



ANNUAL RELEASE FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2008

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended Dec. 31, 2008	Three months ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Petroleum and natural gas revenue ⁽¹⁾	\$ 10,237,575	\$ 7,097,092	\$ 40,330,084	\$ 23,912,043
Funds from operations ⁽²⁾	6,612,614	4,582,484	24,734,399	15,158,721
Per basic share ⁽²⁾	0.24	0.23	0.96	0.78
Per diluted share ⁽²⁾	0.24	0.23	0.95	0.78
Net earnings (loss)	1,066,890	(344,678)	2,797,673	523,139
Per basic and diluted share	0.04	(0.02)	0.11	0.03
Net debt	27,624,976	12,832,107	27,624,976	12,832,107
Capital expenditures, net	\$ 9,252,979	\$ 9,353,992	\$ 60,566,812	\$ 42,003,632
Production				
Natural gas (mcf per day)	13,164	8,862	11,064	7,733
Oil and NGL (bbls per day)	257	171	226	167
Total (@ 6:1) (boe per day)	2,451	1,648	2,070	1,456
Realized average sales prices				
Natural gas (\$ per mcf)	7.35	7.29	8.23	7.13
Oil and NGL (\$ per bbl)	56.40	73.10	84.39	62.46
Combined average (\$ per boe)	45.41	46.80	53.22	45.00
Royalties (\$ per boe)	(8.05)	(1.63)	(10.71)	(3.86)
Operating costs (\$ per boe)	(5.65)	(8.69)	(6.10)	(6.72)
Transportation costs (\$ per boe)	(0.70)	(0.73)	(0.74)	(0.79)
Operating netback (\$ per boe)	31.01	35.75	35.67	33.63
G&A costs (\$ per boe)	(1.04)	(4.41)	(2.60)	(4.65)
Net interest income (expense) (\$ per boe)	(0.64)	(1.12)	(0.43)	(0.45)
Corporate netback (\$ per boe)	29.33	30.22	32.64	28.53

⁽¹⁾Includes realized gains (losses) on commodity contracts.

⁽²⁾Calculated using cash flow from operations before non-cash working capital, asset retirement expenditures and bad debts expense.

CORPORATE HIGHLIGHTS

During the year ended December 31, 2008, Open Range:

- Produced an average of 2,070 boe per day (89 percent natural gas), a 42 percent increase from the 2007 average;
- Increased year-over-year reserves per share by 47 percent and production per share by 7 percent;
- Drilled 16 (7.8 net) successful natural gas wells at its core Ansell/Sundance property;
- Achieved finding and development costs, including the change in future development capital, of \$16.79 per proved plus probable boe of reserves added, which generated a recycle ratio of 2.1 times;
- Increased funds from operations by 63 percent and funds from operations per diluted share by 22 percent over 2007, to \$24.7 million and \$0.95 per diluted share, respectively;
- Reduced cash costs by 22 percent over 2007, to \$9.87 per boe;
- Raised \$25 million through a flow-through and common equity financing agreement in April 2008; and
- Increased undeveloped land by 96 percent from 2007 to 50,812 net acres.

Subsequent to December 31, 2008, Open Range:

- Announced an initial \$18 million capital investment program for 2009; and
- Drilled its first horizontal well at Ansell/Sundance targeting the Bluesky formation.

MESSAGE TO SHAREHOLDERS

Open Range delivered strong operating and financial results in the 2008 full year and fourth quarter, with continued drilling success, production growth, declining cash costs per boe of production, high netbacks and growing cash flows. The Corporation nearly doubled its proved plus probable reserves year-over-year, further solidifying the high quality of the Ansell/Sundance property. We also prepared to drill our first horizontal Deep Basin well at Ansell/Sundance, to be completed with multiple-stage hydraulic fracturing, an approach that is generating improved well performance for other area operators.

These positive results are now being overshadowed by externally-generated negatives. Declining commodity prices and financial market instability have restricted access to capital and required companies to focus intently on their balance sheet integrity. Having practised financial discipline since the Corporation's inception, Open Range entered this period with a strong balance sheet and acted proactively to further protect the Corporation. As previously announced, we reduced capital spending in the fourth quarter of 2008 to limit debt and prepared a very conservative cash-flow-only 2009 budget, based on a conservative commodity price outlook. As a result Open Range is in a strong financial position. We are prepared to weather an extended downturn should that occur.

2008 ANNUAL OVERVIEW

The year began with cautious optimism and quickly became bullish as natural gas prices soared. Open Range increased its capital budget to \$70 million and engaged a second drilling rig at Ansell/Sundance with the plan to ramp up production and begin exploiting our multi-year inventory of low-risk infill development locations. The budget was supported by a combined flow-through and common equity financing that bolstered the balance sheet.

Drilling continued to deliver a high rate of success as wells consistently brought on four, five and even more productive zones. We continued to make new discoveries and by mid-year had increased to 16 the number of separate productive geological reservoirs at Ansell/Sundance. For the year we drilled a total of 16 (7.8 net) wells at Ansell/Sundance and encountered a combined 80 productive zones. We closed the year with 133 zones on production from our 34 gross producing wells. Exploratory drilling successes expanded the core property in three directions and built the combined inventory to over 100 seismically defined locations.

Growing experience and economies of scale – including commissioning and later expanding the Open Range-operated 20 mmcf per day Ansell/Sundance gas plant – continued to improve the Corporation's cost structure. Total cash costs averaged only \$9.87 per boe for 2008 – including G&A that fell to \$2.60 per boe and operating costs that have declined to \$6.10 per boe. Low costs and the high quality of our liquids-rich production formed a solid foundation for netbacks. Netbacks reached record quarterly levels during the commodity price peak, and averaged \$35.67 per boe for 2008. Open Range's production averaged 2,070 boe per day in 2008, an increase of 42 percent over 2007. Funds from operations was \$24.7 million or \$0.95 per diluted share, up by 63 percent and 22 percent, respectively, over 2007. Record net earnings of \$2.8 million or \$0.11 per share was also achieved in 2008.

In addition to activities at Ansell/Sundance, in 2008 Open Range tested, evaluated and tied-in the Corporation's 3,800-metre, 70 percent working-interest Deep Basin discovery at Rough in the Alberta Foothills. Open Range spent approximately \$6.2 million accumulating 38 sections of 100 percent working-interest lands in order to secure this potentially high-impact play. The Rough well encountered the full Glauconitic sand package with high porosity, extensive gas in place and a second productive zone uphole, but lower than expected permeability.

Over the winter, we successfully tested the uphole Notikewin zone at Rough, which has been commingled with the Glauconitic and recently brought on-stream. Rough remains an exciting and promising play for the long term. We have a large land position, high working interest and no imminent land expiries. Another junior exploration company has an adjacent land position and drilled an exploratory well over the winter. Open Range's success at Rough will be followed-up once prevailing market conditions again encourage such capital investments.

FOURTH QUARTER 2008 OVERVIEW

Open Range's fourth quarter results were also strong, with 23 percent production growth over the third quarter to a fourth quarter rate of 2,451 boe per day, driving cash flow to a quarterly record of \$6.6 million and cash costs to a new low of \$8.03 per boe. We drilled five (2.5 net) wells at Ansell/Sundance and stepped out onto southerly land parcels, while preparing to drill our first horizontal well. The cost structure continued its downward trend thanks to economies of scale from rising production, with corporate operating costs coming in under \$6 per boe and Ansell/Sundance operating costs of \$4.98 per boe.

It also became apparent during the fourth quarter that crude oil and natural gas prices were set to weaken considerably in the near- to mid-term. Open Range reacted quickly, cutting the 2008 capital program from \$70 million to \$60 million, going back to one rig at Ansell/Sundance and developing a scaled-down 2009 budget of only \$18 million. These steps were announced in November and were aimed squarely at preserving our balance sheet integrity.

Also in the fourth quarter we initiated a Normal Course Issuer Bid. By year-end we had purchased for cancellation almost 800,000 common shares at an average price of \$1.45 per share, signalling our view that the stock is undervalued, at the same time increasing the proportionate net asset value for all remaining shareholders of Open Range at year-end. The Normal Course Issuer Bid is continuing in 2009.

2008 RESERVES

Ansell/Sundance has clearly grown into a large-reserve, long-life, sustainable tight gas resource play. When we began, we knew it would take time to establish its quality and size. It is a critical point that our wells and overall model are performing as envisioned, in some aspects better. Three years of production history have made a material difference in the eyes of the independent reserve evaluators, confirming Ansell/Sundance as a true Deep Basin play, with repeatable and predictable multi-zone characteristics. We have had technical upward reserve revisions every year due to greater certainty provided by well performance.

Open Range's December 31, 2008 proved plus probable reserves are estimated at 10 million boe, of which 53.5 bcf is natural gas and the remainder natural gas liquids. This is up by 80 percent year-over-year. (We refer readers to Open Range's March 12, 2009 press release, which detailed our year-end 2008 reserves.) Drilling additions and upward revisions replaced the year's production by six times. Finding and development costs were \$16.79 per boe proved plus probable in 2008, including future development costs, continuing a trend of efficient capital investment. With the 2008 netback of \$35.67 per boe, Open Range generated a proved plus probable recycle ratio of 2.1 times. The Corporation's net asset value is estimated at \$6.70 per share on proved plus probable reserves discounted at 10 percent at December 31, 2008.

