



**MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2008**

The following is management's discussion and analysis ("MD&A") of the operating and financial results for the year ended December 31, 2008 of New Range Resources Ltd. ("New Range" or "the Company"), dated as of April 23, 2009. This discussion should be read in conjunction with the Company's financial statements and notes for the years ended December 31, 2008 and 2007 ("Financial Statements"). The reader must be aware that historical results are not necessarily indicative of the future performance. All amounts are reported in Canadian dollars. The aforementioned documents can be accessed on the SEDAR web site [www.sedar.com](http://www.sedar.com).

## **Nature of Business and Basis of Presentation**

### **Corporate Profile**

New Range Resources Ltd. ("New Range" or the "Company") is a Calgary based junior oil and natural gas corporation, engaged in the exploration, development, acquisition and production of natural gas and medium to light gravity crude oil reserves in Alberta.

New Range's common shares trade on the TSX Venture Exchange under the symbol RGE.

The Company's primary corporate objective is to achieve non-dilutive growth and enhance shareholder value through internal prospect development, strategic production acquisitions, and prudent financial management.

New Range was incorporated as "Open Range Capital Corp." under the *Business Corporations Act* (Alberta) on April 7, 2004. On March 30, 2006, a plan of arrangement involving the Company, Siga Resources Limited and Open Range Resources Ltd. was consummated and marked the commencement of oil and natural gas operations for the amalgamated Company. Under the plan of arrangement, Open Range Resources Ltd. acquired all the issued and outstanding shares of Siga Resources Limited in exchange for cash, and immediately thereafter, the Company acquired all the issued and outstanding shares of Open Range Resources Ltd. in exchange for shares of the Company.

For the purposes of calculating revenues and costs on a per unit basis, natural gas volumes have been converted to barrels ("bbl") of oil equivalent ("boe") using six thousand cubic feet ("mcf") of natural gas equal to one boe. This conversion conforms to Canadian Securities Regulators National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. Use of the term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

### **Non GAAP Measures**

This MD&A contains the term "cash flow from operations" and "operating netback", which should not be considered an alternative to, or more meaningful than, cash flows from operating activities as determined in accordance with Canadian Generally Accepted Accounting principles ("GAAP") as an indicator of New Range's performance. New Range's determination of cash flow from operations and operating netback may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flows from operating activities can be found in the statement of cash flows. The Company also presents cash flow per share whereby cash flow from operations is divided by the weighted average number of shares outstanding to determine per share amounts.

### **Forward-Looking Information**

Certain statements contained in this annual management discussion and analysis may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are

subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of New Range to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for the continued exploration and development of New Range's prospects, political and economic conditions, commodity prices and other factors.

### Corporate Financial and Operational Summary

	Years Ended	
	December 31	
	2008	2007
<b>Financial \$</b>		
Total revenue	2,040,551	1,404,055
Cash flow from operations	635,487	219,364
per share, basic and diluted	.027	.010
Loss for the period	(1,353,700)	(563,925)
per share, basic and diluted	(0.057)	(0.024)
Capital additions	550,514	787,005
Dispositions	-	48,000
Working capital (deficit)	(1,589,445)	(1,674,418)
Total assets	3,513,561	4,945,321
Total shares outstanding	23,678,500	23,678,500
<b>Operations</b>		
Field operating cash flow	1,079,772	655,087
Per share, basic and diluted	.046	.028
<b>Production</b>		
Gas (MMcfd)	368	297
Oil & NGL (Bopd)	28	30
BOEd (6Mcf = 1Bbl)	89	80
<b>Product Prices</b>		
Gas (\$/Mcf)	8.09	6.09
Oil (\$/Bbl)	97.90	74.03
NGL (\$/Bbl)	67.66	37.10
<b>Reserves</b> (proved plus probable, future costs and prices)		
Gas (mmcf)	889	679
Oil (MBbl)	57	138
NGL (MBbl)	15	19
BOE (MBOE)	223	270
Present value, before tax (\$ Thousands at 10%)	3,190	5,213

## Revenue from Oil and Natural Gas Operations

For the year ended December 31, 2008, New Range's production was comprised of 69% natural gas, 21% oil and 10% NGLs.

