

**NEW RANGE RESOURCES LTD.  
FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTH PERIODS ENDED  
SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006  
UNAUDITED**

**NOTICE OF NO AUDITOR REVIEW**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited interim financial statements have been prepared by management and the Corporation's independent auditors have not performed a review of these financial statements.

**NEW RANGE RESOURCES LTD.**  
**BALANCE SHEETS**  
**UNAUDITED**

|   | September 30,<br>2007 | December 31,<br>2006 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>                                   |                       |                      |
| <b>CURRENT</b>                                  |                       |                      |
| Cash  | \$ -                  | \$ -                 |
| Accounts receivable                             | 265,487               | 648,811              |
| Prepaid expenses                                | 20,786                | 17,545               |
|   | <u>286,273</u>        | <u>666,356</u>       |
| <br>PETROLEUM & NATURAL GAS PROPERTIES (note 4) | <br><u>4,391,630</u>  | <br><u>4,299,444</u> |
|   | <u>\$ 4,677,903</u>   | <u>\$ 4,965,800</u>  |
| <b>LIABILITIES</b>                              |                       |                      |
| <b>CURRENT</b>                                  |                       |                      |
| Accounts payable and accrued liabilities        | 437,989               | 1,470,134            |
| Bank indebtedness (note 5)                      | \$ 676,723            | \$ 285,662           |
| Short term loans (note 5)                       | 700,000               | -                    |
|   | <u>1,814,712</u>      | <u>1,755,796</u>     |
| <br>ASSET RETIREMENT OBLIGATION                 | <br><u>306,598</u>    | <br><u>234,197</u>   |
|   | <u>2,121,310</u>      | <u>1,989,993</u>     |
| <b>SHAREHOLDERS' EQUITY</b>                     |                       |                      |
| SHARE CAPITAL (note 7)                          | 3,190,994             | 3,256,332            |
| CONTRIBUTED SURPLUS (note 7)                    | 286,463               | 286,463              |
| DEFICIT   | (920,864)             | (566,988)            |
|   | <u>2,556,593</u>      | <u>2,975,807</u>     |
|   | <u>\$ 4,677,903</u>   | <u>\$ 4,965,800</u>  |

See accompanying notes

Approved on behalf of the Board  
Director

"Signed"  
Hugh Thomson

Director

"Signed"  
Thomas Robinson

**NEW RANGE RESOURCES LTD.**  
**STATEMENTS OF OPERATIONS**  
**UNAUDITED**

|   | 3 months<br>ended<br>Sept. 30,<br>2007 | 3 months<br>ended<br>Sept. 30,<br>2006 | 9 months<br>ended<br>Sept. 30,<br>2007 | 9 months<br>ended<br>Sept. 30,<br>2006 |
|---|--|--|--|--|
| <b>REVENUE</b>                                  |  |  |  |  |
| Revenue   | \$ 433,110                             | \$ 191,474                             | \$ 1,023,686                           | \$ 681,667                             |
| Royalties                                       | (81,865)                               | (25,165)                               | (176,899)                              | (90,292)                               |
|   | 351,245                                | 166,309                                | 846,787                                | 591,375                                |
| <b>OTHER INCOME</b>                             | 725                                    | 3,852                                  | 4,017                                  | 18,018                                 |
|   | 351,970                                | 170,161                                | 850,804                                | 609,393                                |
| <b>EXPENSES</b>                                 |  |  |  |  |
| Administration expenses (note 6)                | 45,707                                 | 57,175                                 | 253,801                                | 445,942                                |
| Depletion, depreciation and accretion           | 220,321                                | 332,857                                | 531,143                                | 601,902                                |
| Operating expenses                              | 146,244                                | 57,848                                 | 371,825                                | 188,210                                |
| Interest  | 28,751                                 | -                                      | 67,111                                 | -                                      |
|   | 441,023                                | 447,880                                | 1,223,880                              | 1,236,054                              |
| <b>LOSS BEFORE INCOME TAXES</b>                 | (89,503)                               | (127,719)                              | (373,076)                              | (626,661)                              |
| <b>CURRENT INCOME TAX RECOVERY</b>              | 14,895                                 | -                                      | 19,201                                 | -                                      |
| <b>NET AND COMPREHENSIVE LOSS</b>               | \$ (74,158)                            | \$ (227,719)                           | \$ (353,875)                           | \$ (626,661)                           |
| <b>NET AND COMPREHENSIVE LOSS<br/>PER SHARE</b> |  |  |  |  |
| Basic   | \$ (0.003)                             | \$ (0.012)                             | \$ (0.015)                             | \$ (0.033)                             |
| Diluted   | \$ (0.003)                             | \$ (0.011)                             | \$ (0.014)                             | \$ (0.031)                             |
| <b>WEIGHTED AVERAGE NUMBER OF<br/>SHARES</b>    |  |  |  |  |
| Basic   | 23,678,500                             | 23,868,500                             | 23,700,075                             | 18,788,916                             |
| Diluted   | 25,968,500                             | 25,793,826                             | 25,907,328                             | 20,348,825                             |