These positive results really are a testament to the technical skills of the combined Open Range team. We believe there is much more to come. Ansell/Sundance covers 54.5 gross sections with an average 56 percent working interest. We have reserves assigned to only 7.7 gross sections of land – representing less than 15 percent of the Ansell/Sundance land base. At Rough, we have 38 gross sections of land at 90 percent working interest, with proved plus probable reserves of nearly 700,000 boe assigned over only 160 acres.

2009 ACTIVITY INCLUDING HORIZONTAL DRILLING AT ANSELL/SUNDANCE

To date this year, we have completed and tied in four vertical wells drilled in the fourth quarter of 2008 at Ansell/Sundance. By February, three were tied-in and on-stream. The fourth is an exploratory well that steps out into southern Ansell/Sundance, almost 10 miles from Open Range's initial discovery well at the property. This 100-percent Open Range well tested at more than 3 mmcf per day from four zones. It has been tied-into a nearby third-party system and will produce at a restricted rate of 1 mmcf per day until we ultimately build a pipeline to tie it into the Open Range system. Also in Q1, we drilled one 800-metre exploratory vertical well at Big Bend, which was dry and abandoned.

The quarter's key activity has been drilling our first horizontal well in the Bluesky formation at Ansell/Sundance. Open Range's vertical drilling model at Ansell/Sundance has delivered strong, repeated success over dozens of gross wells through multiple drilling seasons. We have recognized that some zones at Ansell/Sundance could be amenable to horizontal drilling with completion using multiple-stage hydraulic fractures. Successful wells of this type are being drilled into the Cretaceous sands by operators near Ansell/Sundance and are generating strong test rates.

The Bluesky is an extensive Deep Basin reservoir with gross pay mapped at 30 metres in portions of Ansell/Sundance, high porosity and original gas-in-place of typically 20-30 bcf per section, but low permeability, indicating horizontal drilling may more efficiently drain a large pool area. Accordingly, we decided to try achieving a bulk-shift in the economics of the Bluesky through horizontal drilling. The rationale is to accelerate reserves recovery and increase the overall recovery factor by gaining exponentially greater reservoir contact area through the multiple fractures emanating from the horizontal wellbore. Drilling horizontally also increases the likelihood of intersecting the Bluesky's highly productive coarse shoreface sands, which occur intermittently in the reservoir.

Our Ansell/Sundance horizontal well spudded in January and encountered the Bluesky at approximately 2,800 metres vertical depth, following which a 900-metre horizontal leg was extended through high-quality reservoir, resulting in a well of 4,048 metres total measured depth. The well was cased in late February and multi-stage hydraulic fracturing was initiated in mid-March. Following the second-stage of the planned eight-stage frac a casing failure was detected and as a result the completion operations have been delayed. Corrective measures are already underway and completion operations are expected to resume after spring break-up.

The horizontal well cost approximately \$4.7 million to drill and its total measured depth qualifies it for the full \$2.8 million in royalty credits available under Alberta's new Natural Gas Deep Drilling Program. This was an exceptional opportunity for Open Range, as the area's horizontal drilling potential continues to be revealed.

2009 OUTLOOK

We have taken a careful approach to current conditions. The \$18 million in planned expenditures for 2009 amount to a “cash flow” budget. With the planned rate of drilling and tie-ins, we anticipate average production of 2,400 boe per day, providing year-over-year growth of approximately 15 percent. First-quarter production rates are looking strong, generating growth over Q4 2008 volumes. We will continue to look for opportunities for improved operating efficiencies, taking advantage of declining field service costs. Open Range has the flexibility – including the large 3D-supported drilling inventory, experienced technical team and balance sheet capacity – to resume some drilling should rising natural gas prices or declining drilling costs result in well economics once again meeting our expectation for internal rates of return.

Our short-term outlook for natural gas is bearish as we observe the “fix” that will be required to restore prices. The natural gas issue is mainly one of supply, following industrial demand destruction during higher price periods and an eroding economy and the noteworthy recent success of unconventional gas plays at increasing U.S. natural gas production. Under today’s prices, U.S. and Canadian drilling rig fleet utilization is decreasing, budgets are being cut and well-counts are falling. One feature of the new unconventional plays is steep first-year production decline. As field activity falls, production should also fall. This effect may be mitigated by the industry’s expertise at “high-grading” residual drilling, causing the production decline to lag somewhat. We may also see some demand increase for natural gas power generation at lower prices. In sum, we foresee a sustained natural gas price recovery following the near- to mid-term correction. We stand by our philosophy to stay the course on natural gas because the long-term fundamentals in North America continue to be positive.

Our balance sheet is strong. Year-end debt was \$27.6 million, which left almost 50 percent of our bank lines unutilized, one of the most favourable debt ratios in our peer group. Our debt level will peak at the end of Q1 2009 to fund our winter drilling program, but will be reduced by cash flow over the rest of the year. Our \$54 million bank line remains solid given strong growth in net asset value and reserves. We have also hedged approximately 40 percent of our remaining forecast 2009 production using costless collars. Average floor prices on these contracts are \$4.64 per mcf with average ceiling prices of \$6.83 per mcf. Although Open Range’s history has been as an exploration corporation, we are well-positioned to take advantage of opportunities for acquisitions at cyclically appropriate valuations should they complement our quality asset base.

I would like to extend sincere thanks to all of Open Range’s staff for continuing to execute the Corporation’s drilling activities and achieve efficient operations. Our people have delivered steady success for Open Range, as is evident in our improving capital and operating efficiencies.

On behalf of the Board of Directors,

(signed) A. Scott Dawson

A. Scott Dawson
President, Chief Executive Officer and Director

March 19, 2009

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 year ended December 31, 2008 compared to the year ended December 31, 2007. This MD&A should be read in conjunction with the audited annual financial statements for the year ended December 31, 2008 and comparative information for the year ended December 31, 2007, along with the MD&A for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008. This MD&A is dated March 19, 2009.

Boe Presentation

The use of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio 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.

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. Open Range utilizes funds from operations to evaluate operating performance and assess leverage. The Corporation considers funds from operations to be an important measure of the results generated by its principal business activities before the consideration of how those activities are financed or how the results are taxed and before abandonment expenditures. 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 and asset retirement expenditures incurred. The Corporation uses this method as it believes the uncertainty surrounding the timing of collection, payment or incurrence of these items makes them less useful in evaluating Open Range's operating performance. A summary of this reconciliation is as follows:

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Cash flow from operating activities (per GAAP)	\$ 6,037,292	\$ 2,867,479	\$ 24,086,852	\$ 13,590,394
Change in non-cash working capital	13,232	1,698,137	(615,364)	1,551,458
Asset retirement expenditures	300,438	16,869	477,955	16,869
Funds from operations	\$ 6,350,962	\$ 4,582,485	\$ 23,949,443	\$ 15,158,721

Forward-Looking Statements

This MD&A contains certain forward-looking statements, which relate to future events or our future performance, that include terms such as "will", "intend", "anticipate", "could", "should", "may", "might", "expect", "estimate", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "shall" and similar terms. These statements involve known and unknown risks, uncertainties and other factors that are beyond the Corporation's control, which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Open Range believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A.

This MD&A, and the documents incorporated by reference, contain forward-looking statements pertaining to the following: (a) future production volumes; (b) expected levels of royalty rates, operating expenses and G&A costs; (c) future capital expenditures and the method of financing thereof; (d) amount of asset retirement obligations; (e) future liquidity and the ability to raise capital to continually add to reserves through exploration and development; (f) the future tax horizon of the Corporation; (g) the timing and impact of the adoption of International Financial Reporting Standards and other accounting policies and standards; (h) the performance characteristics of the Corporation's oil and natural gas properties; (i) estimates of future cash flows from operations; (j) drilling plans and timing of drilling, completion and tie-in of wells; (k) commodity prices, exchange rates and interest rates; (l) the utilization and effectiveness of commodity price risk management techniques; (m) Open Range's ability to grow or sustain production and reserves through prudent management; (n) the Corporation's future operating and financial results; and (o) treatment under governmental and other regulatory regimes and tax, environmental and other laws.

With respect to forward-looking statements contained in this MD&A, the Corporation has made a number of assumptions. The key assumptions underlying the aforementioned forward-looking statements include assumptions that: (i) future oil and natural gas prices will not deteriorate significantly; (ii) capital, undeveloped lands and skilled personnel will continue to be available at the level Open Range has enjoyed to date; (iii) Open Range will be able to obtain equipment in a timely manner to carry out exploration, development and exploitation activities; (iv) Open Range will be able to obtain financing on acceptable terms; (v) Open Range will be able to continue to add production and reserves through exploration and development activities at a consistent rate; and (vi) the continuation of the current tax and regulatory regime will remain substantially unchanged. Certain or all of the forgoing assumptions may prove to be untrue.

Open Range's actual results could differ materially from those anticipated in these forward-looking statements as a result of 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, counterparty credit risk, 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 debt or 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, changes in federal and provincial tax laws and legislation (including the adoption of new royalty regimes), 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. Readers are cautioned that the foregoing list of risks to Open Range's performance 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, 2008. 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.

