NEW RANGE RESOURCES LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

AUDITORS' REPORT

To: The Shareholders of
New Range Resources Ltd.

We have audited the balance sheets of **New Range Resources Ltd.** (the "Company") as at December 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
March 28, 2007

(signed)
HUDSON & COMPANY LLP
Chartered Accountants

NEW RANGE RESOURCES LTD.
BALANCE SHEETS

DECEMBER 31		2006		2005
ASSETS				
CURRENT				
Cash	$	-	$	410,221
Accounts receivable (note 7)		648,811		2,858
Prepaid expenses		17,545		-
		666,356		413,079
PETROLEUM & NATURAL GAS PROPERTIES (note 4)		4,299,444		-
	$	4,965,800	$	413,079
LIABILITIES				
CURRENT				
Bank indebtedness (note 5)	$	285,662	$	-
Accounts payable and accrued liabilities (note 7)		1,470,134		18,354
		1,755,796		18,354
ASSET RETIREMENT OBLIGATION (note 6)		234,197		-
		1,989,993		18,354
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (note 8)		3,256,332		452,814
CONTRIBUTED SURPLUS (note 9)		286,463		14,170
DEFICIT		(566,988)		(72,259)
		2,975,807		394,725
	$	4,965,800	$	413,079

Approved on behalf of the Board

Director (signed) *Hugh Thomson*

Director (signed) *Thomas Robinson*

NEW RANGE RESOURCES LTD.
STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31	2006	2005
REVENUE		
Revenue	$ 883,228	$ -
Royalties, net of Alberta Royalty Tax Credit	(115,340)	-
Interest income	17,731	8,693
	785,619	8,693
EXPENSES		
Administration expenses (note 7)	558,026	52,640
Amortization, depletion and accretion	447,974	-
Operating expenses	275,262	-
Stock-based compensation	272,293	-
Interest and bank charges	62,928	139
	1,616,483	52,779
LOSS BEFORE INCOME TAXES	(830,864)	(44,086)
FUTURE INCOME TAX RECOVERY (note 10)	(336,135)	-
NET LOSS	(494,729)	(44,086)
DEFICIT, beginning of year	(72,259)	(28,173)
DEFICIT, end of year	$ (566,988)	$ (72,259)
LOSS PER SHARE (note 11)	(0.025)	(0.006)

NEW RANGE RESOURCES LTD.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (494,729)	$ (44,086)
Items not affecting cash		
Amortization, depletion and accretion	447,974	-
Future income taxes	(336,135)	-
Stock based compensation	272,293	-
	(110,597)	(44,086)
Changes in non-cash working capital items		
Accounts receivable	(337,564)	2,232
Prepaid expenses	(12,083)	-
Accounts payable and accrued liabilities	365,656	5,129
	(94,588)	(36,725)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of petroleum & natural gas properties	31,000	-
Purchase of petroleum & natural gas properties	(1,853,537)	-
Cash received on acquisition (note 2)	329,789	-
Changes in non-cash working capital relating to investing activities		
Accounts receivable	(154,410)	-
	(1,647,158)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue costs	(234,347)	-
Issuance of share capital	486,000	-
Changes in non-cash working capital relating to financing activities		
Accounts payable	794,210	-
	1,045,863	-
CHANGE IN CASH POSITION	(695,883)	(36,725)
CASH, beginning of year	410,221	446,946
CASH (DEFICIENCY), end of year	$ (285,662)	$ 410,221

Non-Cash Transactions:

On March 30, 2006, the Company issued 14,238,500 common shares in exchange for all of the issued and outstanding shares of Open Range Resources Ltd. (note 2).

1. NATURE OF OPERATIONS

New Range Resources Ltd. (the "Company") was incorporated under the provisions of the Business Corporations Act (Alberta) on April 7, 2004 as Open Range Capital Corp., and became New Range Resources Ltd. on March 30, 2006 upon the amalgamation with Open Range Resources Ltd. ("OR Resources") (a private company, related by way of common control). The Company began trading on October 14, 2004 and trades under the symbol of RGE on the TSX Venture Exchange.