	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Oil sales (\$)	87,475	210,200	206,897	179,718	179,489	217,802	81,242	115,429
Natural gas sales (\$)	232,137	312,879	293,405	248,777	168,466	156,722	147,276	215,172
NGL sales (\$)	20,495	58,513	52,789	56,184	26,998	58,585	18,032	13,576
Sulphur sales (\$)	(13,440)	27,913	19,420	-	-	-	1,782	-
Other	10,502	33,346	1,662	1,679	1,469	726	525	764
Total petroleum and natural gas revenue (\$)	337,169	642,851	574,173	486,358	376,422	433,835	248,857	344,941
Bbl Oil /day	16	19	19	21	24	31	13	21
Mcf Natural gas/day	382	449	302	338	297	339	231	322
NGL volume/day	6	10	9	11	11	14	6	4
Average production rates (boe/day)	86	104	78	89	85	101	58	79
\$/Bbl Oil	58.18	118.13	122.36	92.92	81.89	77.18	68.48	61.07
\$/mcf gas	6.50	7.41	10.49	7.96	5.94	4.82	6.70	7.01
\$/Bbl NGL	38.35	90.79	87.03	54.45	24.98	44.18	35.18	38.78
\$/boe	42.99	63.44	80.95	60.51	48.08	45.85	47.52	48.40

Petroleum and Natural gas revenues for the year ended December 31, 2008, were \$2,040,551 compared to \$1,404,055 for the same period last year, an increase of 45%

Oil, natural gas and natural gas liquids ("NGLs") sales averaged 86 barrels of oil equivalent per day ("boepd") during the fourth quarter of 2008 compared to 85 boepd during the same period of 2007. For the year, production averaged 89 boepd compared to 81 boepd during 2007.

During the fourth quarter of 2008, average commodity prices received were \$58.18 per bbl of oil, \$38.35 per bbl of NGLs and \$6.50 per mcf of gas. For the year 2008, average commodity prices received were \$97.90 per bbl of oil, \$67.66 per bbl of NGLs and \$8.09 per mcf of gas.

## Royalties

	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Royalties (\$)	78,165	94,860	87,002	71,254	61,730	81,865	27,173	67,860
Royalties (\$/boe)	9.88	9.87	12.27	8.82	7.91	8.77	5.24	9.74
Royalties Rate (% of revenue)	23	15	15	15	17	19	11	20

Royalties are paid to various government entities and other land, mineral rights and interest holders in respect of the Company's natural gas, natural gas liquids and oil production.

### *Alberta Royalty Framework*

The Government of Alberta has implemented a new royalty structure effective on January 1, 2009 that applies to all of the Company's wells in Alberta. Royalties calculated pursuant to the proposal are sensitive to well production rates and commodity prices for oil and natural gas. The objective, generally, is to increase the level of royalties collected from industry, particularly at higher commodity price levels and from higher productivity wells.

On March 3, 2009 the Alberta government announced an economic activity stimulus plan for the energy sector. The Company is eligible for credits that offset Crown royalties payable on existing and new production. The credit is calculated as 50% of \$200 per metre drilled by the Company in the 12 months commencing April 1, 2009 and can be offset against Crown royalties in the 24 month period commencing April 1, 2009.

## Operating Costs

Operating costs can vary significantly depending on such factors as production rates, reservoir quality, water content and available infrastructure.

	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Operating Costs (\$)	145,253	180,378	155,791	148,425	138,592	146,244	108,488	117,093
Operating Costs (\$/boe)	18.36	18.79	21.95	18.36	17.75	15.67	20.92	16.80
Operating Costs (% of revenue)	43	30	27	31	37	34	43	34

Operating costs averaged \$19.28 per Boe in 2008 as compared to \$17.79 in 2007.

## Netbacks

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Average Production Rates (boepd)	86	104	78	89	85	101	57	76
Total Revenue (\$/boe)	42.99	63.44	80.95	60.51	48.08	45.85	47.51	48.40
Royalties (\$/boe)	9.88	9.87	12.27	8.82	7.91	8.77	5.24	9.74
Operating Costs (\$/boe)	18.36	18.97	21.91	18.36	17.75	15.74	20.94	14.62
Operating Netback (\$/boe)	14.75	34.78	46.77	33.33	22.42	21.30	21.33	25.31
G & A Costs (\$/boe)	15.57	8.31	12.04	4.46	13.43	4.92	30.31	6.20
Interest (\$/boe)	2.91	2.64	3.62	3.25	1.58	3.09	5.07	1.72
Corporate Netback (\$/boe)	(3.73)	23.83	31.11	25.62	11.85	13.29	(14.05)	17.39

Field operating netbacks in 2008 were \$14.75/BOE which represents 34% of revenues.