FINANCIAL AND OPERATING SUMMARY

Years ended December 31,	2008		2007	
	(\$)	(\$ per boe @ 6:1)	(\$)	(\$ per boe @ 6:1)
Oil and natural gas liquids (NGL) revenue	6,996,263	9.23	3,806,176	7.16
Natural gas revenue	34,825,866	45.96	18,620,122	35.04
Realized gain (loss) on commodity contracts	(1,491,325)	(1.97)	1,485,745	2.80
Total	40,330,804	53.22	23,912,043	45.00
Royalties	(8,116,524)	(10.71)	(2,053,158)	(3.86)
Operating costs	(5,184,930)	(6.84)	(3,990,860)	(7.51)
Operating netback	27,029,350	35.67	17,868,025	33.63
General and administrative costs	(1,970,527)	(2.60)	(2,472,439)	(4.65)
Bad debt expense	(784,956)	(1.04)	-	-
Net interest expense	(324,424)	(0.43)	(236,865)	(0.45)
Funds from operations	23,949,443	31.60	15,158,721	28.53
Unrealized loss on commodity contracts	(344,966)	(0.45)	(332,228)	(0.63)
Depletion and depreciation	(18,959,381)	(25.02)	(13,295,728)	(25.02)
Accretion of asset retirement obligations	(158,536)	(0.21)	(162,297)	(0.31)
Stock-based compensation	(792,354)	(1.05)	(545,870)	(1.03)
Earnings before income taxes	3,694,206	4.87	822,598	1.54
Future income tax expense	(896,533)	(1.18)	(299,459)	(0.56)
Net earnings	2,797,673	3.69	523,139	0.98

DETAILED FINANCIAL ANALYSIS

Production

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Production				
Oil and NGL (bbls/d)	257	171	226	167
Natural gas (mcf/d)	13,164	8,862	11,064	7,733
Total (boe/d)	2,451	1,648	2,070	1,456
Total (boe)	225,450	151,660	757,793	531,371
% natural gas	90	90	89	89

Open Range's production for the three months and year ended December 31, 2008 increased significantly from the comparative periods in 2007. The increases in both periods resulted from the continued successful drilling activity throughout 2008. Production in the three months and year ended December 31, 2008 averaged 2,451 boe per day and 2,070 boe per day, respectively. These figures represented increases of 49 percent and 42 percent, respectively, from the average production of 1,648 boe per day and 1,456 boe per day for the respective three months and year ended December 31, 2007. Natural gas production in the three months and year ended December 31, 2008 increased to 13,164 mcf per day and 11,064 mcf per day, respectively, from 8,862 mcf per day and 7,733 mcf per day, respectively, for the three months and year ended December 31, 2007. Oil and natural gas liquids (NGL) production

in the three months ended December 31, 2008 increased by 50 percent to 257 barrels per day from 171 barrels per day in the fourth quarter of 2007. For the year ended December 31, 2008, oil and NGL production increased by 35 percent to 226 barrels per day from 167 barrels per day in 2007. Open Range is forecasting average production of 2,400 boe per day in 2009.

Oil and Natural Gas Revenues

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Revenue				
Oil and NGL	\$ 1,330,826	\$ 1,153,343	\$ 6,996,263	\$ 3,806,176
Natural gas	8,707,704	5,236,167	34,825,866	18,620,122
Realized gains (losses) on commodity contracts	199,045	707,582	(1,491,325)	1,485,745
Total	\$ 10,237,575	\$ 7,097,092	\$ 40,330,804	\$ 23,912,043
Average realized price				
Oil and NGL (\$/bbl)	56.40	73.10	84.39	62.46
Natural gas (\$/mcf)	7.19	6.42	8.60	6.60
Realized gains (losses) on commodity contracts (\$/mcf)	0.16	0.87	(0.37)	0.53
Combined average (\$/boe)	45.41	46.80	53.22	45.00
Benchmark pricing				
Edmonton Par (Cdn\$/bbl)	63.62	87.09	102.66	76.39
Alberta Spot (Cdn\$/mcf)	6.62	6.03	8.06	6.36

Revenue, including realized gains (losses) on commodity contracts, for the three months ended December 31, 2008 increased by 44 percent to \$10.2 million from \$7.1 million in the comparative period in 2007. The increase in revenue was primarily a result of a 49 percent increase in production volumes partially offset by a 3 percent decrease in the combined average sales price from the fourth quarter of 2007. For the year ended December 31, 2008, revenue increased by 69 percent to \$40.3 million from \$23.9 million in 2007. The increase was again due to a 43 percent increase in production volumes and an 18 percent increase in the combined average sales price partially offset by a realized loss on commodity contracts. The changes in average sales prices for oil, NGL and natural gas realized by Open Range for the three months and the year ended December 31, 2008 from the comparative periods in 2007 are consistent with the fluctuations in benchmark oil and natural gas prices over the same periods. 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.

Open Range realized a gain on commodity contracts of \$0.2 million for the three months ended December 31, 2008 and realized a loss on commodity contracts of \$1.5 million for the year ended December 31, 2008. The realized gains and losses are related to natural gas commodity contracts and amounted to additional revenue of \$0.16 per mcf for the fourth quarter of 2008 and a cost of \$0.37 per mcf for the year ended December 31, 2008 on the Corporation's natural gas production.

Unrealized Gains (Losses) 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 fourth quarter, the Corporation recorded an unrealized loss on commodity contracts of \$0.1 million. For the year ended December 31, 2008, the Corporation recorded an unrealized loss of \$0.3 million. These amounts represented the change in the fair value of the commodity contracts held by the Corporation during the three months and year ended December 31, 2008.

Natural gas hedging contracts entered into as at December 31, 2008 are as follows:

Period	Volume (Gj/d)	Type	Average AECO Spot floor (Cdn\$/Gj)	Average AECO Spot ceiling (Cdn\$/Gj)	Unrealized gain (loss) for the three months ended Dec. 31, 2008	Unrealized loss for the three months ended Dec. 31, 2007	Unrealized gain (loss) for the year ended Dec. 31, 2008	Unrealized gain (loss) for the year ended Dec. 31, 2007
Jan. to Dec. 2007	2,500	Costless Collar	\$ 7.00	\$ 10.20	–	\$ (332,449)	–	\$ (750,940)
Jan. to Dec. 2007	1,250	Costless Collar	\$ 7.00	\$ 8.00-9.90	–	(166,150)	–	(294,363)
Apr. 2007 to Mar. 2008	1,000	Costless Collar	\$ 7.00	\$ 10.16	–	(152,065)	\$ (68,534)	68,534
Nov. 2007 to Mar. 2008	1,500	Costless Collar	\$ 7.50	\$ 10.67	–	(163,623)	(164,411)	164,411
Jan. to Dec. 2008	3,000	Costless Collar	\$ 6.75	\$ 7.50-9.12	\$ (156,312)	(121,987)	(497,458)	497,458
Apr. to Oct. 2008	1,500	Swap	\$ 6.46	\$ 6.46	(20,236)	(9,263)	9,263	(9,263)
Nov. to Dec. 2008	1,500	Swap	\$ 7.26	\$ 7.26	(54,599)	(8,065)	8,065	(8,065)
Apr. to Oct. 2008	1,500	Swap	\$ 6.50	\$ 6.50	(22,087)	–	–	–
Nov. 2008 to Mar. 2009	1,500	Costless Collar	\$ 6.75	\$ 11.09	3,998	–	102,614	–
Jan. to Dec. 2009	1,000	Costless Collar	\$ 6.50	\$ 10.65	180,494	–	265,495	–
					\$ (68,742)	\$ (953,602)	\$ (344,966)	\$ (332,228)

For more details on these contracts refer to note 11, Financial Instruments, in the audited financial statements for the year ended December 31, 2008.

Royalties

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Royalty expense – oil & NGL	\$ 416,388	\$ 247,016	\$ 1,244,175	\$ 885,761
Royalty expense – natural gas	1,397,296	278	6,872,349	1,167,397
Total	\$ 1,813,684	\$ 247,294	\$ 8,116,524	\$ 2,053,158
\$ per boe	8.05	1.63	10.71	3.86
% of revenues ⁽¹⁾	18%	4%	19%	9%

⁽¹⁾Revenue before realized gains on commodity contracts.

Royalties totalled \$1.8 million and \$8.1 million for the fourth quarter and year ended December 31, 2008, respectively, compared to \$0.2 million and \$2.1 million, respectively, for the comparative periods in 2007. Royalties as a percentage of revenue increased in the three months and year ended December 31, 2008 from the comparative periods in 2007, as the Corporation had a smaller proportion of newly tied-in wells receiving the beneficial effects of the deep well royalty holiday program. On a per unit of production basis, royalty costs for the three months and year ended December 31, 2008 were up by 393 percent and 177 percent, respectively, from the comparative periods in 2007, mainly due to higher commodity prices and the majority of wells at Ansell/Sundance having fully utilized their royalty holiday entitlement, thus commencing the payment of cash royalties. Royalties as a percentage of revenue for the year ended December 31, 2008 also increased to 19 percent from 9 percent in 2007.

