,826 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$1,175,826. The maturity date of the principal amount, interest and any fees of the loan is June 28, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On May 9, 2018, the maturity date was extended to September 26, 2018 and on August 10, 2018, it was further extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On August 2, 2017, the Company received a secured convertible loan of \$1,251,400 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$1,251,400. The maturity date of the principal amount, interest and any fees of the loan is August 2, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On August 10, 2018, the maturity date was extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On September 11, 2017, the Company received a secured convertible loan of \$605,386 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$605,386. The maturity date of the principal amount, interest and any fees of the loan is September 11, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On September 11, 2018, the maturity date was extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On September 25, 2017, the Company received a secured convertible loan of \$740,340 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$740,340. The maturity date of the principal amount, interest and any fees of the loan is September 25, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On September 11, 2018, the maturity date was extended to November 12, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On October 13, 2017, the Company received a secured convertible loan of \$1,247,300 from Gulf made under the Gulf Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Gulf for the principal amount of \$1,247,300. The maturity date of the principal amount, interest and any fees of the loan is October 15, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

All or any portion of the principal amount, accrued interest and fees outstanding under the notes is convertible by Gulf into common shares of the Company at any time before the maturity date, at a conversion price per share set out in the notes, subject to adjustment upon certain events occurring. The conversion price for the loans was approved by the Company's board and by the CSE.

The loans are secured by a general security agreement.

On July 31, 2019, 2706791 Ontario Inc., a company controlled by a director of the Company, entered into a Share and Loan Purchase agreement with Gulf whereby 2706791 Ontario Inc. acquired from Gulf certain secured convertible promissory notes in the aggregate principal amount of \$15,982,472.

#### Convertible Loans from Harrington Global Opportunities Fund S.A.R.L.

On January 11, 2017, the Company received an unsecured loan in the amount of \$140,000 from Harrington Global Opportunities Fund S.A.R.L., a significant shareholder of the Company ("Harrington"). The loan was interest bearing at a rate of 7% per annum and was due on February 11, 2017.

On February 14, 2017, the Company and Harrington entered into a new loan agreement under which Harrington will provide from time to time secured convertible loans (the "Harrington Secured Convertible Loan Agreement"). Also on that date, the Company entered into an amendment and restatement agreement with Harrington, pursuant to which all existing short-term loans from Harrington, in an aggregate amount of \$140,936, were amended and restated into secured convertible loans under the Harrington Secured Convertible Loan Agreement, and the existing short-term loan agreements were terminated. The promissory note evidencing this loan matures on February 14, 2018, accrues interest compounded monthly at the rate of 10% per annum, and is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On February 12, 2018, the maturity date was extended to May 16, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

On February 14, 2017, the Company received a secured convertible loan of \$160,000 from Harrington made under the Harrington Secured Convertible Loan Agreement. The loan is evidenced by a secured promissory note in favour of Harrington for the principal amount of \$160,000. The maturity date of the principal amount, interest and any fees of the loan is February 15, 2018, interest is compounded monthly at a rate of 10% per annum, and the loan is convertible into common shares of the Company at \$0.02 per share. In the event of default, the interest is compounded monthly at a rate of 12% per annum. On February 12, 2018, the maturity date was extended to May 16, 2018. Given that the maturity date has passed, the Company is in the process of re-negotiating the terms of this loan to bring it into compliance.

All or any portion of the principal amount, accrued interest and fees outstanding under the notes is convertible by Harrington into common shares of the Company at any time before the maturity date, at a conversion price per share set out in the notes, subject to adjustment upon certain events occurring. The conversion price for the loans was approved by the Company's board and by the CSE.

The loans are secured by a general security agreement.

#### Loan from Gulf LNG America, LLC

On April 11, 2019, the Company entered into a loan agreement with Gulf LNG America, LLC in the amount of US\$25,000. The loan is interest bearing at a rate of 13% per annum and matures on January 13, 2020.

#### Loan from 2706791 Ontario Inc.

On August 1, 2019, the Company entered into a loan agreement with 2706791 Ontario Inc. in the amount of up to \$50,000. The loan is interest bearing at a rate of 6% per annum calculated monthly and matures in two years time. As of the date of this report, the principal balance of this loan payable is \$16,191.

