



## Q2 REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007

### FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Petroleum and natural gas revenues	\$ 5,555,957	\$ 3,131,892	\$ 9,991,800	\$ 6,258,455
Funds from operations	3,708,699	1,314,094	6,163,167	2,594,064
Per basic and diluted share	0.19	0.09	0.33	0.19
Net earnings (loss)	1,277,452	(720,653)	256,488	(1,128,395)
Per basic and diluted share	0.06	(0.05)	0.01	(0.08)
Net debt	9,684,735	2,441,567	9,684,735	2,441,567
Capital expenditures, net	\$11,284,524	\$ 7,405,409	\$23,869,797	\$ 21,341,264
Weighted average shares outstanding				
Basic and diluted	19,763,841	14,084,655	18,901,963	13,808,720
Production				
Natural gas (mcf per day)	7,009	4,320	6,239	4,180
Oil and NGL (bbls per day)	156	108	135	82
Total (@ 6:1) (boe per day)	1,324	828	1,175	778
Realized average sales prices				
Natural gas (\$ per mcf)	7.43	6.28	7.62	7.06
Oil and NGL (\$ per bbl)	57.68	64.31	56.57	62.06
Combined average (\$ per boe)	46.13	41.14	46.98	44.43
Royalties (\$ per boe)	4.32	5.12	5.60	8.96
Operating costs (\$ per boe)	6.23	12.37	6.76	9.39
Operating netback (\$ per boe)	35.58	23.65	34.62	26.08
General and administrative costs, net (\$ per boe)	4.78	6.51	5.63	7.66
Corporate netback (\$ per boe)	30.80	17.14	28.99	18.42

## **CORPORATE HIGHLIGHTS**

DURING THE THREE MONTHS ENDED JUNE 30, 2007, OPEN RANGE:

- » Drilled three gross (2.0 net) wells at Ansell/Sundance with a drilling success rate of 100 percent, encountering a total of 15 productive pay zones;
- » Produced an average of 1,324 boe per day, a 60 percent increase from the Q2 2006 average and a 29 percent increase from the Q1 2007 average;
- » Increased funds from operations by 182 percent and funds from operations per share by 111 percent over the comparable period in 2006, to \$3.7 million and \$0.19 per share, respectively;
- » Improved operating netbacks by 50 percent from the second quarter in 2006 to \$35.58 per boe, resulting from operating efficiencies;
- » Recorded earnings of \$1.3 million or \$0.06 per share;
- » Increased its bank lines to \$25.5 million with the National Bank of Canada; and
- » Expanded its Ansell/Sundance land position by 2,560 net acres through acquisition at an Alberta Crown land sale.

SUBSEQUENT TO JUNE 30, 2007, OPEN RANGE:

- » Drilled two gross (1.0 net) wells, which were successful and encountered 10 potential productive pay zones; and
- » Brought three (2.0 net) wells on-production, increasing current production to approximately 1,700 boe per day.

## **EXPLORATION UPDATE**

During the second quarter of 2007, Open Range continued its excellent drilling results at Ansell/Sundance, with three new multi-zone natural gas wells (2.0 net) being drilled and cased. The first well (100 percent working interest) was drilled through spring break-up utilizing an existing multi-well pad. The other two (1.0 net) wells were drilled following break-up.

The three wells drilled in the second quarter intersected a combined total of 15 productive pay zones, all of which have been successfully fracture-stimulated. The quality and thickness of several of the pay zones were among the best encountered at Ansell/Sundance to date, with all the wells exhibiting excellent initial flow rates and pressures during testing. Collectively, four new pool discoveries were made in these wells, with one of these discoveries becoming the tenth commercial natural gas horizon encountered by Open Range at the property.

Open Range continued to expand its land position in the Ansell/Sundance area by acquiring a 100 percent working interest in approximately 2,500 acres through Alberta Crown land sales in the second quarter. Newly acquired and interpreted 3D seismic was used to evaluate the lands prior to the land sale. The acreage is considered highly prospective for multi-zone Deep Basin natural gas and plans are underway to drill an exploratory well on the lands in 2008. The land acquisition increases the Corporation's land holdings at Ansell/Sundance to more than 50 gross sections. More than 30 future development locations are now in inventory.

## **OPERATIONS UPDATE**

Open Range's production averaged 1,324 boe per day in the second quarter of 2007, a 60 percent increase over the average of 828 boe per day for the comparative period in 2006. The Corporation's

second quarter production was also up by 29 percent from the first quarter production average of 1,025 boe per day. The increase was a result of the tie-in of two (0.8 net) new wells at Ansell/Sundance and the return to production of one (0.5 net) well that was shut-in due to third-party capacity constraints in the first quarter of 2007.

Current net production from the Ansell/Sundance property is approximately 1,250 boe per day from 16 gross wells and a combined 41 pay zones. The production increases at Ansell/Sundance subsequent to June 30, 2007 are the result of three (2.0 net) wells drilled and completed in the first half of 2007 coming on production in July. Four (2.0 net) wells are currently waiting to be completed and are expected to come on production late in the third quarter, pending available third-party processing capacity.

The Corporation currently operates 23 mmcf per day of compression capacity at Ansell/Sundance. Open Range's significant drilling success has limited the availability of third-party transportation and processing capacity in the area. As a result, Open Range is reviewing incremental natural gas delivery options to accommodate future drilling activities.

Production from the Corporation's Big Bend, Ferrier, and Garrington properties was 495 boe per day in the second quarter, little changed from the first quarter of 2007. There was no drilling activity at these properties during the second quarter of 2007.

3

## **OUTLOOK**

Based on the Corporation's drilling success, strong balance sheet and natural gas hedging position achieved in the first half of 2007, Open Range has increased its capital investment program for 2007 to \$40 million. The Corporation is utilizing this increase to drill an exploratory prospect in the Alberta foothills, to drill one additional gross well at Ansell/Sundance and to expand the Corporation's Deep Basin land base. Both additional wells are to be finished drilling in the fourth quarter with potential completion and tie-in activities likely occurring in the first quarter of 2008. At this time, previously stated 2007 average production guidance remains unchanged at 1,450 boe per day.

Open Range is well-positioned to continue delivering growth through drilling in the second half of 2007 despite the current natural gas market conditions. The Corporation has prudently established a successful natural gas price hedging program which sees average production of 5.5 mmcf per day hedged at an average floor price of \$7.40 per mcf for the second half of 2007. The hedged volumes represent more than half of the Corporation's forecast average production for the second half. This approach to risk management has substantially mitigated the downside potential of the current natural gas price environment to Open Range.