Open Range estimates royalty rates for 2009 will increase to 20-22 percent as a result of Alberta's New Royalty Framework (NRF) that came into effect January 1, 2009. This anticipated increase does not reflect the potential positive impact to the Corporation of the one-year incentive program announced by the Alberta government on March 3, 2009. Further clarification on the one-year incentive program is needed to fully assess the potential positive impact to Open Range.

Operating Costs and Netback

(\$ per boe)	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Average realized sales price	45.41	46.80	53.22	45.00
Royalty expenses	(8.05)	(1.63)	(10.71)	(3.86)
Operating costs	(5.65)	(8.69)	(6.10)	(6.72)
Transportation costs	(0.70)	(0.73)	(0.74)	(0.79)
Operating netback	31.01	35.75	35.67	33.63

The Corporation's operating netback for the fourth quarter of 2008 decreased by 13 percent to \$31.01 per boe from \$35.75 per boe for the comparative quarter of 2007. This was mainly due to increased royalties, partially offset by lower operating costs. The operating netback for the year ended December 31, 2008 increased by 6 percent to \$35.67 per boe from \$33.63 per boe for 2007. This was mainly due to an increase in realized average sales price and a decrease in operating costs, partially offset by higher royalties.

Operating costs were \$1.3 million and \$4.6 million for the three months and year ending December 31, 2008, respectively, compared to \$1.3 million and \$3.6 million for the comparative periods in 2007. On a per unit of production basis, operating costs for the fourth quarter and full year of 2008 were \$5.65 per boe and \$6.10 per boe, respectively. These amounts represent a 35 percent and 9 percent respective decrease from \$8.69 per boe and \$6.72 per boe for the comparative periods in 2007. The reduction in the fourth quarter and full-year results was due primarily to operating efficiencies being realized at Ansell/Sundance as newly drilled wells are tied in to existing infrastructure and facilities. Transportation costs were \$0.2 million or \$0.70 per boe for the fourth quarter and \$0.6 million or \$0.74 per boe for the full year of 2008.

General and Administrative Costs

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Gross	\$ 1,165,958	\$ 1,236,125	\$ 5,547,953	\$ 5,135,453
Partner recovery	(296,897)	(108,907)	(1,091,855)	(482,996)
Capitalized	(634,090)	(457,725)	(2,485,571)	(2,180,018)
Net G&A expense	\$ 234,971	\$ 669,493	\$ 1,970,527	\$ 2,472,439
Per boe net (\$)	1.04	4.41	2.60	4.65

G&A costs for the three months ended December 31, 2008 totalled \$0.2 million or \$1.04 per boe after overhead recoveries and capitalization of \$0.9 million. On a per boe basis G&A costs in the fourth quarter of 2008 declined by 76 percent from \$4.41 per boe in the fourth quarter of 2007. For the year ended December 31, 2008, net G&A costs per boe decreased by 44 percent to \$2.60 from \$4.65 in 2007. The reduction per boe was mainly due to increased production in 2008 complementing the smaller but meaningful decreases to net G&A costs in both periods. Capitalized G&A costs represented 45 percent of gross G&A costs for the year ended December 31, 2008 as the Corporation continued to focus on exploration activities and capitalized its exploration, geological and geophysical expenses. Even the Corporation's gross G&A costs were nearly flat year-over-year, reflecting the Corporation having been founded with complete management and technical teams, followed by success at limiting overall G&A costs.

Open Range expects its net G&A for 2009 to be \$2.50 to \$3.00 per boe, reflecting the Corporation's continued forecast production growth combined with no significant planned increase in G&A spending.

Interest Expense

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Net interest expense	\$ 145,093	\$ 169,881	\$ 324,424	\$ 236,865
Per boe net (\$)	0.64	1.12	0.43	0.45

Net interest expense for the three months and year ended December 31, 2008 was \$0.1 million or \$0.64 per boe and \$0.3 million or \$0.43 per boe, respectively. The interest earned on available cash balances through short-term interest-bearing instruments at the beginning of the year partially offset the interest expense paid on the Corporation's credit facility through the balance of 2008. The Corporation had no exposure to the Canadian Asset-Backed Commercial Paper liquidity issue during the year ended December 31, 2008.

The Corporation had \$31.4 million drawn on its extendable revolving credit facility at December 31, 2008. The Corporation continues to manage debt levels prudently and expects net interest expense to be relatively low for the year as its continuing exploration and development activity will be funded from cash flow from operations in 2009.

Stock-Based Compensation

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Total stock-based compensation	\$ 386,787	\$ 277,708	\$ 1,537,036	\$ 1,056,071
Capitalized stock-based compensation	(200,851)	(130,686)	(744,682)	(510,201)
Stock-based compensation expense	\$ 185,936	\$ 147,022	\$ 792,354	\$ 545,870

During the fourth quarter of 2008, stock-based compensation of \$0.2 million was expensed and \$0.2 million was capitalized. This compared to \$0.1 million expensed and \$0.1 million capitalized for the fourth quarter of 2007. For the year ended December 31, 2008 stock-based compensation of \$0.8 million was expensed and \$0.7 million was capitalized, compared to \$0.5 million expensed and \$0.5 million capitalized for 2007. The increases in stock-based compensation expense were due to the additional expense associated with the stock options granted in 2008. At December 31, 2008 there were 2,632,000 stock options outstanding compared to 1,926,500 outstanding at December 31, 2007.

Depletion, Depreciation and Accretion

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Depletion and depreciation	\$ 5,246,689	\$ 4,083,311	\$ 18,959,381	\$ 13,295,728
Accretion	41,011	30,195	158,536	162,297
Total	\$ 5,287,700	\$ 4,113,506	\$ 19,117,917	\$ 13,458,025
Depletion and depreciation (\$/boe)	23.27	26.92	25.02	25.02
Accretion (\$/boe)	0.18	0.20	0.21	0.31
Total (\$/boe)	23.45	27.12	25.23	25.33

Depletion and depreciation are calculated based upon cumulative capital expenditures, production rates and reserves. Open Range recorded \$5.2 million or \$23.27 per boe in depletion and depreciation for the three months ended December 31, 2008 compared to \$4.1 million or \$26.92 per boe for the comparative period in 2007. Depletion and depreciation for the year ended December 31, 2008 increased to \$19.0 million or \$25.02 per boe from \$13.3 million or \$25.02 per boe for 2007. The per boe decrease in the fourth quarter is due to significant reserve additions from the Corporation's successful 2008 drilling program.

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 \$26.5 million have been excluded in the calculation and future development costs of \$38.5 million have been included in the capital base used in the calculation.

Income Taxes

Open Range did not incur any cash tax expense in 2008. Open Range does not expect to pay any cash taxes in 2009 based on current oil and natural gas prices, existing tax pools, planned capital expenditures and forecast taxable income. For the year ended December 31, 2008, a future income tax expense of \$0.9 million was recorded. The future income tax liability associated with the Corporation's \$19 million in flow-through share issuance in 2007 was recorded during 2008.

The estimated tax pools of the Corporation are included in the table below:

(millions)	Maximum annual deduction	December 31, 2008	December 31, 2007
Canadian exploration expense	100%	\$ 43.4	\$ 36.8
Canadian development expense	30%	4.8	6.1
Undepreciated capital cost	25%	16.7	12.2
Share issue costs	20%	2.5	1.8
Canadian oil and gas property expense	10%	36.0	27.1
Total		\$ 103.4	\$ 84.0

Subsequent to December 31, 2008, Open Range renounced Canadian exploration expenditures related to its 2008 flow-through share obligations that will result in reductions of the above tax pool balances by \$12 million. The tax effect of these renunciations will be recorded in the first quarter of 2009.

Net Earnings (Loss)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Net earnings (loss)	\$ 1,066,890	\$ (344,678)	\$ 2,797,673	\$ 523,139
Net earnings (loss) per boe	4.73	(2.27)	3.69	0.98
Net earnings (loss) per basic and diluted share	\$ 0.04	\$ (0.02)	\$ 0.11	\$ 0.03

The Corporation recorded net earnings of \$2.8 million or \$0.11 per basic and diluted share for the year ended December 31, 2008, compared to net earnings of \$0.5 million or \$0.03 per basic and diluted share for 2007. The net earnings for the three months ended December 31, 2008 were \$1.1 million or \$0.04 per basic and diluted share compared to a net loss of \$0.3 million or \$0.02 per basic and diluted share for the comparative period in 2007.

Funds From Operations and Cash Flow from Operating Activities

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Funds from operations	\$ 6,350,962	\$ 4,582,484	\$ 23,949,443	\$ 15,158,721
Funds from operations per boe	28.17	30.22	31.60	28.53
Funds from operations per basic share	0.23	0.23	0.93	0.78
Funds from operations per diluted share	0.23	0.23	0.92	0.78
Cash flow from operating activities (per GAAP)	\$ 6,037,292	\$ 2,867,479	\$ 24,086,852	\$ 13,590,394

In the fourth quarter and the year ended December 31, 2008, Open Range generated funds from operations of \$6.4 million and \$23.9 million, respectively, compared to \$4.6 million and \$15.2 million for the comparative periods in 2007. Fourth-quarter 2008 funds from operations increased by 39 percent and funds from operations per share increased by 4 percent from the comparative quarter in 2007. For the year ended December 31, 2008, funds from operations increased by 58 percent and

funds from operations per share increased by 22 percent from 2007. In the fourth quarter and the year ended December 31, 2008, Open Range recorded cash flow from operating activities of \$6.0 million and \$24.1 million, respectively, compared to \$2.9 million and \$13.6 million for the comparative periods in 2007. The significant increases in funds from operations and cash flow from operating activities were due to stronger operating results, primarily driven by higher average production, as well as stronger netbacks which in turn were caused mainly by higher average realized sales prices and lower operating costs.