## General & Administrative (“G & A”) Expenses

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
G & A Costs (\$)	123,184	79,838	85,436	35,733	104,772	45,707	158,418	49,676
G & A Costs (\$/boe)	15.57	8.31	12.04	4.46	13.43	4.90	30.54	6.99
G & A Costs (% of revenue)	36	13	15	7	28	11	64	14

## Interest Expenses

At times during 2008, the Company drew down on its credit facility with a Canadian chartered bank. The balance outstanding under the credit facility at December 31, 2008 was \$877,152. The bank loan bears interest at prime + .25% annually.

The Company has a loan from a related party. At December 31, 2008 the balance outstanding was \$650,000. The loan payable bears interest at prime +4% annually.

## Depletion, Depreciation and Accretion (“DD&A”) Costs

The rate of depletion and depreciation with respect to petroleum and natural gas properties, excluding administrative assets, was \$24.94 per boe produced.

	2008	2007
DD & A Costs (\$)	805,367	659,573
DD & A Costs (\$/boe)	24.94	22.63

## Income Taxes

As at December 31, 2008, the Company had approximately \$4,183,000 (2007 \$3,277,000) of Canadian tax pools available for deduction against future taxable income. The Company also has non-capital tax losses of approximately \$1,155,885 (2007 \$1,087,000) available for deduction against future taxable income that expire between 2014 and 2028.

## Cash Flow and Earnings

Net loss for the year ended December 31, 2008 was \$1,353,700 on net revenues of \$1,709,619 as compared to a loss of \$563,125 on net revenues of \$1,165,504 during the same period in 2007.

	Q4 2008 \$	Q3 2008 \$	Q2 2008 \$	Q1 2008 \$	Q4 2007 \$	Q3 2007 \$	Q2 2007 \$	Q1 2007 \$
Revenues	337,169	642,851	574,173	486,358	376,422	433,835	248,857	344,941
Royalties	78,165	94,860	87,002	71,254	61,730	81,865	27,173	67,860
Other income	349	-	-	-	-	-	77	-
Revenues after Royalties	259,354	547,991	487,171	415,104	314,692	351,970	221,761	277,081
Operating Costs	145,253	180,378	155,791	148,425	138,592	146,244	108,488	117,093
G&A Costs	123,184	79,838	85,436	35,733	104,772	45,707	158,418	49,678
Interest	23,054	25,354	25,685	26,001	29,237	28,751	26,065	12,296
Other expense	20,000							
Cash Flow	(52,138)	262,421	220,259	204,945	42,098	146,163	(71,217)	98,015
Cash Flow per Share (basic)	(0.001)	0.011	0.009	0.010	0.001	(0.006)	(0.003)	0.004
Cash Flow per Share (diluted)	(0.001)	0.011	0.009	0.010	0.001	(0.006)	(0.003)	0.004
DD&A	233,976	214,436	178,854	178,101	128,430	220,321	141,512	169,310
Impairment of PNG Properties	1,183,820	-	-	-	-	-	-	-
Stock Based Compensation	-	-	-	-	123,716	0	0	0
Future Income Tax Recover	-	-	-	-	-	(14,895)	0	(4,305)
Net Income (loss)	(1,469,934)	47,985	41,405	26,844	(210,048)	(74,158)	(212,729)	(66,990)
Income (Loss) per Share (basic)	(0.057)	0.002	0.002	0.001	(.001)	(0.003)	(0.009)	(0.003)
Net Income(loss) per Share (diluted)	(0.057)	0.002	0.002	0.001	(.001)	(0.003)	(0.009)	(0.003)

## Capital Expenditures

During 2008, New Range recorded \$550,514 in capital expenditures compared to \$787,005 in the year 2007.

## Liquidity and Capital Resources

	<u>Year ended</u> <u>December 31, 2008</u> \$	<u>Year ended</u> <u>December 31, 2007</u> \$
Working Capital (Deficiency)	(1,589,445)	(1,674,418)

New Range has a working capital deficiency of \$1,589,445 at the end of the fourth quarter 2008 compared to a working capital deficiency of \$1,674,418 at the end of 2007.

As of December 31, 2008, New Range had a utilized \$877,152 of its revolving loan facility with a Canadian chartered bank.

## Related Parties

An officer and director of the Company is a lawyer whose firm provides legal services to the Company at market rates. During 2008, amounts totaled \$20,922 for such legal services (2007 - \$ 45,115).