Open Range remains prepared to accelerate activities further should natural gas prices show positive momentum. In the meantime, the Corporation continues to operate prudently with emphasis on managing debt levels, establishing operational efficiencies and continuing its growth strategy through exploratory and development drilling. This financial and operational discipline is already providing results in the form of record production, record cash flow from operations, record operating netbacks and record earnings in the second quarter of 2007.

Open Range is continuing to accumulate undeveloped land when available at its core Ansell/Sundance property, as well as crystallizing new exploration opportunities. This strategy, combined with the Corporation focusing a majority of its capital investment program on the drill bit, is designed to achieve consistent quarter-over-quarter growth while assembling an increasing supply of future development drilling inventory.

## Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) is a review of operations, current financial position and outlook for Open Range Energy Corp. ("Open Range" or the "Corporation") for the three- and six-month periods ended June 30, 2007 and 2006. This MD&A should be read in conjunction with the unaudited interim financial statements for the three and six months ended June 30, 2007 and 2006, and the audited financial statements for the year ended December 31, 2006.

Open Range was formed and commenced operations on November 30, 2005. Open Range is an oil and natural gas exploration company, actively engaged in the exploration, development and acquisition of oil and natural gas primarily in the Deep Basin region of Alberta. The Corporation is traded on the Toronto Stock Exchange under the symbol "ONR".

### BOE PRESENTATION

The use of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion of 6 mcf:1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead.

4

### NON-GAAP MEASUREMENTS

The terms "funds from operations", "funds from operations per share" and "operating netback" in this discussion are not recognized measures under Canadian generally accepted accounting principles (GAAP). Open Range management believes that in addition to net earnings, funds from operations and operating netback are useful supplemental measurements. Funds from operations provides an indication of the results generated by the Corporation's principal business activities before the consideration of how those activities are financed or how the results are taxed. Operating netback is a benchmark used in the oil and natural gas industry to measure the contribution of oil and natural gas sales following the deduction of royalties, operating expenses and transportation costs. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Open Range's performance.

### RECONCILIATION OF CASH FLOW PER GAAP TO FUNDS FROM OPERATIONS

Open Range's method of calculating funds from operations may differ from that of other corporations and, accordingly, may not be comparable to measures used by other corporations. Open Range calculates funds from operations by taking cash flow from operating activities as determined under GAAP before the change in non-cash working capital related to operating activities. A summary of this reconciliation is presented as follows:

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash flow from operating activities (per GAAP)	\$ 4,624,227	\$ 902,499	\$ 6,995,300	\$ 2,555,553
Change in non-cash working capital	(915,528)	411,595	(832,133)	38,511
Funds from operations	\$ 3,708,699	\$ 1,314,094	\$ 6,163,167	\$ 2,594,064

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements, which include assumptions with respect to (i) production; (ii) future capital expenditures; (iii) funds from operations; (iv) cash flow; and (v) debt levels. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. All such forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Corporation's control. Such risks and uncertainties include, without limitation, risks associated with oil and natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, increased competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, that the Corporation will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive and reference is made to the items under "Risk Factors" in the Corporation's Annual Information Form (AIF) for the year ended December 31, 2006. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date hereof and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

5

This MD&A is dated August 9, 2007.

## DETAILED FINANCIAL ANALYSIS

### PRODUCTION

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Production				
Oil and NGL (bbls/d)	<b>156</b>	108	<b>135</b>	82
Natural gas (mcf/d)	<b>7,009</b>	4,320	<b>6,239</b>	4,180
Total (boe/d)	<b>1,324</b>	828	<b>1,175</b>	778
% natural gas	<b>88</b>	87	<b>88</b>	90

Open Range's production for the three and six months ended June 30, 2007 increased significantly from the comparative periods in 2006. The increase was a result of the successful drilling activity in the second half of 2006 and continuing throughout the first half of 2007. Production in the three and six months ended June 30, 2007 averaged 1,324 boe per day and 1,175 boe per day, respectively. This represented an increase of 60 percent and 51 percent, respectively, from the average production of 828 boe per day and 778 boe per day for the respective three and six month periods ended June 30, 2006. Natural gas production in the three and six months ended June 30, 2007 increased to 7,009 mcf per day and 6,239 mcf per day, respectively, from 4,320 mcf per day and 4,180 mcf per day, respectively, for the three and six months ended June 30, 2006. Oil and natural gas liquids (NGL) production in the three months ended June 30, 2007 increased by 44 percent to 156 barrels per day from 108 barrels per day in the second quarter of 2006. In the six months ended June 30, 2007, oil and NGL production increased 65 percent to 135 boe per day from 82 boe per day in the first half of 2006.

Open Range estimates that its average production for 2007 will be 1,450 boe per day.

### OIL AND NATURAL GAS REVENUES

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenue				
Oil and NGL	<b>\$ 816,198</b>	\$ 635,705	<b>\$ 1,385,991</b>	\$ 915,965
Natural gas <sup>(1)</sup>	<b>4,739,759</b>	2,496,187	<b>8,605,809</b>	5,342,490
Total	<b>\$ 5,555,957</b>	\$ 3,131,892	<b>\$ 9,991,800</b>	\$ 6,258,455
Average realized price				
Oil and NGL (\$/bbl)	<b>57.68</b>	64.31	<b>56.57</b>	62.06
Natural gas (\$/mcf)	<b>7.43</b>	6.28	<b>7.62</b>	7.06
Combined average (\$/boe)	<b>46.13</b>	41.14	<b>46.98</b>	44.43
Benchmark pricing				
Edmonton Par (Cdn\$/bbl)	<b>72.66</b>	79.06	<b>70.19</b>	74.17
Alberta Spot (Cdn\$/mcf)	<b>7.06</b>	5.87	<b>7.17</b>	6.61

<sup>(1)</sup> Natural gas revenue includes realized gains on commodity contracts for the three and six months ended June 30, 2007 of \$20,563 and \$44,753, respectively.

Revenue for the three months ended June 30, 2007 increased by 77 percent to \$5.6 million from \$3.1 million in the comparative period in 2006. The increase in revenue was a result of a 60 percent increase in production volumes and a 12 percent increase in the average sales price from the second quarter of

2006. In the first half of 2007, revenue increased by 60 percent to \$10 million from \$6.3 million in the comparative period in 2006. The increase was due to a 51 percent increase in production volumes and a 6 percent increase in the average sales price. The increase in average sales prices realized by Open Range for the three and six months ending June 30, 2007 is consistent with the increase in benchmark oil and natural gas prices. Open Range's average sales price for natural gas is at a premium to the Alberta natural gas spot benchmark price due to the high energy content of the Corporation's natural gas production.