See accompanying notes

**NEW RANGE RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

|   | 3 Months<br>ended<br>Sept. 30,<br>2007 | 3 Months<br>ended<br>Sept. 30,<br>2006 | 9 Months<br>ended<br>Sept. 30,<br>2007 | 9 months<br>ended<br>Sept. 30,<br>2006 |
|---|--|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>     |  |  |  |  |
| Net and comprehensive loss                      | \$ (74,158)                            | \$ (277,719)                           | \$ (353,875)                           | \$ (626,661)                           |
| Items not affecting cash                        |  |  |  |  |
| Depletion, depreciation and accretion           | 220,321                                | 332,857                                | 531,143                                | 601,902                                |
| <b>CASH FLOW FROM OPERATIONS</b>                | 146,163                                | 55,138                                 | 177,268                                | (24,759)                               |
| Changes in non-cash working capital items       | (728)                                  | (117,703)                              | (652,064)                              | (122,392)                              |
|   | 145,435                                | (62,565)                               | (474,796)                              | (147,151)                              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>     |  |  |  |  |
| Additions to petroleum & natural gas properties | (137,381)                              | (445,831)                              | (550,927)                              | (3,471,550)                            |
|   | (137,381)                              | (445,831)                              | (550,927)                              | (3,471,550)                            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>     |  |  |  |  |
| Proceeds from issuance of share capital         | -                                      | (40,000)                               | -                                      | 3,308,653                              |
| Repurchases of share capital                    | -                                      | -                                      | (65,338)                               | -                                      |
| Increase (decrease) in bank indebtedness        | (78,054)                               | -                                      | 391,061                                | -                                      |
| Increase (decrease) in short term loans         | 70,000                                 | -                                      | 700,000                                | -                                      |
|   | (8,054)                                | (40,000)                               | 1,025,723                              | 3,308,653                              |
| <b>CHANGE IN CASH POSITION</b>                  | -                                      | (468,396)                              | -                                      | (310,048)                              |
| <b>CASH, beginning of period</b>                | -                                      | 568,569                                | -                                      | 410,221                                |
| <b>CASH, end of period</b>                      | \$ -                                   | \$ 100,173                             | \$ -                                   | \$ 100,173                             |

See accompanying notes

## 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 Siga Resources Limited ("Siga") and Open Range Resources Ltd. ("OR Resources") (a private company, related by way of common control). The common shares of 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 exploration and development of oil and gas properties in Alberta.

## 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. Immediately prior there to, OR Resources had acquired all the issued and outstanding common shares of Siga in exchange for cash. Upon acquisition, OR Resources, Siga 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           | <u>\$ 2,888,000</u> |

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)           |
|                                    | <u>\$ 2,888,000</u> |

The Company issued 14,238,500 shares as consideration for the purchase of OR Resources. The values 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.

### **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.

#### **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 obligation**

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.

### **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 collect ability 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.

### Stock-based compensation

The Company has a stock based compensation plan, which is described in note 7. 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.

## 4. PETROLEUM & NATURAL GAS PROPERTIES

|   | September 30, |  | December 31, |              |
|---|---------------|--|--------------|--------------|
|   | 2007          |  | 2006         |              |
|   | Cost          | Accumulated<br>depletion and<br>depreciation | Net          | Net          |
|   |               |  |              |              |
| Petroleum and natural gas<br>properties | \$ 6,851,387  | \$ 2,459,757                                 | \$ 4,391,630 | \$ 4,299,444 |

## 5. BANK INDEBTEDNESS AND SHORT TERM LOANS

|                   | September 30, | December 31, |
|-------------------|---------------|--------------|
|                   | 2007          | 2006         |
|                   |               |              |
| Bank indebtedness | 676,723       | 285,662      |
| Short term loans  | \$ 700,000    | \$ -         |
|                   |               |              |
|                   | \$ 1,376,723  | \$ 285,662   |

The Company has a demand revolving operating loan facility with a Canadian Chartered Bank to be used for development and acquisition of petroleum and natural gas properties and related assets. At September 30, 2007 the credit facility available was for up to \$740,000.