Two officers and directors of the Company, and an insider of the Company (holding in excess of 10% of the Company's common shares) are also officers, directors or insiders of a private oil and gas company that entered into a sub-participation agreement with the Company pursuant to which the Company had the right to earn a 30% working interest in the Knopcik 14-9 well. The Company earned a 30% interest in the Knopcik 14-9 well and as at the year ended December 31, 2008, the Company had accounts receivable from the private oil and gas company in the amount of \$60,960, and accounts payable and accrued liabilities to the private company in the amount of \$78,485 in connection with the Company's share of expenses for development and production activity on the Knopcik 14-9 well.

In addition, during the year ended December 31, 2008, the Company paid \$51,511 general and administrative expenses (2007 - \$45,200) to the private oil and gas company in connection with sharing of administrative services with the private company.

A company, wholly owned by an officer and director of the Company, charged consulting fees of \$72,000 to the Company in 2008.

At December 31, 2008, the Company had a short term loan from a related party totaling \$650,000 (2007 - \$700,000). The loan bears interest payable monthly at prime plus 4% per annum. There is no collateral and the balance is due on demand. A total of \$66,145 was paid in interest on the short term loan in 2008.



## Share Information

As at December 31, 2008, there are 23,678,500 common shares of the Company outstanding. The Company's common shares are listed for trading on the TSX Venture Exchange under the symbol "RGE".

	<b>December 31 2008</b>	<b>December 31 2007</b>
Common Shares issued and outstanding	23,678,500	23,678,500

## Critical Accounting Estimates

The significant accounting policies of New Range are disclosed in Note 4 to the Financial Statements. 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, and revenues and expenses. New Range's management reviews its estimates regularly.

There are a number of critical estimates underlying the accounting policies employed in preparing the Financial Statements including cost estimates for services received but not yet billed which are estimated based on original quotes and historical cost information. In addition, estimates are provided for income taxes, stock based compensation, asset retirement obligations and depreciation, depletion and amortization of property and equipment.

The Company's Financial Statements have been prepared on a going concern basis which contemplates the realization of certain assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Financial Statements do not include any adjustments relating to the recoverability and the classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The determination of the Company's 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 consideration time. Accordingly, the actual income tax liability may differ significantly from estimated and recorded in the Company's Financial Statements.

## New Standards in 2008

On January 1, 2008, the Company adopted the following standards issued by the CICA:

Section 1400 – General Standards of Financial Statement Presentation, which is effective for interim periods beginning on or after January 1, 2008 has been amended to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section did not have an impact on the financial statements.

Section 1535 – Capital Disclosures establishes standards for disclosing information of an entity's capital and how it is managed. It describes the disclosure requirements for the entity's objectives, policies and processes for managing capital; the quantitative data relating to what the entity regards as capital; whether the entity has complied with capital requirements and, if it has not complied, the consequences of such non-compliance. The only effects of adopting this standard are disclosures on the Company's capital and how it is managed as included in Note 15.

Section 3862 – Financial Instruments - Disclosures describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The additional disclosures required under these standards are included in Note 16.

Section 3863 – Financial Instruments – Presentation, establishes standards for presentation of financial instruments and non-financial derivatives. These sections replaced Section 3861 - Financial Instruments – Disclosure and Presentation.

Section 1582, Business Combinations will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, “Business Combinations” and replace the existing Section 1581, Business Combinations. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, Consolidated Financial Statements and Section 1602, Noncontrolling Interests.

Section 1601, Consolidated Financial Statements establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, Consolidated Financial Statements. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1602, Non-Controlling Interests.

Section 1602, Non-controlling Interests establishes standards for accounting for a noncontrolling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1601, Consolidated Financial Statements.

The Company does not expect the new sections to impact the Financial Statements.

### ***Future Accounting Policy Changes***

The CICA, in February 2008, issued CICA Handbook Section 3064 – Goodwill and Intangible Assets which will be adopted on January 1, 2009 and replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. This section clarifies the criteria for recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements but does not expect that the adoption of this new Section will have a material impact on its Financial Statements.

The CICA has issued CICA Handbook Sections 1601 – Consolidations and 1602 – Noncontrolling interests. Section 1601 carries forward the requirements of Section 1600 – Consolidated Financial Statements, other than those relating to non-controlling interests which would be covered in Section 1602. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders’ equity and net income will be calculated without deducting non-controlling interest and instead net income is allocated between the controlling and non-controlling interests.

The new Sections 1582 – Business Combinations, 1601 – Consolidations and 1602 – Non-controlling Interests will be effective for years beginning on or after January 1, 2011 with earlier

adoption permitted. The Company is currently assessing the potential impact and whether or not it will elect to adopt the standard in advance of the transition to IFRS.