#### UNREALIZED GAIN ON COMMODITY CONTRACTS

Open Range's management utilizes commodity contracts as a risk management technique to protect exploration and development economics, reduce volatility in cash flows and mitigate the unpredictable commodity price environment. During the second quarter and first half of 2007, the Corporation recorded unrealized gains on commodity contracts of \$1.2 million and \$11,642, respectively. These amounts represented the change in the fair value of the commodity contracts held by the Corporation during the three- and six-month periods ended June 30, 2007.

A listing of natural gas hedging contracts entered into as at June 30, 2007 is as follows:

Period	Volume (GJ/d)	Type	Average Monthly AECO Spot Floor (Cdn\$/GJ)	Average Monthly AECO Spot Ceiling (Cdn\$/GJ)
January 1, 2007 to December 31, 2007	2,500	Costless Collar	\$7.00	\$10.20
January 1, 2007 to December 31, 2007	1,250	Costless Collar	\$7.00	\$8.00–\$9.90
April 1, 2007 to March 31, 2008	1,000	Costless Collar	\$7.00	\$10.16
November 1, 2007 to March 31, 2008	1,500	Costless Collar	\$7.50	\$10.67

For more details on these contracts refer to note 7, Commodity Price Risk Management, in the unaudited interim financial statements for the three and six months ended June 30, 2007.

#### ROYALTIES

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Royalty expense – oil and NGL	\$ 336,501	\$ 71,154	\$ 303,529	\$ 230,120
Royalty expense – natural gas	184,271	318,945	887,743	1,031,779
Total	\$ 520,772	\$ 390,099	\$ 1,191,272	\$ 1,261,899
\$ per boe	4.32	5.12	5.60	8.96
% of sales	9	12	12	20

Royalties totalled \$0.5 million and \$1.2 million for the second quarter and first half of 2007, respectively, compared to \$0.4 million and \$1.3 million, respectively, for the comparative periods in 2006. On a per unit of production basis, royalty costs were down by 16 percent and 38 percent from the second quarter and first half in 2006, respectively, mainly due to the receipt of deep well royalty holiday payments for wells at Ansell/Sundance. Royalties as a percentage of revenue for the six months ended June 30, 2007 also decreased to 12 percent from 20 percent in the comparative period in 2006.

Open Range anticipates an average royalty rate for 2007 of approximately 12 to 15 percent of revenue, reflecting the deep well royalty holidays being partially offset by the elimination of the Alberta Royalty

Tax Credit program by the Alberta government on January 1, 2007. The Corporation expects the deep well royalty holiday to have a continuing beneficial effect on royalty expenses, due to Open Range's continued drilling of deep natural gas wells on qualifying lands.

#### OPERATING COSTS & NETBACK

(\$ per boe)	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Average realized sales price	<b>46.13</b>	41.14	<b>46.98</b>	44.43
Royalty expenses	<b>4.32</b>	5.12	<b>5.60</b>	8.96
Operating costs (including transportation costs)	<b>6.23</b>	12.37	<b>6.76</b>	9.39
Operating netback	<b>35.58</b>	23.65	<b>34.62</b>	26.08

The Corporation's operating netback for the second quarter and first half of 2007 increased to \$35.58 per boe and \$34.62 per boe, respectively, from \$23.65 per boe and \$26.08 per boe for the respective periods in 2006. The operating netback increased by 50 percent and 33 percent, respectively, for the three and six months ended June 30, 2007 from the respective periods in 2006. This was due to an increase in realized average sales price, a decrease in royalties and lower operating costs.

8

Operating costs including transportation costs were \$0.8 million and \$1.4 million for the three and six month periods ending June 30, 2007, respectively, compared to \$0.9 million and \$1.3 million for the comparative periods in 2006. On a per unit of production basis, operating costs for the second quarter and first half of 2007 were \$6.23 per boe and \$6.76 per boe, respectively. These amounts represent a 50 percent and 28 percent respective reduction from \$12.37 per boe and \$9.39 per boe for the comparative periods in 2006. The reductions are due primarily to operating efficiencies being realized at Ansell/Sundance as newly drilled wells are tied in. With production continuing to grow, Open Range expects operating costs, including transportation costs, to average approximately \$7.00 per boe for the balance of 2007. Of the Corporation's operating costs, transportation costs were \$0.1 million or \$0.85 per boe for the second quarter and \$0.2 million or \$0.88 per boe for the first half of 2007.

#### GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Gross	<b>\$ 1,212,338</b>	\$ 1,003,965	<b>\$ 2,552,640</b>	\$ 2,087,078
Partner recovery	<b>(47,128)</b>	(86,457)	<b>(207,340)</b>	(162,903)
Capitalized G&A costs	<b>(587,867)</b>	(405,674)	<b>(1,121,660)</b>	(809,594)
Net G&A	<b>\$ 577,343</b>	\$ 511,834	<b>\$ 1,223,640</b>	\$ 1,114,581
\$ per boe net	<b>4.79</b>	6.72	<b>5.75</b>	7.91

G&A costs for the three months ended June 30, 2007 totalled \$0.6 million or \$4.79 boe after overhead recoveries and capitalization of \$0.6 million. On a per boe basis G&A costs in the second quarter of 2007 declined by 29 per cent from \$6.72 per boe in the second quarter of 2006. In the first half of 2007, net G&A costs per boe decreased by 27 percent to \$5.75 from \$7.91 in the first half of 2006. The reduction per boe was mainly due to the increased production in the second quarter of 2007 while net G&A costs grew only slightly. Capitalized G&A costs represented 48 percent of gross G&A costs in the second quarter of 2007 as the Corporation continued to focus on exploration activities and capitalized its exploration, geological and geophysical expenses.

Open Range expects its net G&A costs to average approximately \$4.00 per boe for the remainder of 2007, reflecting the Corporation's continued forecast production growth combined with no significant planned increase in overall G&A spending.