### **Results of Operations**

*Six months period ended June 30, 2019 compared with six months period ended June 30, 2018*

#### **Net loss**

The Company reported a net loss of \$1,275,802 (\$0.00 per share) for the six months ended June 30, 2019 as compared to a net loss of \$1,387,759 (\$0.00 per share) for 2018. Included in the current period's results are interest on the 2706971 Ontario Inc., Gulf and Harrington loans of \$1,169,075 (2018 - \$1,257,539), audit and accounting fees of \$41,425 (2018 - \$19,905), general and administrative expenses of \$33,665 (2018 - \$38,025), management fees of \$22,155 (2018 - \$49,224) and foreign exchange gain of \$1,640 (2018 - gain of \$11,383). There were no other significant changes in operating results for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

#### **Expenses**

Operating expenses for the six months ended June 30, 2019 totalled \$1,277,442 compared to total operating expenses of \$1,399,142 in 2018, representing an decrease of \$121,700. The decrease is mostly due to the decrease in interest expense on the 2706971 Ontario Inc. and Harrington convertible loans as discussed above.

*Three months period ended June 30, 2019 compared with three months period ended June 30, 2018*

#### **Net loss**

The Company reported a net loss of \$662,472 (\$0.00 per share) for the three months ended June 30, 2019 as compared to a net loss of \$979,375 (\$0.00 per share) for 2018. Included in the current period's results are interest on the 2706971 Ontario Inc., Gulf and Harrington loans of \$603,211 (2018 - \$905,676), audit and accounting fees of \$25,675 (2018 - \$19,905), general and administrative expenses of \$17,292 (2018 - \$19,747), management fees of \$11,130 (2018 - \$21,525) and foreign exchange gain of \$1,911 (2018 - gain of \$6,400). There were no other significant changes in operating results for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

#### **Expenses**

Operating expenses for the three months ended June 30, 2019 totalled \$664,383 compared to total operating expenses of \$985,775 in 2018, representing an decrease of \$321,392. The decrease is mostly due to the decrease in interest expense on the 2706971 Ontario Inc. and Harrington convertible loans as discussed above.

## 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
30-Jun-19	-	(662,472)	(0.00)	(0.00)
31-Mar-19	-	(613,330)	(0.00)	(0.00)
31-Dec-18	-	(43,495,418)	(0.05)	(0.05)
30-Sep-18	-	(531,770)	(0.00)	(0.00)
30-Jun-18	-	(979,375)	(0.00)	(0.00)
31-Mar-18	-	(408,384)	(0.00)	(0.00)
31-Dec-17	-	(30,246,492)	(0.04)	(0.04)
30-Sep-17	-	(399,343)	(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 other legal matters.

## Liquidity and Capital Resources

From January 2016 to December 31, 2016, the Company issued a total of 175,008,336 common shares for gross proceeds of \$6,332,167 and incurred capital raising costs of \$17,125.

In June, July, September and November 2016, the Company received loans of \$907,305, \$943,696 and \$1,303,809, \$1,102,408 respectively, from Gulf. Each of the loans were bearing interest of 7% per annum. The loans were unsecured. The first three loans were due on September 26, 2016 and the fourth loan was due on December 23, 2016. The Company failed to repay the loans and was in default. The overdue amount of the loans was bearing interest following the default at 9% per annum from the date of such non-repayment until such amount is paid in full. These loans were terminated and replaced with a new loan agreement in the form of a secured convertible loan.

During the year ended December 31, 2017, the Company received an additional \$11,554,612 in convertible loans from Gulf and \$300,000 in convertible loans from Harrington. Accrued interest expense on these loans was \$1,133,591.

These secured convertible loans are due within one year and interest is compounded monthly at a rate of 10% per annum. All or any portion of the principal amount, accrued interest and fees outstanding under the notes is convertible into common shares of the Company at any time before the maturity date, at a conversion price per share set out in the notes, subject to adjustment upon certain events occurring. Given that the maturity dates has passed, the Company is in the process of re-negotiating the terms of these loans to bring them into compliance.

On July 31, 2019, 2706791 Ontario Inc., a company controlled by a director of the Company, entered into a Share and Loan Purchase agreement with Gulf whereby 2706791 Ontario Inc. acquired from Gulf certain secured convertible promissory notes in the aggregate principal amount of \$15,982,472.