Capital Expenditures

(millions)	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Drilling and completions	\$ 6.9	\$ 7.7	\$ 37.2	\$ 30.4
Equipment and facilities	3.1	0.8	8.8	5.3
Land	0.1	0.1	13.1	3.8
Other assets	-	0.1	-	0.1
Capitalized G&A	0.4	0.7	1.9	2.2
Geological and geophysical	(1.2)	-	(0.4)	0.2
Total capital expenditures	9.3	9.4	60.6	42.0
Capital items not involving cash:				
Stock-based compensation	0.2	0.2	1.0	0.7
Asset retirement obligations	0.6	-	0.4	0.2
Total capital expenditures including non-cash items	\$ 10.1	\$ 9.6	\$ 62.0	\$ 42.9

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 December 31, 2008, Open Range drilled five gross natural gas wells (2.5 net), all of them at its core Ansell/Sundance property and all of which were successful. For the year ended December 31, 2008, the Corporation drilled 16 gross wells (7.8 net) with a 100 percent success rate. Facilities and equipment expenditures for the year ended December 31, 2008 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 fourth quarter of 2008 was 50 percent. Open Range's average working interest on new wells drilled at Ansell/Sundance in 2008 was 48.8 percent.

	Three months ended December 31, 2008		Three months ended December 31, 2007		Year ended December 31, 2008		Year ended December 31, 2007	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	5	2.5	2	1.3	16	7.8	13	6.9
Development	-	-	-	-	-	-	5	0.4
Total	5	2.5	2	1.3	16	7.8	18	7.3
Average working interest		50%		65%		48.8%		40.6%
Success rate		100%		100%		100%		100%

Share Capital

	Three months ended December 31, 2008	Three months ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Weighted average common shares outstanding	27,111,018	20,028,506	25,851,408	19,403,154
Stock option dilution	–	–	150,367	–
Weighted average diluted common shares outstanding	27,111,018	20,028,506	26,001,775	19,403,154

Options to purchase 2,632,000 and 2,197,000 common shares for the three months and year ended December 31, 2008, respectively, and options to purchase 1,926,500 common shares for the three months and year ended December 31, 2007 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

Outstanding securities	December 31, 2008	March 19, 2009
Common shares	26,600,841	26,534,341
Stock options	2,632,000	2,632,000
Total outstanding securities	29,232,841	29,166,341
Proportion of outstanding securities held by officers and directors	17%	17%

Equity financings since inception	Date of issue	Issue price per share	Shares issued	Gross proceeds
Common shares ⁽¹⁾	November 29, 2005	\$ 3.10	2,000,000	\$ 6,200,000
Common shares	January 10, 2006	4.25	1,649,000	7,008,250
Flow-through common shares	May 16, 2006	5.70	1,000,000	5,700,000
Common shares	November 9, 2006	3.55	2,324,300	8,251,265
Flow-through common shares	February 22, 2007	4.00	3,000,000	12,000,000
Flow-through common shares	December 20, 2007	3.45	2,029,100	7,000,395
Common shares	April 4, 2008	4.20	3,095,300	13,000,260
Flow-through common shares	April 4, 2008	5.00	2,400,000	12,000,000
Total		\$ 4.07	17,497,700	\$ 71,160,170

⁽¹⁾Initial private placement financing.

On April 4, 2008, Open Range closed an equity financing for gross proceeds of \$25 million. Pursuant to this financing, the Corporation issued 3,095,300 common shares at a price of \$4.20 per share and 2,400,000 flow-through common shares at a price of \$5.00 per share.

During 2008, the Corporation issued 779,500 stock options to employees of the Corporation. The options vest over three years and are exercisable into common shares at an average price of \$4.93. At December 31, 2008 the Corporation had 2,632,000 options outstanding with an average exercise price of \$4.33. Of the outstanding options, 1,516,833 options are exercisable with an average exercise price of \$4.22 at December 31, 2008.

On October 23, 2008 the Corporation received regulatory approval under Canadian securities laws to purchase common shares under a Normal Course Issuer Bid (the “Bid”) which commenced October 28, 2008 and will terminate on October 27, 2009. Pursuant to the Bid, Open Range is entitled to purchase for cancellation, from time to time, up to a maximum of 1,366,662 common shares. As of March 19, 2009, the Corporation has purchased and cancelled 799,900 common shares under the Bid at an average price of \$1.45 per share.

RELATED-PARTY AND OFF-BALANCE SHEET TRANSACTIONS

Open Range incurred \$142,211 in legal costs to a law firm in which the Chairman of the Board of Directors and the Corporate Secretary of the Corporation are partners. Of the legal costs incurred in the year, \$8,857 was included in accounts payable at December 31, 2008.

Open Range received \$359,584 in office rent from a private corporation in which the Chairman of the Board of Directors and the President and Chief Executive Officer are directors. Of the office rent received in the year, no amounts were included in accounts receivable at December 31, 2008.

Certain officers and directors of Open Range purchased 5,000 shares as part of the equity offerings of the Corporation during the year ended December 31, 2008, for total gross proceeds of \$21,000.

Open Range was not involved in any off-balance-sheet transactions during the year ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Open Range had a working capital deficiency of \$27.6 million at December 31, 2008. As at December 31, 2008, Open Range had available a \$50 million extendable revolving-credit facility and a \$4 million acquisition and development facility with the National Bank of Canada. The interest rate on the extendable revolving facility is calculated using the bank’s prime rate plus an applicable facility margin based on the Corporation’s net debt-to-cash flow ratio for the previous trailing calendar quarter. The interest rate on the non-revolving facility is calculated using the bank’s prime rate plus 75 basis points. The facilities are borrowing based facilities that are determined based on, among other things, the Corporation’s reserve report, production and operating results, and current and forecast commodity prices. Pursuant to the terms of the credit facilities, the Corporation has provided the covenant that at all times its working capital ratio shall be not less than 1 to 1. The working capital ratio is defined under the terms of the facilities as current assets, including the undrawn portion of the revolving credit facility, to current liabilities, excluding any current bank indebtedness. The Corporation is in compliance with this covenant as at December 31, 2008. As at December 31, 2008, \$31.4 million had been drawn on these facilities. The facilities are open for review semi-annually with the next review occurring in April 2009.

	As at December 31, 2008
Bank lines available	\$ 54,000,000
Working capital deficiency	(27,624,976)
Capital resources available	\$ 26,375,024

In the third quarter of 2008, the Corporation experienced a collection issue with one of its purchasers of natural gas, SemCanada Energy Company, and one of its purchasers of crude oil, SemCanada Crude Company. Both companies are Canadian subsidiaries of SemGroup, L.P., which in July 2008, filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States. As of December 31, 2008, the Corporation is owed \$949,462 and \$97,146 from SemCanada Energy Company and SemCanada Crude Company, respectively. The Corporation has held general discussions with several arm's-length parties with regards to the purchase and sale of the accounts receivable from SemCanada Energy Company and SemCanada Crude Company. Based on these discussions and an internal evaluation of what portion, if any, of these amounts will be collectible, the Corporation has recorded a provision for bad debts of \$784,956 as of December 31, 2008, which represents 75 percent of the outstanding amounts owed to it by SemCanada Energy Company and SemCanada Crude Company. The Corporation is continuing to work with its legal counsel to pursue the possible sale of the accounts receivable to a third party and, accordingly, will update its provision for bad debts as circumstances deem it necessary.

During periods of financial and commodity market instability, such as that which was experienced in the fourth quarter of 2008, Open Range actively manages its capital structure to ensure it maintains financial flexibility so as to preserve the ability to meet all of its financial obligations and finance the Corporation's future growth. The Corporation manages its capital structure in part by using the non-GAAP financial metric of net debt to annualized funds from operations ratio. The Corporation's strategy is to maintain a ratio of no more than 2 to 1. As at December 31, 2008, the Corporation's ratio of net debt to annualized funds from operations was 1.1 to 1, which was within the acceptable range established by the Corporation. The Corporation expects the ratio will increase during the first quarter of 2009 as the Corporation anticipates further indebtedness to be incurred as a result of expenditures under the 2009 capital program. For more details on the calculation of this ratio refer to note 9, Capital Management, in the audited financial statements for the year ended December 31, 2008.

As a result of the current volatility in the commodity, credit and capital markets, Open Range has limited its capital investment program for 2009 to a level that allows it to be funded entirely from cash flow from operations. In doing so, the Corporation maintains its financial flexibility, avoids issuing new equity on dilutive terms and preserves its extensive drilling inventory at Ansell/Sundance. As the Corporation gains more clarity on the near- to mid-term outlook for the financial and commodity markets, it may adjust its 2009 capital investment program accordingly.