The Company's principal business activity is the participation in various producing oil and gas properties in Alberta and is also in the process of exploring and developing other oil and gas properties in Alberta.

The Company has a significant working capital deficiency at December 31, 2006. Subsequent to year end the Company has secured additional financing to cover this deficiency. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying values of assets and liabilities and the reported expenses and the balance sheet classifications used.

2. BUSINESS COMBINATIONS

On March 30, 2006, the Company acquired all the issued and outstanding shares of OR Resources, on the basis of one common share of the Company for each common share of OR Resources. Upon acquisition, OR Resources and the Company were amalgamated to form New Range Resources Ltd.

The acquisition was accounted for using the continuity of interest method. The results of operations are included in the accounts as if the two entities had always operated together. Details of the acquisition are as follows:

Purchase consideration:	
Shares issued	$ 2,888,000

The total purchase consideration was assigned to the net assets acquired based on their fair values as follows:	
Cash	$ 329,789
Accounts receivable	153,979
Prepaid expenses	5,462
Petroleum & natural gas properties	2,994,768
Accounts payable	(291,914)
Asset retirement obligations	(304,084)
	$ 2,888,000

2. BUSINESS COMBINATIONS (continued)

The Company issued 14,238,500 shares as consideration for the purchase. The value of these shares were determined using the carrying value of shares at the date of acquisition as the parties were non-arms length and there was no change of control.

OR Resources was inactive during 2005 and therefore the comparative figures in these financial statements are those of Open Range Capital Corp. The operations of Siga Resources Ltd., the entity purchased by OR Resources during 2006, have been consolidated from January 1, 2006.

3. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, petroleum and natural gas properties, accounts payable and accrued liabilities, asset retirement obligation and stock-based compensation.

Cash

Cash consists of balances with financial institutions.

Capitalized costs

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized whether successful or not. Such costs include land acquisitions, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, production equipment, asset retirement costs and the portion of general and administrative expenses directly attributable to exploration and development activities.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized unless such a sale would alter the rate of depletion by greater than twenty percent.

3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Amortization and depletion

Amortization and depletion of petroleum and natural gas properties and equipment is provided for using the unit-of-production method based on estimated proven petroleum and natural gas reserves before any royalty deductions as determined by independent engineers. For the purpose of this calculation, petroleum and natural gas reserves are converted to a common unit of measurement on the basis of their relative energy content where six thousand cubic feet of gas equates to one barrel of oil. Costs of acquiring and evaluating unproven properties are excluded from costs subject to amortization and depletion until it is determined whether proven reserves are attributable to the properties or impairment occurs.

Other property, plant and equipment are recorded at cost and are amortized at an annual rate of 20%.

Asset retirement obligations

The fair value of an Asset Retirement Obligation is recognized in the period in which the obligation is incurred, and is discounted to its present value using the Company's credit adjusted risk-free interest rate. The fair value of the estimated obligation is recorded as a long term liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion, depreciation and amortization of the underlying asset. The liability amount is increased in each reporting period due to passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

Ceiling test

The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test (the “ceiling test”). Under this test, an estimate is made of the ultimate recoverable amount for undiscounted future prices, plus unproved properties. If the carrying amount exceeds the ultimate recoverable amount, an impairment loss is recognized in net earnings. The impairment loss is limited to the amount by which the carrying amount exceeds: (i) the sum of the fair value of proved and probable reserves; and (ii) the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

Joint ventures

A portion of the Company's exploration, development and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue recognition

Revenues associated with sales of crude oil, natural gas, and natural gas liquids are recorded when the products are delivered. Delivery occurs when the customer has taken title and has assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured. Royalty revenues are recognized when they become receivable. The Company does not enter into ongoing arrangements whereby it is required to repurchase its products, nor does the Company provide the customer with a right of return.