On April 11, 2019, the Company entered into a loan agreement with Gulf LNG America, LLC in the amount of US\$25,000. The loan is interest bearing at a rate of 13% per annum and matures on January 13, 2020.

On August 1, 2019, the Company entered into a loan agreement with 2706791 Ontario Inc. in the amount of up to \$50,000. The loan is interest bearing at a rate of 6% per annum calculated monthly and matures in two years time. As of the date of this report, the principal balance of this loan payable is \$16,191.

Cash on hand at June 30, 2019 is not adequate to meet requirements for fiscal 2019 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 or by incurring debt, procuring industry partners for its primary exploration project and/or selling 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 and the recent incurrence of debt. 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, incurring debt, 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 June 30, 2019, the Company has no long-term debt.

As of June 30, 2019, 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 debt transactions and 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. As described above, the Company has convertible loans payable to 2706971 Ontario Inc. and Harrington in an aggregate amount of \$20,477,761. Each convertible loan is interest bearing at 10% per annum, compounded monthly, and is convertible into common shares of the Company at \$0.02 per share. In addition, the Company has a loan payable to 2706971 Ontario Inc. in the principal amount of up to \$50,000. The loan is interest bearing at a rate of 6% per annum calculated monthly and matures in two years time.

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 months period for a fee of \$3,500 (increased to \$8,500 on September 1, 2012) per month plus GST and reimbursement of out-of-pockets costs. Mr. Eugene Beukman is the Chief Financial Officer of Range. During the six months ended June 30, 2019, Pender charged fees of \$59,955 for services rendered.

Effective August 31, 2015, the Board of Directors approved to cancel directors’ fees.

### **Proposed Transactions**

As at June 30, 2019, 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, 2018. 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.

### **Changes in Accounting Policies**

#### IFRS 16 – Leases

The Company has adopted the following new standards, along with any consequential amendments effective January 1, 2019.

- IFRS 16 replaces IAS 17, “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. There was no significant impact on the Company’s consolidated financial statements from the adoption of IFRS 16.

### **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**

The Company's financial instruments include cash, loan receivable, long-term investment, accounts payable, loan payable and convertible loans. The carrying value of cash, amounts receivable, accounts payable, loan payable and convertible loans 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.

See the Company's Consolidated Statements of Financial Position for financial instrument balances as at June 30, 2019 and December 31, 2018.

## **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](http://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 856,225,977 common shares issued, Nil warrants and 4,250,000 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 and debt 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 of \$1,673 and working capital deficiency of \$20,612,035 at June 30, 2019. Based on current budgeted expenditures for operations and exploration, cash on hand at June 30, 2019 is not adequate to meet capital requirements for fiscal 2019. 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 or by incurring debt, procuring industry partners for its primary exploration projects and/or selling 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 having a reduced holding, or a forced sale at a discount, of its indirect shareholding 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 in particular to the financial instruments is presented in note 13 of the audited consolidated financial statements for the year ended December 31, 2018.

### *Exploration Risk*

The Company has no significant source of operating cash flow and no revenues from operations. The Company's primary asset is a 22.1% indirect interest in GPK, 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 the current projects in which it has an interest. The Company has limited access to information on the current state of exploration and development of the Khalakan Block.

GPK, the operator of the Khalakan Block, declared the Shewashan light oil discovery located on the block to be a commercial discovery under the terms of the Khalakan PSC. GPK has obtained approval from the Kurdistan Regional Government of a Field Development Plan for the development of the Shewashan discovery. This development plan is likely to require GPK to spend significant amounts of capital toward the development of the Shewashan discovery. The Company will be responsible for 22.1% of these development costs to the extent that GPK requests its shareholders to fund these costs. However, the Company will have limited or no control over how GPK implements any such development plan.



Oil and gas development and production activities are subject to a high degree of risk—both operational and political—and requires significant financial resources. The Company will therefore require additional financing to carry on its business, and such financing may not be available when it is needed. It is uncertain as to the quantities of commercial grade oil and gas that may be developed and produced from the Khalakan Block and whether or when the Company could receive proceeds from the sale of any such oil or gas.

#### *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.