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.



At September 30, 2007 the company had short term loans from related parties totaling \$700,000. These loans bear interest at prime + 4%.

## 6. RELATED PARTY TRANSACTIONS

(a) During the three months ended September 30, 2007 the Company entered into transactions with the following related parties:

New North Resources Ltd. ("New North"), related by common director and insider  
Gowling Lafleur Henderson LLP ("Gowlings"), related by common director

(b) Transactions

|   | September 30,<br>2007 | September 30,<br>2006 |
|---|-----------------------|-----------------------|
| Expenses  |                       |                       |
| General and administrative expenses - New North | \$ 14,250             | \$ 20,250             |
| Legal fees - Gowlings                           | 7,521                 | 5,718                 |
|   | <u>\$ 21,771</u>      | <u>\$ 25,968</u>      |

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.

## 7. 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

|   | <u>Number</u>     | <u>Amount</u>       |
|---|-------------------|---------------------|
| 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)           |
|   | <u>23,868,500</u> | <u>3,256,332</u>    |
| Balance December 31, 2006                                 | 23,868,500        | 3,256,332           |
| Normal course issuer bid purchases                        | (190,000)         | (65,338)            |
| Balance September 30, 2007                                | <u>23,678,500</u> | <u>\$ 3,190,994</u> |

During January 2006, agent's 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 values of these assets were \$2,888,000.

The Company 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 the Company's public float as defined in the policies of the TSX Venture Exchange. The bid commenced on January 17, 2007, and will continue until the earlier of January 16, 2008, and the date by which the Company has acquired the maximum 2,053,350 shares that may be purchased under the bid. In January and February 2007 the company purchased 190,000 common shares in the market for \$65,338. at an average purchase price of \$0.34 per share.

c) Escrowed shares

Under the requirements of the TSX Venture Exchange there are 750,000 seed-capital common shares remaining in escrow of the original 3,000,000. The remaining escrow shares were released in October 2007.

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 consultant's 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.

On February 9, and 15, 2007, the Company granted 510,000 options to purchase common shares to officers, directors and consultants. These options vest immediately, carry an exercise price of \$0.30 per share and expire on Feb 9 and 15, 2012.

Stock option continuity to September 30, 2007:

|  | Number           | Weighted<br>average exercise<br>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 2006                      | (400,000)        | 0.10                                  |
| Expired in 2006                        | (275,000)        | 0.25                                  |
| Outstanding December 31, 2007          | 1,780,000        | \$ 0.19                               |
| Issued, February 9, and 15, 2007       | 510,000          | 0.30                                  |
| Outstanding September 30, 2007         | <u>2,290,000</u> |                                       |

The following table summarizes the options outstanding and exercisable at September 30, 2007:

| Options<br>outstanding | Exercise price | Options exercisable at<br>September 30, 2007 | Expiry date       |
|------------------------|----------------|--|-------------------|
| 700,000                | \$ 0.10        | 700,000                                      | May 11, 2009      |
| 1,000,000              | 0.25           | 1,000,000                                    | April 01, 2011    |
| 80,000                 | 0.25           | 80,000                                       | August 15, 2011   |
| 60,000                 | .30            | 60,000                                       | February 9, 2012  |
| 450,000                | .30            | 450,000                                      | February 15, 2012 |
| <u>2,290,000</u>       |                | <u>2,290,000</u>                             |                   |

## 8. CHANGE IN ACCOUNTING POLICIES

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted without restating prior periods, the new recommendations of the CICA Handbook included in Section 3855, Financial Instruments – Recognition and Measurement, Section 3865, Hedges section 1530, Comprehensive Income and Section 3861, Financial Instruments – disclosure and Presentation, Section 3855 and 3861 deal with the classifications, recognition, measurements, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. Section 3865 deals with the standards for when and how hedge accounting may be applied, Section 1530 deals with the presentation of comprehensive income and its components, including net income and components of comprehensive income and Section 3251 deals with the presentation of equity and changes in equity for the period

Adoption of these recommendations has the following impacts on the classification and measurement of the Company's financial instruments:

- Cash is classified as “held-for-trading”. It is measured at fair value and changes in fair value are recognized in consolidated earnings.
- Accounts receivable is classified as “loans and receivables” and is measured at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts
- Accounts payable and accrued liabilities, bank indebtedness and short term loans are classified as other financial liabilities and is measured at cost

These changes had no impact at the time of initial adoption of classification on the opening balances.