#### INTEREST INCOME AND EXPENSE

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Interest income	\$ 37,591	\$ 16,204	\$ 89,697	\$ 34,892
Interest expense	35,855	–	65,141	–
Net interest income	\$ 1,736	\$ 16,204	\$ 24,556	\$ 34,892
\$ per boe net	0.01	0.21	0.12	0.25

Net interest income for the first half of 2007 was \$24,556 or \$0.12 per boe. The interest earned on available cash balances through short-term interest-bearing instruments at the beginning of the year was partially offset by interest expense paid on the Corporation's credit facility through the latter part of the first half of 2007.

Open Range's continuing exploration activity will require incurring some debt during the year. The Corporation continues to manage debt levels prudently and expects net interest expense to be relatively low for the year. Open Range's credit facility had \$4.7 million drawn against it at June 30, 2007.

9

#### STOCK-BASED COMPENSATION

During the second quarter of 2007, stock-based compensation of \$125,977 was expensed and \$133,388 was capitalized. This resulted in total stock-based compensation for the three months ended June 30, 2007 of \$259,365, compared to \$173,021 for the second quarter of 2006. For the first six months of 2007 stock-based compensation of \$251,888 was expensed and \$248,884 was capitalized, compared to \$267,900 expensed and \$87,762 capitalized for the comparative six-month period in 2006. The increases in stock-based compensation expense in both reporting periods are due to the additional expense associated with the stock options granted subsequent to June 30, 2006. At June 30, 2007 there were 1,922,500 stock options outstanding compared to 1,302,000 outstanding at June 30, 2006.

#### DEPLETION, DEPRECIATION AND ACCRETION

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Depletion and depreciation	\$ 2,813,443	\$ 1,992,215	\$ 5,356,716	\$ 3,535,365
Accretion	44,636	39,055	87,059	76,976
Total	\$ 2,858,079	\$ 2,031,270	\$ 5,443,775	\$ 3,612,341
Depletion and depreciation (\$/boe)	23.36	26.17	25.18	25.10
Accretion (\$/boe)	0.37	0.51	0.41	0.55
Total (\$/boe)	23.73	26.68	25.59	25.65

Depletion, depreciation and accretion (DD&A) are calculated based upon cumulative capital expenditures, production rates and reserves. Open Range recorded \$2.9 million or \$23.73 per boe in DD&A for the three months ended June 30, 2007 compared to \$2 million or \$26.68 per boe for the comparative period in 2006. DD&A for the first half of 2007 increased to \$5.4 million or \$25.59 per boe from \$3.6 million or \$25.65 per boe in the first half of 2006. The per boe decrease is due to reserve additions in the first half of 2007 being partially offset by higher average production and the increased capital expenditures associated with drilling since June 30, 2006.

Open Range estimates depletion on a quarterly basis throughout the year using independent inputs such as reserve and land reports when available. Undeveloped land and seismic and salvage value of \$12.8 million have been excluded in the calculation and future development costs of \$2.8 million have been included in the capital base used in the calculation.

#### INCOME TAXES

For the quarter ended June 30, 2007 the Corporation recorded a future income tax expense of \$0.6 million. In the six-month period ended June 30, 2007, a future income tax expense of \$0.2 million was recorded. The Corporation does not expect to be cash taxable in 2007 based on current oil and natural gas prices and the planned capital expenditures for the year. During 2006, the Corporation issued \$5.7 million in flow-through common shares. The future income tax liability associated with this flow-through share issuance was recorded during the first half of 2007.

The tax effect of the \$12 million in flow-through shares issued during the first quarter of 2007 will be recorded in the first quarter of 2008 as the expenditures will be renounced to investors at that time. At June 30, 2007, the Corporation had incurred approximately \$9 million of qualifying expenditures and is required to incur an additional \$3 million of expenditures relating to this flow-through share issuance.

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The Corporation estimates that at June 30, 2007 tax pools of \$74.4 million are available for deduction against future taxable income.

#### EARNINGS (LOSS)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Earnings (loss)	\$ 1,277,452	\$ (720,653)	\$ 256,488	\$ (1,128,395)
Earnings (loss) per basic and diluted share	0.06	(0.05)	0.01	(0.08)

The Corporation recorded net earnings of \$1.3 million or \$0.06 per basic and diluted share in the second quarter of 2007, compared to a net loss of \$0.7 million or \$0.05 per basic and diluted share for the comparative period in 2006. Net earnings for the six months ended June 30, 2007 were \$0.3 million or \$0.01 per basic and diluted share compared to a net loss of \$1.1 million or \$0.08 per basic and diluted share for the first half of 2006.

#### FUNDS FROM OPERATIONS

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Funds from operations	\$ 3,708,699	\$ 1,314,094	\$ 6,163,167	\$ 2,594,064
Funds from operations per boe	30.79	17.26	28.98	18.42
Funds from operations per basic and diluted share	0.19	0.09	0.33	0.19

In the second quarter and first half of 2007 Open Range generated funds from operations of \$3.7 million and \$6.2 million, respectively, compared to \$1.3 million and \$2.6 million for the comparative periods in 2006. During the three months ended June 30, 2007 funds from operations increased by 182 percent and funds from operations per share increased by 111 percent from the second quarter of 2006. For the first half of 2007 funds from operations increased by 138 percent and funds from operations

per share increased by 74 percent from the first half of 2006. The significant increase in funds from operations was due to stronger operating results, primarily driven by higher average production, as well as stronger netbacks which in turn were caused mainly by lower royalties and reductions to per-unit operating costs.

#### CAPITAL EXPENDITURES

(millions)	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Land	\$ 3.7	\$ 0.1	\$ 3.7	\$ 5.3
Seismic	–	2.1	0.2	3.3
Drilling and intangibles	6.3	4.4	14.6	9.0
Facilities and equipment	0.8	–	4.3	0.8
Other assets	–	–	–	2.0
Capitalized G&A and stock-based compensation	0.7	0.9	1.4	0.9
Total capital expenditures	\$ 11.5	\$ 7.5	\$ 24.2	\$ 21.5

Open Range's capital budget during both the current and previous reporting periods was focused heavily on drilling and completing wells. During the three months ended June 30, 2007, Open Range drilled three gross natural gas wells (2.0 net) at its core Ansell/Sundance property with a 100 percent success rate. In the first half of 2007, the Corporation drilled 12 gross wells (4.15 net) with a 100 percent success rate. Facilities and equipment expenditures for the six months ended June 30, 2007 relate mainly to the costs associated with connecting successful wells to existing infrastructure and the construction costs related to expanding compression capacity at Ansell/Sundance. The Corporation's average working interest on new wells during the second quarter of 2007 was 66.7 percent, the highest of any quarter for Open Range to date. During both reporting periods the Corporation invested substantially in new land acquisitions, in order to increase its inventory of drilling locations to support anticipated future growth.