The Corporation's initial capital expenditure budget for 2009 is \$18 million. The details of the initial 2009 budget are provided in the following table:

(millions)	2009
Drilling and completions	\$ 11.8
Equipment and facilities	2.7
Land, seismic and capitalized G&A	3.5
Total	\$ 18.0

SELECTED QUARTERLY INFORMATION

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Production								
Natural gas (mcf/d)	13,164	10,696	10,630	9,746	8,862	9,545	7,009	5,460
Oil and NGL (bbls/d)	257	209	225	216	171	225	156	115
Total (boe/d)	2,451	1,992	1,996	1,840	1,648	1,815	1,324	1,025
Total (boe)	225,450	183,242	181,652	167,448	151,660	167,009	120,451	92,251
% natural gas	90	89	89	88	90	88	88	89
Financial								
(\$000s except per share amounts and share numbers)								
Revenue ⁽¹⁾	10,238	9,646	11,281	9,167	7,097	6,823	5,556	4,436
Net earnings (loss)	1,067	3,676	(31)	(1,914)	(345)	611	1,277	(1,020)
Per share (\$)								
Basic and diluted	0.04	0.13	–	(0.09)	(0.02)	0.03	0.06	(0.06)
Funds from operations	6,351	4,757	7,242	5,600	4,583	4,413	3,709	2,454
Per share (\$)								
Basic	0.23	0.17	0.27	0.26	0.23	0.22	0.19	0.14
Diluted	0.23	0.17	0.26	0.26	0.23	0.22	0.19	0.14
Cash flow from operating activities	6,037	4,583	8,310	5,156	2,867	3,728	4,624	2,371
Total assets (end of period)	151,102	137,117	117,265	114,415	97,517	93,289	86,746	85,984
Capital expenditures, net	9,253	25,804	5,885	19,625	9,354	8,780	11,285	12,585
Weighted average basic shares (000s)	27,111	27,334	27,131	21,799	20,029	19,764	19,764	18,031
Weighted average diluted shares (000s)	27,111	27,557	27,131	21,799	20,029	19,764	19,764	18,031
Per Unit								
Oil and NGL (\$/bbl)	56.40	101.51	105.18	79.60	73.10	61.32	57.68	55.05
Natural gas (\$/mcf) ⁽¹⁾	7.35	7.82	9.44	8.58	7.29	6.33	7.43	7.87
Revenue (\$/boe) ⁽¹⁾	45.41	52.64	62.10	54.74	46.80	40.85	46.13	48.08
Operating netback (\$/boe)	31.01	31.81	42.64	38.58	35.75	30.43	35.58	33.36

⁽¹⁾Includes realized gains (losses) on commodity contracts.

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

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Production			
Natural gas (mcf/d)	11,064	7,733	4,357
Oil and NGL (bbls/d)	226	167	80
Total (boe/d)	2,070	1,456	806
Total (boe)	757,793	531,371	294,065
% natural gas	89	89	90

Financial

(\$000s except per share amounts and share numbers)

Revenue ⁽¹⁾	40,331	23,912	12,555
Net earnings (loss)	2,798	523	(928)
Net earnings (loss) per basic and diluted share (\$)	0.11	0.03	(0.06)
Funds from operations	23,949	15,159	6,140
Funds from operations per basic share (\$)	0.93	0.78	0.42
Funds from operations per diluted share (\$)	0.92	0.78	0.42
Cash flow from operating activities	24,087	13,590	4,821
Total assets (end of period)	151,102	97,517	78,656
Total liabilities (end of period)	56,266	25,034	24,110
Capital expenditures, net	60,567	42,004	34,603
Weighted average basic shares (000s)	25,851	19,403	14,447
Weighted average diluted shares (000s)	26,002	19,403	14,447

Per Unit

Oil and NGL (\$/bbl)	84.39	62.46	59.61
Natural gas (\$/mcf) ⁽¹⁾	8.23	7.13	6.81
Revenue (\$/boe) ⁽¹⁾	53.22	45.00	42.69
Operating netback (\$/boe)	35.67	33.63	27.75

⁽¹⁾Includes realized gains (losses) on commodity contracts.

CONTRACTUAL OBLIGATIONS^{(2), (3)}

As at December 31, 2008	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Bank indebtedness ⁽¹⁾	\$ 31,418,884	\$ 31,418,884	–	–	–
Office lease	1,947,023	1,015,838	\$ 931,185	–	–
Office equipment leases	32,092	14,263	17,829	–	–
Firm natural gas transportation agreements	10,171,424	819,504	5,761,498	\$ 2,084,437	\$ 1,505,985
Total	\$ 43,569,423	\$ 33,268,489	\$ 6,710,512	\$ 2,084,437	\$ 1,505,985

⁽¹⁾Amount is drawn against the Corporation's extendable revolving demand facility. As the facility is demand in nature amounts outstanding are classified as current liabilities implying they are due in one year or less. Management fully expects the term of the facility to be extended.

⁽²⁾The Corporation has entered into farm-in agreements in the normal course of its business which are not included in this table.

⁽³⁾The Corporation has entered into commodity contracts which are not included in this table. For a complete listing refer to note 11, Financial Instruments, in the audited financial statements for the year ended December 31, 2008.

On December 20, 2007, the Corporation issued 2,029,100 flow-through common shares for gross proceeds of \$7 million. Under the terms of the flow-through share agreements, the Corporation was required to renounce qualifying oil and natural gas expenditures in 2008 and had until December 31, 2008 to incur the expenditures. As at December 31, 2008, the Corporation had incurred \$7 million of qualifying expenditures and is not required to incur any additional expenditures.

On April 4, 2008, the Corporation issued 2,400,000 flow-through common shares for gross proceeds of \$12 million. Under the terms of the flow-through share agreements, the Corporation was required to renounce the \$12 million of qualifying oil and natural gas expenditures effective December 31, 2008 and has until December 31, 2009 to incur the expenditures. As at December 31, 2008, the Corporation had incurred \$12 million of qualifying expenditures and is not required to incur any additional expenditures.

RISK FACTORS

There are numerous factors, both known and unknown, that can cause actual results or events to differ materially from forecast results. Although some of these risks are discussed in this section and in the AIF, these factors should not be construed as exhaustive.

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Open Range depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Open Range may have at any particular time and the production there from will decline over time as such existing reserves are exploited. A future increase in Open Range's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by Open Range.

Open Range's principal risks are finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program. The Corporation's need for capital will be both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. Open Range anticipates an \$18 million capital program in 2009, with an estimated \$15 million expended in the first half. The capital program will be funded through a combination of anticipated funds from operations and the bank credit facilities. If any components of the business plan are missing, the Corporation may not be able to execute the entire business plan.

Open Range mitigates exploration risk by employing a team of highly qualified and experienced professionals to pursue exploration and exploitation activities and to carry out and control the capital spending program. All aspects of exploration projects are reviewed at a very early stage, including: corporate fit, environmental issues, timing, costs and reward potential. Identified risks are addressed and excessive risks are mitigated to the extent possible before any project is approved.

Open Range intends to maintain an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution or other business interruptions. The Open Range assets are in compliance, in all material respects, with current environmental legislation and Open Range will work with government environmental agencies to maintain this level of compliance, as well as maintain a proactive approach to all safety and environmental issues.

Operational risk is mitigated by having Open Range staff address the continued development of a new or established reservoir, on a go-forward basis, using the same procedure that is used to address exploration risk. Reserves are produced based on the amount of capital employed, production practices and reservoir quality. Open Range evaluates reservoir development based on the timing and amount of additional capital required and the expected change in production volumes. Finding and development costs are controlled when capital is employed cost-effectively.

The financial risks of global credit conditions, equity availability from the capital markets, commodity prices, interest rates, royalty rates, government intervention or taxation levels in the oil and natural gas industry are largely beyond Open Range's control. The Corporation's approach to managing these risks is to maintain a prudent level of debt and to employ forecasting and budgeting projections. In addition, from time to time Open Range may use financial instruments to reduce corporate risk in certain situations. For a listing of commodity contracts entered into in 2008 refer to note 11, Financial Instruments, in the audited financial statements for the year ended December 31, 2008.

CRITICAL ACCOUNTING ESTIMATES

Oil and Natural Gas Reserves

Under National Instrument 51-101 (N.I. 51-101), proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable, i.e., that it is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. In accordance with this definition, the level of certainty targeted by the reporting corporation should result in at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated reserves. In the case of probable reserves, which are obviously less certain to be recovered than proved reserves, N.I. 51-101 states that it must be equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. With respect to the consideration of certainty, in order to report reserves as proved plus probable, the reporting corporation must believe that there is at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. The implementation of N.I. 51-101 has resulted in a more rigorous and uniform standardization of reserve evaluation.

The oil and natural gas reserve estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Corporation's plans. The effect of changes in proved oil and natural gas reserves on the financial results and position of the Corporation is described under "Depletion Expense" and "Impairment of Petroleum and Natural Gas Properties" on page 25.