Interest income is recognized in the period it is earned.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized.

Loss per share

The calculation of basic loss per common share is based on net loss divided by the weighted average number of common shares outstanding.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. In addition, diluted common shares also include the effect of the potential exercise of any outstanding warrants.

Stock-based compensation

The Company has a stock based compensation plan, which is described in note 8. Awards of options under this plan are expensed based on the fair value of the options at the grant date. The amount is credited to contributed surplus. Fair values are determined using the Black-Scholes option-pricing model. If the options are subject to a vesting period, the expense is recognized over this period. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as contributed surplus.

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. A future tax liability is generated when the renouncements related to the corresponding exploration and development expenditures are filed with the tax authorities.

3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

4. PETROLEUM & NATURAL GAS PROPERTIES

	2006			2005
	Cost	Accumulated Amortization and Depletion	Net	Net
Petroleum and natural gas properties	$ 6,300,459	$ 2,001,015	$ 4,299,444	$ -

The Company performed a ceiling test at December 31, 2006 and no write-down was required for the year then ended. The following independent reserve engineering prices and inflation rates were used to perform the ceiling test:

	Edmonton Crude Oil ($Cdn/bbl)	AECO Natural Gas ($Cdn/ MMBtu)	Inflation Rate (%)
2007	$ 70.55	$ 7.35	$ 2.00
2008	68.80	7.65	2.00
2009	67.10	7.80	2.00
2010	64.85	7.90	2.00
2011	64.85	7.95	2.00

Prices are escalated at various rates thereafter. The exchange rate utilized for all periods was US $0.88/Cdn $1.00.

During 2006, the Company incurred costs in relation to Cumulative Canadian Development Expenses of $1,046,500 to satisfy flow-through obligations under a flow-through agreement related to December 2005.

5. BANK INDEBTEDNESS

	2006	2005
Cash	$ -	$ 410,221
Bank indebtedness	(285,662)	-
	$ (285,662)	$ 410,221

The Company has a demand revolving operating loan facility with the Canadian Western Bank, to be used for development and acquisition of petroleum and natural gas properties and related assets. At December 31, 2006, the credit facility available was for up to $850,000 (2005 - $nil).

This credit facility is secured by a fixed and floating charge debenture over all assets, a general security agreement and a general assignment of book debts. The facility bears interest at prime plus 0.25%, payable monthly.

6. ASSET RETIREMENT OBLIGATION

The estimated cash flows of asset retirement obligations have been discounted at 7%. The total undiscounted amount of the estimated cash flows required to settle the obligations is $303,000. Payments to settle the obligation occur on an ongoing basis and will continue over the life of the operating assets, which is estimated to be an average of ten years.

For the Company, asset retirement obligations relate to the abandonment of oil and gas producing facilities. While plant and battery equipment have asset retirement obligations associated with them, obligations have not been recognized since the fair value cannot be estimated due to the uncertainty of the settlement date of the obligation.

The following table reconciles the Company's total asset retirement obligations:

	2006	2005
Liabilities acquired through acquisition	$ 304,084	$ -
Change in accounting estimate	(163,823)	-
Accretion expense	93,936	-
Balance, end of year	$ 234,197	$ -

7. RELATED PARTY TRANSACTIONS

(a) During the year, the Company entered into transactions with the following related parties:

New North Resources Ltd. ("New North"), related by two common directors
Robinson Stewart, Barristers and Solicitors ("Robinson Stewart"), controlled by two directors
TM Financial Ltd., related by common director
Gowling Lafleur Henderson LLP ("Gowlings"), related by common director

(b) Transactions

	2006	2005
Expenses		
General and administrative expenses - New North	$ 43,650	$ 12,008
Legal fees - Robinson Stewart	38,330	14,223
Consulting fees - TM Financial Ltd.	36,000	-
Legal fees - Gowlings	19,909	-
	$ 137,889	$ 26,231