II

	Three months ended				Six months ended			
	June 30, 2007		June 30, 2006		June 30, 2007		June 30, 2006	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	3.0	2.0	3.0	1.25	7.0	3.80	6.0	2.49
Development	–	–	5.0	1.12	5.0	0.35	5.0	1.12
Total	3.0	2.0	8.0	2.37	12.0	4.15	11.0	3.61
Average working interest	66.7%		29.6%		34.6%		32.8%	
Success rate	100%		100%		100%		100%	

#### SHARE CAPITAL

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Weighted average common shares outstanding - basic and diluted	19,763,841	14,084,655	18,901,963	13,808,720

Options to purchase 1,922,500 common shares for the three and six months ended June 30, 2007 and 1,302,000 common shares for the three and six months ended June 30, 2006 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

<b>Outstanding securities</b>	<b>As at August 9, 2007</b>
Common shares	19,763,841
Stock options	1,922,500
<b>Total outstanding securities</b>	<b>21,686,341</b>
<b>Proportion of outstanding securities held by officers and directors</b>	<b>19%</b>

During the first half of 2007, Open Range raised \$12 million through a flow-through common share private placement. Also in the three month periods ended March 31, 2007 and June 30, 2007, the Corporation issued 20,000 stock options and 232,500 stock options, respectively, to employees. At June 30, 2007 the Corporation had 1,922,500 stock options outstanding with an average exercise price of \$4.09.

#### **RELATED-PARTY AND OFF-BALANCE-SHEET TRANSACTIONS**

Open Range was not involved in any related-party or off-balance-sheet transactions during the three and six months ended June 30, 2007.

#### **LIQUIDITY AND CAPITAL RESOURCES**

Open Range had a working capital deficiency of \$9.7 million at June 30, 2007. In the second quarter of 2007, the Corporation had its bank lines increased to \$25.5 million following the completion of its bank's annual review of the extendable revolving credit facility and the acquisition and development facility. The facilities were increased to \$20 million and \$5.5 million, respectively. The Corporation's credit facilities are subject to semi-annual review with the next review scheduled to occur by the end of August 2007. The facilities are borrowing base facilities that are determined based on, among other things, the Corporation's reserve report, production and operating results, and current and forecast commodity prices.

	<b>As at June 30, 2007</b>
Bank lines available	\$ 25,500,000
Working capital deficiency including bank indebtedness	(9,684,735)
<b>Capital resources available</b>	<b>\$ 15,815,265</b>

The Corporation's capital expenditure budget for 2007 is anticipated to be \$40 million. The capital program has been and is expected to continue to be funded through a combination of cash flow from operations, the credit facility and the flow-through common share financing that closed in February 2007.

## QUARTERLY DATA

	2007		2006			2005	
	Q2	Q1	Q4	Q3	Q2	Period from November 30 to Q1 December 31	
<b>Production</b>							
Natural gas (mcf/d)	<b>7,009</b>	5,460	5,111	3,951	4,320	3,990	2,800
Oil and NGL (bbls/d)	<b>156</b>	115	81	74	108	54	45
Total (boe/d)	<b>1,324</b>	1,025	933	733	828	719	512
% natural gas	<b>88</b>	89	91	90	87	92	91
<b>Financial</b>							
(\$000s except per share amounts and share numbers)							
Revenue <sup>(1)</sup>	<b>5,556</b>	4,436	3,699	2,550	3,132	3,126	1,207
Net earnings (loss)	<b>1,277</b>	(1,021)	(160)	361	(721)	(408)	128
Net earnings (loss) per basic and diluted share (\$)	<b>0.06</b>	(0.06)	(0.01)	0.03	(0.05)	(0.03)	0.01
Funds from operations	<b>3,709</b>	2,454	1,931	1,615	1,314	1,280	617
Funds from operations per basic and diluted share (\$)	<b>0.19</b>	0.14	0.12	0.11	0.09	0.10	0.06
Total assets (end of period)	<b>86,746</b>	85,984	78,656	64,303	62,759	52,821	48,319
Capital expenditures	<b>11,285</b>	12,585	6,985	6,277	7,405	13,936	31,300
Weighted average basic and diluted shares (000s)	<b>19,764</b>	18,031	15,779	14,410	14,085	13,379	10,467

<sup>(1)</sup> Revenue includes realized gains on commodity contracts.

Open Range's quarterly growth in production volumes, revenues, funds from operations, funds from operations per share and total assets is attributable to the active exploration and development drilling program at the Corporation's Deep Basin properties, particularly the Ansell/Sundance core area.

### CONTRACTUAL OBLIGATIONS <sup>(1)(2)</sup>

As at June 30, 2007 (\$000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Payments for office lease	3,057	895	2,162	—	—
Payments for office equipment lease	48	13	35	—	—
<b>Total</b>	<b>3,105</b>	<b>908</b>	<b>2,197</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> The Corporation has entered into farm-in agreements in the normal course of its business, which are not included in this table.

<sup>(2)</sup> The Corporation has entered into commodity contracts, which are not included in this table. For a complete listing refer to note 7, Commodity Price Risk Management, in the interim financial statements for the three and six months ended June 30, 2007.

### FINANCIAL INSTRUMENTS

On January 1, 2007, the Corporation adopted the new Canadian accounting standards for financial instruments – *Recognition and Measurement, Financial Instruments – Presentations and Disclosures, Hedging and Comprehensive Income*. These accounting policies are detailed in note 1 to the financial statements. Prior periods have not been restated. The adoption of these standards did not impact the financial statements of the Corporation and did not result in any adjustments for the recognition or measurement of financial instruments as compared to the financial statements for periods prior to the adoption of these standards.

## **FINANCIAL REPORTING**

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Corporation has assessed the design of its internal controls over financial reporting and has not identified any weaknesses other than those disclosed in the MD&A for the year ended December 31, 2006.

The management of Open Range Energy Corp. is responsible for the integrity of the information contained in this quarterly report and for the consistency between the Management's Discussion and Analysis and the financial statements. In the preparation of the financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected with all information available up to August 9, 2007. The financial statements have been prepared using policies and procedures established by management in accordance with Canadian GAAP and reflect fairly Open Range's financial position, results of operations and cash flow.

The Board of Directors and the Audit Committee have reviewed and approved the financial statements and the Management's Discussion and Analysis.