The Accounting Standards Board has confirmed the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS"). The Company will be required to adopt IFRS for the year beginning January 1, 2011. The application of IFRS in Canada and particularly to the oil and gas industry requires further clarification and as a result the effect of IFRS adoption on the Company's accounting policies and reporting standards and practices has not yet been determined.

### **Proved Petroleum and Natural Gas Reserves**

The full cost method of accounting, which is used to account for oil and gas activities, relies on estimates of proved reserves that will ultimately be recovered from the properties. These estimates are utilized in calculating unit of production depletion, potential impairment of asset carrying costs and future site restoration expense. The process of estimating reserves is complex and requires judgment on available geological, engineering and economic data.

Reserves are evaluated at year-end by an independent engineering firm. Although the Company makes every effort to ensure the estimates are accurate, changing economic and operational conditions, and governmental regulations can significantly affect these estimates which may cause fluctuations in earnings and cash flows.

### **Financial Disclosures**

#### ***Off-Balance-Sheet Arrangements***

The Company has not entered into any off-balance-sheet arrangements.

### **Internal Control Over Financial Reporting**

The Company is a Venture Issuer and therefore under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), has not made representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in MI 52-109. In particular, the Chief Executive Officer and the Chief Financial Officer, the Company's certifying officers, have not made any representations relating to the establishment and maintenance of:

- 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.

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 MI 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.

## **Exploration, development and production risks**

New Range is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, regulatory, and environment concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and cost of goods and services.

While the Company currently has a limited number of specific identified exploration or development prospects, management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisition or participation opportunities are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

New Range employs highly qualified people, uses operating and business practices, and evaluates all potential and existing wells using up to date technology. New Range complies with government regulations and environment and safety policies are adhered. Liabilities for future abandonment and restoration costs are assessed and provided annually. New Range maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss, however not all risks are foreseeable or insurable.

The Company and its securities should be considered a highly speculative investment and investors should carefully consider all of the information before making an investment in the Company. The Company's limited operating history makes it difficult to predict how its business will develop and its future operating results.

## **Prices, markets and marketing of crude oil and natural gas**

Oil and natural gas are commodities whose prices are determined based on world and/or continental demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and continental prices for natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in oil and/or natural gas prices, leading to a reduction in the volume of the Company's oil and natural gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and natural gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices could limit or reduce the Company's borrowing base, thereby reducing the bank credit available to the Company, and could require that a portion of any existing bank debt of the Company be repaid.

The Company must successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas will be affected by numerous factors beyond the Company's control. The Company may be affected by the differential between the price paid by

refiners for light-gravity oil and the grades of oil that may be produced by the Company. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities.

### **Commodity price and foreign exchange risk**

Prices for oil are determined in global markets and generally denominated in \$US. Natural gas prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and recently, by imports of liquified natural gas. The exchange rate effect is difficult to quantify but generally an increase in the value of the \$CDN as compared to the \$US will reduce the prices received by the Company for its petroleum and natural gas sales.

### **Government Regulation**

There is extensive government regulation relating to taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company has no control over any changes to the existing regulatory regime that might adversely affect the Company's properties and prospects.

## **CORPORATE INFORMATION**

### **Directors**

Hugh M. Thomson (1)  
Calgary, Alberta

Leigh D. Stewart  
Calgary, Alberta

Thomas W. Robinson (1)  
Calgary, Alberta

Geoffrey Paskuski (1)  
Calgary, Alberta

(1) Audit Committee

### **Officers**

Hugh M. Thomson,  
President & Chief Executive Officer

Leigh D. Stewart  
Chief Financial Officer and Corporate Secretary

### **Stock Exchange Listing**

TSX Venture Exchange

Trading Symbol: RGE

### **Head Office**

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### **Auditors**

Hudson LLP  
Chartered Accountants  
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Calgary, Alberta T2R 0E1

### **Register and Transfer Agent**

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### **Solicitors**

Davis LLP  
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Calgary, Alberta T2P 4V5

### **Banker**

Canadian Western Bank  
606 – 4<sup>th</sup> Street S.W  
Calgary, Alberta T2P 1T1

### **Abbreviations**

bbl	barrels
bpd	barrels of oil per day
mcf	thousand cubic feet
mmcf	million cubic feet
mcfpd	thousand cubic feet per day
NGL	natural gas liquids
boe	barrel of oil equivalent (6:1)
boepd	barrel of oil equivalent per day

All sums of money are expressed in  
Canadian Dollars