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(c) Accounts receivable include amounts receivable from:

	2006	2005
New North	$ 156,000	$ -

(d) Accounts payable and accrued liabilities include amounts payable to:

	2006	2005
Robinson Stewart	$ -	$ 9,373
New North	310,785	-
Gowlings	8,894	-
	$ 319,679	$ 9,373

8. SHARE CAPITAL

a) Authorized

Unlimited number of Common voting shares without nominal or par value.
Unlimited number of Preferred shares, without nominal or par value, issuable in series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

b) Common shares issued

	Number	Amount
Balance December 31, 2004 and 2005	7,000,000	$ 452,814
Agents options exercised in January 2006	400,000	40,000
February 2006 share issuance	2,230,000	446,000
Shares issued on acquisition of Open Range Resources Ltd.	14,238,500	2,888,000
Tax effect of flow-through shares	-	(336,135)
Share issuance costs	-	(234,347)
Balance December 31, 2006	23,868,500	$ 3,256,332

During January 2006, agents options were exercised, and the Company issued 400,000 common shares at a price of $0.10 per share for proceeds of $40,000.

During February 2006, the Company issued 2,230,000 common shares at a price of $0.20 per share for proceeds of $446,000.

On March 30, 2006, the Company issued 14,238,500 common shares in exchange for all of the issued and outstanding shares of Open Range Resources Ltd. at a deemed price of $0.20 per share. For accounting purposes, however, the shares have been valued based on the carrying value of net assets of Open Range Resources Ltd. Continuity of interest accounting was used as this was considered to be a related party and there was no change in control. The carrying value of these assets were $2,888,000.

c) Escrowed shares

Under the requirements of the TSX Venture Exchange there are 1,500,000 seed-capital common shares remaining in escrow of the original 3,000,000. The remaining escrow shares will be released 12 and 18 months following the initial release.

Also under the requirements of the TSX Venture Exchange there are 383,750 common shares remaining in escrow of the original 767,500. The remaining escrow shares will be released 12 and 18 months following the initial release (the date of acceptance of the qualifying transaction).

8. **SHARE CAPITAL, continued**

d) Stock options

The Company has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Company with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares.

Pursuant to the Agency Agreement related to the public offering that took place on October 14, 2004, the Agent received non-transferable options to purchase 400,000 shares at a price of $0.10 per common share. These options were exercised during January 2006.

The fair value of the stock options granted in the year have been determined using the Black-Scholes option-pricing model using the following assumptions; dividend yield (nil), expected volatility (110%), market risk-free interest rate (3.0%), and expected life of 5 years.

On April 1, 2006, the Company granted 1,275,000 options to purchase common shares to officers, directors and consultants. These options vested immediately, carry an exercise price of $0.25, and expire on April 1, 2011. Upon cessation of employment of an officer, director or consultant, the options will expire 90 days from the cessation date. Stock-based compensation expense of $358,874 was recorded, with a corresponding credit to contributed surplus. The amount of compensation expense was based on the fair value of the options. Also, during the year, upon cessation of a consultants contract, 275,000 options expired.

On August 15, 2006, the Company granted 80,000 options to purchase common shares to officers, directors and consultants. These options vested immediately, carry an exercise price of $0.25, and expire on August 15, 2011. Stock-based compensation expense of $18,122 was recorded, with a corresponding credit to contributed surplus.

The following transactions occurred in 2006:

	Number	Weighted average exercise price
Outstanding December 31, 2004 and 2005	1,100,000	$ 0.10
Issued, April 1, 2006	1,275,000	0.25
Issued, August 15, 2006	80,000	0.25
Exercised in the year	(400,000)	0.10
Expired in the year	(275,000)	0.25
Outstanding December 31, 2006	1,780,000	$ 0.19

8. **SHARE CAPITAL, continued**

d) Stock options (continued)

The following table summarizes the options outstanding and exercisable at December 31, 2006:

Options outstanding	Exercise price	Options exercisable at December 31, 2006	Expiry date
700,000	$ 0.10	700,000	May 11, 2009
1,000,000	0.25	1,000,000	April 1, 2011
80,000	0.25	80,000	August 15, 2011
1,780,000		1,780,000	

9. **CONTRIBUTED SURPLUS**

	2006	2005
Balance, December 31, 2005 and 2004	$ 14,170	$ 14,170
Options issued, April 1, 2006	254,171	-
Options issued, August 15, 2006	18,122	-
	$ 286,463	$ 14,170

10. **INCOME TAXES**

a) The components of future income tax balances are as follows:

	2006	2005
Future income tax asset		
Non-capital loss carry-forwards	$ 136,592	$ 27,775
Carrying value of petroleum and natural gas properties in excess of tax basis	(205,325)	-
Share issue costs	68,733	(7,624)
	-	20,151
Valuation allowance	-	(20,151)
	$ -	$ -

10. **INCOME TAXES, continued**

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 32.12% (2005 - 33.62%) to the loss for the years as follows:

	2006	2005
Loss for the year before income taxes	$ (830,864)	$ (44,086)
Anticipated income tax recovery	$ (266,874)	$ (14,822)
Benefit of income tax losses not recognized	80,993	21,190
Income tax losses utilized prior to acquisition of business combination	(126,699)	-
Permanent income differences	44,812	119
Share issue costs	(12,062)	(6,527)
Change in valuation allowance	(20,151)	-
Income tax rate adjustment	(7,187)	-
Other	(28,967)	40
Provision for income taxes	$ (336,135)	$ -

As at December 31, 2006, the Company has approximately $3,390,000 of Canadian tax pools available for deduction against future taxable income. The Company also has Canadian non-capital tax losses of approximately $425,000 available deduction against future taxable income that expire between 2014 and 2026.

11. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated to reflect the dilutive effect of stock options outstanding. Loss per share is calculated as follows:

2006	Net loss	Weighted average common shares	Loss per share
Basic and diluted	$ (494,729)	19,903,875	(0.025)

2005	Net loss	Weighted average common shares	Loss per share
Basic and diluted	$ (44,086)	7,000,000	(0.006)

12. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as bank indebtedness and accounts payable and accrued liabilities, which will result in future cash outlays.

The nature of the Company's operations result in exposure to fluctuations in commodity prices, exchange rates and interest rates. The Company does not use derivative financial instruments to manage its exposure to these risks.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. During 2006, a small number of customers comprised the majority of the Company's oil and gas revenue and accounts receivable. Since these sales could be made to other buyers on terms that would allow the reporting entity to continue as a viable economic entity, the economic dependency on these customers is minimized.

(b) Fair value

It is management's opinion that the Company's carrying values of accounts receivable, bank indebtedness and accounts payable and accrued liabilities, approximates their fair values due to the immediate or short-term maturity of these instruments.

12. **FINANCIAL INSTRUMENTS, continued**

(c) Interest rate risk

The Company manages its exposure to interest rate risk through floating rate borrowings. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

13. **SUBSEQUENT EVENTS**

(a) New Range Resources Ltd. intends to, and has received all required regulatory approvals including approval by the TSX Venture Exchange in compliance with applicable securities laws, rules and regulations, to make a normal-course issuer bid to repurchase up to 2,053,350 of its common voting shares, being 10 per cent of New Range's public float as defined in the policies of the TSX-V. The bid will commence on January 17, 2007, and continue until the earlier of January 16, 2008, and the date by which New Range has acquired the maximum 2,053,350 shares that may be purchased under the bid.

(b) In February 2007, the Company granted 60,000 options to purchase common shares to officers, directors and employees. These options vested immediately, carry an exercise price of $0.32, and expire on February 9, 2012.

(c) In February 2007, the Company granted 450,000 options to purchase common shares to officers, directors and employees. These options vested immediately, carry an exercise price of $0.30, and expire on February 15, 2012.