## Balance Sheets

(Unaudited)	As at June 30, 2007	As at December 31, 2006
<b>ASSETS</b>		
Current assets:		
Accounts receivable	\$ 7,478,430	\$ 16,900,727
Prepaid expenses and deposits	723,291	887,345
Fair value of commodity contracts (note 7)	1,056,945	1,045,303
	<b>9,258,666</b>	18,833,375
Future income taxes	–	1,328,179
Property, plant and equipment (note 2)	77,486,980	58,494,758
	<b>\$ 86,745,646</b>	\$ 78,656,312
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank indebtedness (note 3)	\$ 4,734,340	\$ 3,836,468
Accounts payable and accrued liabilities	14,209,061	18,278,212
	<b>18,943,401</b>	22,114,680
Future income taxes	607,765	–
Asset retirement obligations (note 4)	2,219,988	1,994,891
Shareholders' equity:		
Share capital (note 5)	64,197,383	54,526,892
Contributed surplus (note 5)	1,320,106	819,334
Deficit	(542,997)	(799,485)
	<b>64,974,492</b>	54,546,741
Commitments (note 6)		
	<b>\$ 86,745,646</b>	\$ 78,656,312

See accompanying notes to financial statements.

## Statements of Operations and Retained Earnings (Deficit)

(Unaudited)	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues:				
Petroleum and natural gas	\$ 5,535,394	\$ 3,131,892	\$ 9,947,047	\$ 6,258,455
Royalties (net of Alberta Royalty Tax Credit)	(520,772)	(390,099)	(1,191,272)	(1,261,899)
Interest	37,591	16,204	89,697	34,892
Realized gain on commodity contracts (note 7)	20,563	–	44,753	–
Unrealized gain (loss) on commodity contracts (note 7)	1,168,139	(8,453)	11,642	(8,453)
	<b>6,240,915</b>	<b>2,749,544</b>	<b>8,901,867</b>	<b>5,022,995</b>
Expenses:				
Operating	750,879	932,069	1,438,277	1,322,803
General and administrative	577,343	511,834	1,223,640	1,114,581
Stock-based compensation	125,977	85,259	251,888	267,900
Interest	35,855	–	65,141	–
Depletion and depreciation	2,813,443	1,992,215	5,356,716	3,535,365
Accretion of asset retirement obligations	44,636	39,055	87,059	76,976
	<b>4,348,133</b>	<b>3,560,432</b>	<b>8,422,721</b>	<b>6,317,625</b>
Earnings (loss) before income taxes	1,892,782	(810,888)	479,146	(1,294,630)
Future income tax expense (reduction)	615,330	(90,235)	222,658	(166,235)
Net earnings (loss)	1,277,452	(720,653)	256,488	(1,128,395)
Retained earnings (deficit), beginning of period	(1,820,449)	(279,584)	(799,485)	128,158
Deficit, end of period	\$ (542,997)	\$ (1,000,237)	\$ (542,997)	\$ (1,000,237)
Earnings (loss) per share (note 5):				
Basic	\$ 0.06	\$ (0.05)	\$ 0.01	\$ (0.08)
Diluted	\$ 0.06	\$ (0.05)	\$ 0.01	\$ (0.08)

See accompanying notes to financial statements.

## Statements of Cash Flows

(Unaudited)	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash provided by (used in):				
Operating:				
Net earnings (loss)	\$ 1,277,452	\$ (720,653)	\$ 256,488	\$ (1,128,395)
Items not involving cash:				
Depletion and depreciation	2,813,443	1,992,215	5,356,716	3,535,365
Accretion of asset retirement obligations	44,636	39,055	87,059	76,976
Future income tax expense (reduction)	615,330	(90,235)	222,658	(166,235)
Stock-based compensation	125,977	85,259	251,888	267,900
Unrealized loss (gain) on commodity contracts	(1,168,139)	8,453	(11,642)	8,453
Change in non-cash working capital	915,528	(411,595)	832,133	(38,511)
	<b>4,624,227</b>	<b>902,499</b>	<b>6,995,300</b>	<b>2,555,553</b>
Financing:				
Issue of common shares, net of issue costs	(3,374)	5,270,350	11,291,558	11,785,179
Bank indebtedness	4,734,340	(468,100)	897,872	(468,100)
	<b>4,730,966</b>	<b>4,802,250</b>	<b>12,189,430</b>	<b>11,317,079</b>
Investing:				
Acquisition of property, plant and equipment	(11,284,524)	(7,405,409)	(23,869,797)	(21,341,264)
Change in non-cash working capital	(2,457,241)	3,025,840	4,685,067	2,768,759
	<b>(13,741,765)</b>	<b>(4,379,569)</b>	<b>(19,184,730)</b>	<b>(18,572,505)</b>
Change in cash	(4,386,572)	1,325,180	-	(4,699,873)
Cash, beginning of period	4,386,572	1,002,996	-	7,028,049
Cash, end of period	\$ -	\$ 2,328,176	\$ -	\$ 2,328,176
Interest received	\$ 37,591	\$ 16,204	\$ 89,697	\$ 34,892
Interest paid	\$ 35,855	\$ -	\$ 65,141	\$ -

Cash is defined as cash and cash equivalents.  
See accompanying notes to financial statements

# Notes to Financial Statements

For the three and six months ended June 30, 2007  
(Unaudited)

The interim financial statements of Open Range Energy Corp. (“Open Range” or the “Corporation”) have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2006, except as noted below. The following disclosure is incremental to the disclosure included with the annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes thereto in the Corporation’s annual report for the year ended December 31, 2006. Certain comparative figures have been reclassified to conform to the current period’s presentation.

I8

## 1. SIGNIFICANT ACCOUNTING POLICIES

### FINANCIAL INSTRUMENTS

On January 1, 2007, the Corporation adopted the new Canadian accounting standards for financial instruments – recognition and measurement, financial instruments – presentations and disclosures, hedging and comprehensive income. Prior periods have not been restated.

#### (A) FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. There were no changes to the measurement of existing financial assets and liabilities at the date of adoption.

#### (B) DERIVATIVES

The Corporation uses various types of derivative financial instruments to manage risks associated with natural gas price fluctuations. These instruments are not used for trading or speculative purposes. Proceeds and costs realized from holding the related contracts are recognized as revenues at the time that each transaction under a contract is settled. For the unrealized portion of such contracts, the Corporation utilizes the fair value method of accounting. The fair value is based on an estimate of the amounts that would have been paid to or received from counterparts to settle these instruments given future market prices and other relevant factors. The method requires the fair value of the derivative financial instruments to be recorded at each balance sheet date with unrealized gains or losses on these contracts recorded through net earnings.