Financial Instruments

On January 1, 2008, the Corporation adopted the following standards contained in the Handbook of the Canadian Institute of Chartered Accountants (CICA): Section 1535 – Capital Disclosures, Section 3862 – Financial Instruments Disclosures and Section 3863 – Financial Instruments Presentation. Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. This section specifies disclosure about objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with all capital requirements, and if it has not complied, the consequences of such non-compliance. Sections 3862 and 3863 establish standards for the presentation and disclosure of information that enable users to evaluate the significance of financial instruments to the entity’s financial position, and the nature and extent of risks arising from financial instruments and how the entity manages those risks. The implementation of these new standards did not impact the Corporation’s financial results, but did result in additional disclosures; refer to note 9 and note 11 to the audited financial statements for the year ended December 31, 2008.

Financial Instruments Valuation

The fair value of the Corporation’s derivative contracts are determined using forward price curves as at the balance sheet date in combination with the remaining contracted petroleum and natural gas volumes. Changes in the forward price curves would result in a corresponding increase or decrease in the fair value of the derivative contracts.

Depletion Expense

The Corporation uses the full cost method of accounting for exploration and development activities. In accordance with this method of accounting, all costs associated with exploration and development are capitalized whether or not the activities funded were successful. The aggregate of net capitalized costs and estimated future development costs, less estimated salvage values, is amortized using the unit-of-production method based on estimated proved oil and natural gas reserves.

An increase in estimated proved oil and natural gas reserves would result in a corresponding reduction in depletion expense. A decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

Withheld Costs

Certain costs related to unproved properties may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or in the ceiling test for impairment, for which any write-down would be charged to depletion and depreciation expense.

Impairment of Petroleum and Natural Gas Assets

The Corporation is required to review the carrying value of all petroleum and natural gas assets for potential impairment. Impairment is indicated if the carrying value of the petroleum and natural gas assets is not recoverable by the future undiscounted funds from operations. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the property, plant and equipment is charged to earnings. The assessment of impairment is dependent on estimates of reserves, production rates, prices, future costs and other relevant assumptions.

Asset Retirement Obligations

The Corporation is required to provide for future removal and site restoration costs. The Corporation must estimate these costs in accordance with existing laws, contracts or other policies. The fair value of the liability of \$2.5 million for the Corporation's asset retirement obligation is recorded in the period in which it is expected to be incurred between 2009 and 2041, discounted to its present value using the Corporation's 10 percent credit-adjusted, risk-free interest rate and 2 percent inflation rate. The offset to the liability is recorded in the carrying amount of petroleum and natural gas properties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of funds from operations, the original estimated undiscounted cost, the estimated inflation rate or the estimated discount rate could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

Stock-Based Compensation

The Corporation uses the fair value method for valuing stock option grants. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2008: zero dividend yield, average expected volatility of 58 percent, risk-free rate of 3.14 percent, and expected life of five years. The weighted-average fair value of stock options granted during the year was \$2.57 per option. A zero dividend yield is used as the Corporation does not issue dividends. The volatility is a calculation based on trading history. The risk-free rate is from the Bank of Canada. An increase in dividends would decrease the option expense and an increase in the volatility or the risk-free rate would increase the calculated expense.

Legal, Environmental Remediation and Other Contingent Matters

The Corporation is required to determine whether a loss is probable based on judgment and interpretation of laws and regulations and whether the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. The Corporation's management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

Income Tax Accounting

The determination of the Corporation's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Future tax assets and liabilities are booked using substantively enacted future income tax rates which include rate reductions over several years. The rate used by the Corporation is based on estimated reversals of temporary differences. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board (AcSB) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The International Accounting Standards Board (IASB) has also issued an exposure draft relating to certain amendments and exemptions to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment, if implemented, will permit the Corporation to apply IFRS prospectively by utilizing its current reserves at the transition date to allocate Open Range's full cost pool, with the provision that a ceiling test, under IFRS standards, be conducted at the transition date.

Although the amended IFRS 1 standard would provide relief, the changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Corporation's reported financial position and reported results of operations.

In response, Open Range has completed the development of its IFRS changeover plan and established a preliminary timeline for the execution and completion of the conversion project. The changeover plan was determined following a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment has provided insight into what are anticipated to be the most significant areas of difference applicable to Open Range.

During the next phase of the project, scheduled to take place during 2009, the Corporation will perform an in-depth review of the significant areas of difference, identified during the preliminary assessment, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas addressed will also be reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on business activities including the effect, if any, on covenants and compensation arrangements. External advisors have been retained and will assist management with the project on an as needed basis. Staff training programs will commence in 2009 and be ongoing as the project unfolds.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management as appropriate to allow timely decisions regarding required disclosure. The Corporation's Chief Executive Officer and Chief Financial Officer have concluded based on their evaluation as of the end of the period covered by the annual filings that disclosure controls and procedures are effective, with the exception of the weaknesses in the internal controls over financial reporting noted in the following section, to provide reasonable assurance that material information related to the Corporation is made known to them by others within the Corporation. It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing and evaluating the effectiveness of the internal controls over financial reporting, or causing them to be designed and evaluated 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 evaluated the effectiveness of its internal controls over financial reporting as at December 31, 2008. During this process the Corporation identified weaknesses over segregation of duties. Specifically, due to the limited number of finance and accounting personnel at the Corporation it is not feasible to achieve complete segregation of incompatible duties with regards to any complex and non-routine accounting transactions that may arise. Notwithstanding the weaknesses identified with regards to segregation of incompatible duties, the Corporation has concluded that all other of its internal controls over financial reporting have been designed properly and are operating effectively at December 31, 2008. The Corporation utilized both external consultants and internal resources to complete the design, documentation and evaluation of the effectiveness of Open Range's internal controls over financial reporting. It should also be noted that no material changes in the Corporation's internal controls over financial reporting were identified during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal financial reporting processes.

As a result of the weaknesses identified in the Corporation's internal controls over financial reporting, there is a greater likelihood that a material misstatement would not be prevented or detected. To mitigate the risk of such material misstatement in financial reporting, the CEO and CFO oversee all material transactions of the Corporation. In addition, the Audit Committee reviews on a quarterly basis the financial statements and key risks of the Corporation and queries management about significant transactions, there is a quarterly review of the financial statements by the Corporation's auditors and there is daily oversight of the accounting records by the senior management of Open Range.

Additional Information

Additional information relating to Open Range, including the Annual Information Form (AIF), is available on SEDAR at www.sedar.com or the Corporation's website at www.openrangeenergy.com.

MANAGEMENT'S REPORT

Management is responsible for the integrity and objectivity of the information contained in the accompanying financial statements, management's discussion and analysis and message to shareholders (collectively, the "annual release") and for the consistency between the financial statements and other financial and operating data contained in the other sections described. In the preparation of these 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 March 19, 2009. The financial statements have been prepared using policies and procedures established by management in accordance with Canadian generally accepted accounting principles and reflect fairly Open Range's financial position, results of operations and cash flow.

Management has established and maintains a system of internal controls which are designed to ensure that financial information is relevant, reliable and accurate and to provide assurance that assets are safeguarded from loss or unauthorized use and transactions are executed in accordance with management's authorization.

KPMG LLP, independent auditors appointed by the shareholders, have examined the financial statements and GLJ Petroleum Consultants Ltd. have reviewed the corporate reserves. Their examinations provide independent views as to the amounts and disclosures in the financial statements.

The Audit Committee of the Corporation's Board of Directors, consisting exclusively of independent directors, has reviewed in detail the financial statements with management and the external auditors and has recommended their approval to the Board of Directors.

The Board of Directors has approved the financial statements and information as presented in this annual release.

(signed) A. Scott Dawson

A. Scott Dawson
President and Chief Executive Officer

(signed) Lyle D. Michaluk

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

March 19, 2009

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Open Range Energy Corp. as at December 31, 2008 and 2007 and the statements of operations, comprehensive income and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) KPMG LLP

KPMG LLP
Chartered Accountants
Calgary, Canada
March 19, 2009

BALANCE SHEETS

December 31,	2008	2007
ASSETS		
Current assets:		
Accounts receivable	\$ 18,463,201	\$ 7,891,264
Prepaid expenses and deposits	1,120,066	813,772
Fair value of commodity contracts (note 11)	368,109	713,075
	19,951,376	9,418,111
Property, plant and equipment (note 4)	131,150,853	88,099,168
	\$ 151,102,229	\$ 97,517,279
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 5)	\$ 31,418,884	\$ 12,855,623
Accounts payable and accrued liabilities	16,050,717	9,184,239
Future income taxes (note 7)	106,751	210,356
	47,576,352	22,250,218
Future income taxes (note 7)	6,215,040	440,742
Asset retirement obligations (note 6)	2,474,686	2,342,760
Shareholders' equity:		
Share capital (note 8)	87,629,713	70,884,500
Contributed surplus (note 8)	4,685,111	1,875,405
Retained earnings (deficit)	2,521,327	(276,346)
	94,836,151	72,483,559
Commitments (note 10)	\$ 151,102,229	\$ 97,517,279

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS COMPREHENSIVE INCOME AND RETAINED EARNINGS (DEFICIT)