The Corporation has elected to account for its commodity sales and other non-financial contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements, as executory contracts on an

accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for as executory contracts.

The Corporation has elected to account for its commodity sales and other non-financial contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for as executory contracts.

(C) EMBEDDED DERIVATIVES

On adoption, the Corporation elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantively modified after January 1, 2003. The Corporation did not identify any material embedded derivatives which required separate recognition and measurement.

(D) OTHER COMPREHENSIVE INCOME

The new standards establish a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income. As the Corporation currently has no comprehensive income items requiring disclosure this statement of comprehensive income is not required.

There are also two new Canadian accounting standards that have been issued which will require additional disclosure in the Corporation's financial statements commencing January 1, 2008 concerning the Corporation's financial instruments as well as its capital and how it is managed.

**2. PROPERTY, PLANT AND EQUIPMENT**

	June 30, 2007	December 31, 2006
Petroleum and natural gas properties	<b>\$ 88,325,284</b>	\$ 64,003,179
Other assets	<b>2,298,630</b>	2,271,797
	<b>90,623,914</b>	66,274,976
Accumulated depletion and depreciation	<b>(13,136,934)</b>	(7,780,218)
Net book value	<b>\$ 77,486,980</b>	\$ 58,494,758

During the three and six month periods ended June 30, 2007, the Corporation capitalized \$721,255 and \$1,370,544 (June 30, 2006 – \$897,356), respectively, of overhead-related costs to petroleum and natural gas properties, of which \$133,388 and \$248,884 (June 30, 2006 – \$87,762), respectively, related to stock-based compensation. The future tax liability of \$42,844 and \$92,219 (June 30, 2006 – \$41,528) associated with the capitalized stock-based compensation has also been capitalized for the three and six months ended June 30, 2007, respectively.

Costs associated with unproved properties excluded from costs subject to depletion as at June 30, 2007 totalled \$12,784,000 (June 30, 2006 – \$10,520,000). Future development costs of proved reserves of \$2,769,000 at June 30, 2007 (June 30, 2006 – \$671,000) have been included in the depletion calculation.

During 2006, the Corporation disposed of certain interests in petroleum and natural gas properties for cash of \$271,500, eliminating associated asset retirement obligations of \$183,850.

### 3. BANK DEBT

The Corporation has a \$20,000,000 extendable revolving credit facility and a \$5,500,000 non-revolving acquisition/development demand facility with a Canadian chartered bank. These facilities bear interest at the bank's prime rate plus 0.125 percent per annum and the bank's prime rate plus 0.75 percent per annum, respectively. The credit facilities are secured by a first fixed and floating charge debenture in the minimum face amount of \$50,000,000 and a general security agreement. The Corporation's credit facilities are subject to semi-annual review with the next review scheduled to occur by the end of August 2007. As at June 30, 2007 \$4,734,340 (December 31, 2006 – \$3,836,468) had been drawn against the revolving credit facility and \$nil (December 31, 2006 – \$nil) had been drawn against the non-revolving demand facility.

The revolving facility had an effective interest rate of 6.125 percent at June 30, 2007 (December 31, 2006 – 6.125 percent).

### 4. ASSET RETIREMENT OBLIGATIONS

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations as at June 30, 2007 is approximately \$6,294,000 (December 31, 2006 – \$5,335,000), to be incurred between 2007 and 2040. The majority of the costs will be incurred between 2020 and 2040. A credit-adjusted, risk-free interest rate of 8 percent (2006 – 8 percent) was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	Six months ended June 30, 2007	Year ended December 31, 2006
Balance, beginning of period	\$ 1,994,891	\$ 1,896,045
Liabilities incurred	138,038	127,488
Dispositions (note 2)	–	(183,850)
Accretion expense	87,059	155,208
Balance, end of period	\$ 2,219,988	\$ 1,994,891

### 5. SHARE CAPITAL

#### (A) ISSUED AND OUTSTANDING

	Number of Shares	Amount
Balance, December 31, 2005	11,912,941	\$ 34,925,714
Issued pursuant to private placements	4,021,300	15,408,315
Share repurchase	(170,400)	(526,230)
Issued pursuant to flow-through share offering	1,000,000	5,700,000
Share issue costs (net of tax of \$459,314)	–	(980,907)
Balance, December 31, 2006	16,763,841	\$ 54,526,892
Issued pursuant to flow-through share offering	3,000,000	12,000,000
Share issue costs (net of tax of \$209,773)	–	(498,669)
Tax effect of flow-through shares issued in 2006	–	(1,830,840)
Balance, June 30, 2007	19,763,841	\$ 64,197,383

(B) SHARE OPTION PLAN

Under the Corporation's share option plan it may grant options to its employees for up to 1,976,384 shares, of which 1,922,500 had been granted as at June 30, 2007 (December 31, 2006 – 1,673,000). The exercise price of each option equals the market price of the Corporation's stock on the date of grant. Options have terms of five years and vest as to one-third on each of the first, second and third anniversaries of the date of grant.

	Six months ended June 30, 2007		Year ended December 31, 2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Granted and outstanding, beginning of period	<b>1,673,000</b>	<b>\$ 4.17</b>	1,034,000	\$ 4.61
Granted	<b>252,500</b>	<b>3.52</b>	780,000	3.65
Forfeited	<b>(3,000)</b>	<b>3.53</b>	(141,000)	4.55
Granted and outstanding, end of period	<b>1,922,500</b>	<b>4.09</b>	1,673,000	4.17
Exercisable at period-end	<b>412,333</b>	<b>\$ 4.39</b>	302,666	\$ 4.61

The following table summarizes information about the fixed stock options outstanding at June 30, 2007:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
\$2.65 – \$3.40	454,000	\$ 3.12	4.3	–	\$ –
\$3.60 – \$4.75	1,468,500	\$ 4.39	3.7	412,333	\$ 4.39
\$2.65 – \$4.75	1,922,500	\$ 4.09	3.9	412,333	\$ 4.39

(C) STOCK-BASED COMPENSATION

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants during the six month period ended June 30, 2007: zero dividend yield, average expected volatility of 52 percent (December 31, 2006 – 41 percent), risk-free interest rate of 4.31 percent (December 31, 2006 – 4.04 percent), and expected life of five years (December 31, 2006 – five years). The fair value of stock options granted during the period was \$1.75 per option (December 31, 2006 – \$1.53 per option). The Corporation has not re-priced any stock options. The Corporation has not incorporated an estimated forfeiture rate for stock options that will not vest; rather, the Corporation accounts for actual forfeitures as they occur.

(D) CONTRIBUTED SURPLUS

Balance, December 31, 2005	\$ 58,726
Stock-based compensation expense	762,618
Excess of share redemption amount over share stated amount (note 5 (a))	(2,010)
Balance, December 31, 2006	\$ 819,334
Stock-based compensation expense	500,772
Balance, June 30, 2007	\$ 1,320,106

#### (E) PER SHARE AMOUNTS

Per share amounts have been calculated using the weighted average number of shares outstanding during the period. The following table details the basic and diluted common shares outstanding:

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Weighted average basic and diluted common shares outstanding	<b>19,763,841</b>	14,084,655	18,901,963	13,808,720

Options to purchase 1,922,500 common shares for the three and six months ended June 30, 2007 (June 30, 2006 – 1,302,000) were not included in the computation because they were anti-dilutive.

#### 6. COMMITMENTS

(A) Future minimum payments relating to operating leases for office space and equipment are:

2007	\$	453,777
2008		907,554
2009		907,554
2010		832,989
2011		3,194
	\$	<b>3,105,068</b>

#### (B) FLOW-THROUGH COMMON SHARES

On February 22, 2007 the Corporation issued 3,000,000 flow-through common shares for gross proceeds of \$12,000,000. Under the terms of the flow-through share agreements, the Corporation is required to renounce the \$12,000,000 of qualifying oil and natural gas expenditures effective December 31, 2007 and has until December 31, 2008 to incur the expenditures. As at June 30, 2007 the Corporation had incurred \$8,950,000 of qualifying expenditures and is required to incur an additional \$3,050,000 of expenditures.

#### 7. COMMODITY PRICE RISK MANAGEMENT

On June 23, 2006, the Corporation entered into a natural gas hedging transaction for 2,500 GJ per day for the period January 1, 2007 to December 31, 2007. This transaction consisted of the purchase of a \$7.00 per GJ put option and the sale of a \$10.20 per GJ call option. During the three and six months ended June 30, 2007 there were net settlement payments to the Corporation of \$10,823 and \$26,950, respectively, relating to this contract. The Corporation would have received \$457,733 if the contract had been settled at June 30, 2007 (December 31, 2006 – \$750,940).

On November 20, 2006, the Corporation entered into a natural gas hedging transaction for 1,250 GJ per day for the period January 1, 2007 to December 31, 2007. This transaction consisted of the purchase of a \$7.00 per GJ put option, the sale of an \$9.90 per GJ call option for the period January 1, 2007 to March 31, 2007, the sale of an \$8.00 per GJ call option for the period April 1, 2007 to October 31, 2007 and the sale of a \$9.90 per GJ call option for the period November 1, 2007 to December 31, 2007. During the three and six months ended June 30, 2007 there were net settlement payments to the Corporation of \$5,411 and \$13,474, respectively, relating to this contract. The Corporation would have received \$219,533 if the contract had been settled at June 30, 2007 (December 31, 2006 – \$294,363).

On February 8, 2007, the Corporation entered into a natural gas hedging transaction for 1,000 GJ per day for the period April 1, 2007 to March 31, 2008. This transaction consisted of the purchase of a \$7.00 per GJ put option and the sale of a \$10.16 per GJ call option. During the three and six months ended June 30, 2007 there was a net settlement payment to the Corporation of \$4,329 relating to this contract for each period. The Corporation would have received \$210,097 if the contract had been settled at June 30, 2007.

On February 8, 2007, the Corporation entered into a natural gas hedging transaction for 1,500 GJ per day for the period November 1, 2007 to March 31, 2008. This transaction consisted of the purchase of a \$7.50 per GJ put option and the sale of a \$10.67 per GJ call option. During the three and six months ended June 30, 2007 there were no net settlement payments relating to this contract. The Corporation would have received \$169,582 if the contract had been settled at June 30, 2007.

# Corporate Information

## Directors

A. Scott Dawson  
President and  
Chief Executive Officer  
Open Range Energy Corp.  
Calgary, Alberta

Kenneth J. Faircloth  
Independent Businessman  
Calgary, Alberta

Harley L. Winger  
Chairman  
Partner, Burstall Winger LLP  
Calgary, Alberta

Kenneth S. Woolner  
Chairman, Oban Energy Ltd.  
Calgary, Alberta

Dean R. Jensen  
Partner  
Toscana Capital Corporation  
Calgary, Alberta

## Officers

A. Scott Dawson  
President and  
Chief Executive Officer

Gerald R. Costigan  
Executive Vice-President

John A. Mueller  
Vice-President, Engineering  
and Chief Operating Officer

Lyle D. Michaluk  
Vice-President, Finance  
and Chief Financial Officer

James F. Bland  
Vice-President, Exploration

James L. Beninger  
Vice-President, Land

David M. Griffith  
Vice-President and  
Chief Geophysicist

Daniel M. Boyko  
Vice-President, Business  
Development and Exploitation

## Corporate Secretary

Jarrold J. Isfeld  
Burstall Winger LLP  
Calgary, Alberta

## Head Office

Open Range Energy Corp.  
1100, 645-7th Ave. S.W.  
Calgary, Alberta T2P 4G8  
Tel: (403) 262-2936  
Fax: (403) 262-3924

## Legal Counsel

Burstall Winger LLP  
Calgary, Alberta

## Auditors

KPMG LLP  
Calgary Alberta

## Evaluation Engineers

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta

## Banker

National Bank of Canada  
Calgary, Alberta

## Transfer Agent

Valiant Trust Company  
Suite 310, 606-4th Street S.W.  
Calgary, Alberta T2P 1T1  
Tel: (403) 233-2801  
Fax: (403) 233-2857

## Stock Exchange Listing

Toronto Stock Exchange  
Symbol: ONR

## Investor Relations Contact

A. Scott Dawson  
President and Chief Executive Officer  
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www.openrangeenergy.com

## Abbreviations

bbls	barrels of oil inclusive of NGL
bcf	billion cubic feet
boe	barrels of oil equivalent, converting natural gas to oil at a ratio of six mcf of gas to one barrel of oil
boe/d	barrels of oil equivalent per day
G&A	general and administrative
GAAP	generally accepted accounting principles
GJ	Gigajoule
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
NGL	natural gas liquids
W.I.	working interest



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