Years ended December 31,	2008	2007
Revenues:		
Petroleum and natural gas	\$ 41,822,129	\$ 22,426,298
Royalties	(8,116,524)	(2,053,158)
Interest	68,747	108,829
Realized gain (loss) on commodity contracts (note 11)	(1,491,325)	1,485,745
Unrealized loss on commodity contracts (note 11)	(344,966)	(332,228)
	31,938,061	21,635,486
Expenses:		
Operating	5,184,930	3,990,860
General and administrative	1,970,527	2,472,439
Bad debts (note 11)	784,956	–
Stock-based compensation	792,354	545,870
Interest	393,171	345,694
Depletion and depreciation	18,959,381	13,295,728
Accretion of asset retirement obligations	158,536	162,297
	28,243,855	20,812,888
Earnings before income taxes	3,694,206	822,598
Future income tax expense (note 7)	896,533	299,459
Net earnings and comprehensive income	2,797,673	523,139
Deficit, beginning of year	(276,346)	(799,485)
Retained earnings (deficit), end of year	\$ 2,521,327	\$ (276,346)
Earnings per share (note 8):		
Basic	\$ 0.11	\$ 0.03
Diluted	\$ 0.11	\$ 0.03

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31,	2008	2007
Cash provided by (used in):		
Operating:		
Net earnings	\$ 2,797,673	\$ 523,139
Items not involving cash:		
Depletion and depreciation	18,959,381	13,295,728
Accretion of asset retirement obligations	158,536	162,297
Future income tax expense	896,533	299,459
Stock-based compensation	792,354	545,870
Unrealized loss on commodity contracts	344,966	332,228
Asset retirement expenditures	(477,955)	(16,869)
Change in non-cash working capital	615,364	(1,551,458)
	24,086,852	13,590,394
Financing:		
Issue of common shares, net of issue costs	23,661,103	17,853,550
Repurchase of common shares	(1,117,287)	–
Bank indebtedness	18,563,261	9,019,155
	41,107,077	26,872,705
Investing:		
Acquisition of property, plant and equipment	(61,836,812)	(42,003,632)
Disposition of properties	1,270,000	12
Change in non-cash working capital	(4,627,117)	1,540,521
	(65,193,929)	(40,463,099)
Change in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	\$ –	\$ –
Interest received	\$ 68,747	\$ 108,829
Interest paid	\$ 438,891	\$ 345,694

Cash is defined as cash and cash equivalents.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

1. NATURE OF BUSINESS

Open Range Energy Corp. (“Open Range” or the “Corporation”) is incorporated under the laws of the Province of Alberta. The Corporation is engaged in the acquisition of, exploration for and development of oil and natural gas in the Western Canada Sedimentary Basin.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the accounts of the Corporation and have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the statements and accompanying notes. As a result, actual amounts could differ from estimated amounts.

Specifically, the amounts recorded for depletion and depreciation of petroleum and natural gas properties and the provision for asset retirement obligations and abandonment costs are based on estimates. The ceiling test is based on estimates of reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. The amounts for stock-based compensation are based on estimates of risk-free rates, expected lives and volatility. The fair value estimates for derivatives are based on expected future petroleum and natural gas prices and volatility in those prices. Future income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(A) Property, Plant and Equipment

The Corporation’s activities are related to the acquisition of, exploration for and development of petroleum and natural gas properties. The Corporation follows the full cost method of accounting for petroleum and natural gas operations.

All costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized into a cost centre. Such costs include those related to lease acquisition, geological and geophysical activities, lease rentals on non-producing properties, drilling of productive and non-productive wells, tangible production equipment, asset retirement costs, and that portion of general and administrative expenses directly attributable to exploration and development activities. Proceeds received from the disposal of properties are normally deducted from the full cost pool without recognition of a gain or loss. When a significant portion of properties is sold, resulting in a change to the depletion rate of 20 percent or more, a gain or loss is recorded and reflected in the statement of operations.

Depletion of petroleum and natural gas properties and depreciation of production equipment, excluding costs related to unproved properties, are calculated using the unit-of-production method based upon estimated proved reserves, before royalties, as determined by independent petroleum engineers. For purposes of the calculation, natural gas reserves and production are converted to equivalent volumes of petroleum based upon relative energy content.

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed at each reporting period to ascertain whether impairment has occurred. When proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the full cost pool.

Petroleum and natural gas properties are evaluated in each reporting period to determine whether the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre (the “ceiling test”).

The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Other assets are recorded at cost and depreciated on a declining balance basis using the following annual rates:

Computer hardware	30%
Office furniture and fixtures	20%
Other assets	20%

(B) Interests in Joint Operations

A portion of the Corporation’s exploration and development activities is conducted jointly with others and, accordingly, the financial statements reflect only the Corporation’s proportionate interest in such activities.

(C) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and all investments that are highly liquid in nature and generally have a maturity date of three months or less.

(D) Asset Retirement Obligations

The Corporation uses the asset retirement obligation method of recording the future cost associated with removal, site restoration and asset retirement costs. The fair value of the liability for the Corporation's asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using the Corporation's credit-adjusted, risk-free interest rate and the corresponding amount is recognized by increasing the carrying amount of petroleum and natural gas properties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

(E) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including all derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale and other liabilities. The Corporation has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and bank debt are classified as other liabilities, which are measured at amortized cost, which is determined using the effective interest method.

The Corporation will assess at each reporting period whether a financial asset is impaired with any impairment recorded in earnings.

The Corporation uses risk management contracts from time to time to manage its exposure to fluctuations in commodity prices. The Corporation does not enter into risk management contracts for trading or speculative purposes.

The risk management contracts are executed within the guidelines of the Corporation's risk management procedures. The contracts, when deemed appropriate, are entered into with commodities trading institutions and may include costless collars, put options or fixed-price contracts. The Corporation has elected not to designate any of its risk management activities as accounting hedges and, accordingly, accounts for all derivatives using the fair value method. Under this method, gains and losses resulting from changes in the fair value of the unrealized portion of such risk management contracts are recognized in earnings when those changes occur. The fair value is based on an estimate of the amounts that would have been paid to or received from counterparties to settle these instruments given future market prices and other relevant factors. Proceeds and costs realized from holding the contracts are recognized in earnings at the time that each transaction under a contract is settled.

The Corporation has elected to account for its physical delivery sales 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.

The Corporation measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when the embedded derivative meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value.

The Corporation nets all transaction costs incurred, in relation to the acquisition of a financial asset or liability, against the related financial asset or liability. Bank debt is presented net of deferred interest payments, with interest recognized in net earnings on an effective interest basis.

The Corporation applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

(F) Future Income Taxes

The Corporation uses the asset and liability method for calculating future income taxes. Temporary differences arising from the differences between the tax basis of an asset or liability and the carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the currently enacted, or substantively enacted, tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

(G) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The future tax liability and share capital are adjusted by the estimated cost of the renounced tax deductions when the expenditures are renounced.

(H) Stock-Based Compensation Plans

The Corporation uses the fair value method for valuing stock option grants. Under this method, compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(I) Revenue Recognition

Petroleum and natural gas revenues are recognized when the title and risks pass to the purchaser.

(J) Per Share Amounts

Basic per share information is computed by dividing income by the weighted average number of common shares outstanding for the period. The treasury stock method is used to determine the diluted per share amounts, whereby any proceeds from the stock options, warrants or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

(K) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. CHANGES IN ACCOUNTING POLICIES

(A) Financial Instruments and Capital Management

On January 1, 2008, the Corporation adopted the following standards contained in the Handbook of the Canadian Institute of Chartered Accountants (CICA): Section 1535 – Capital Disclosures, Section 3862 – Financial Instruments Disclosures and Section 3863 – Financial Instruments Presentation. Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. This section specifies disclosure about objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with all capital requirements, and if it has not complied, the consequences of such non-compliance. Sections 3862 and 3863 establish standards for the presentation and disclosure of information that enable users to evaluate the significance of financial instruments to the entity's financial position, and the nature and extent of risks arising from financial instruments and how the entity manages those risks. The implementation of these new standards did not impact the Corporation's financial results, but did result in additional disclosures; refer to note 9 and note 11.

(B) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064 – Goodwill and Intangible Assets. Effective for fiscal years beginning on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior-period financial statements will be required. The Corporation is still assessing the impact of this new standard on its financial statements.

(C) Business Combinations

In January 2009, the CICA issued Section 1582 – Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011 for the Corporation. Early adoption of this section is permitted. This section replaces Section 1581 – Business Combination and harmonizes the Canadian standards with IFRS.

(D) International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board (AcSB) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The International Accounting Standards Board (IASB) has also issued an exposure draft relating to certain amendments and exemptions to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. The amendment, if implemented, will permit the Corporation to apply IFRS prospectively by utilizing its current reserves at the transition date to allocate Open Range's full cost pool, with the provision that a ceiling test, under IFRS standards, be conducted at the transition date.

Although the amended IFRS 1 standard would provide relief, the changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Corporation's reported financial position and reported results of operations.

In response, Open Range has completed the development of its IFRS changeover plan and established a preliminary timeline for the execution and completion of the conversion project. The changeover plan was determined following a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment has provided insight into what are anticipated to be the most significant areas of difference applicable to Open Range.

During the next phase of the project, scheduled to take place during 2009, the Corporation will perform an in-depth review of the significant areas of difference, identified during the preliminary assessment, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas addressed will also be reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on business activities including the effect, if any, on covenants and compensation arrangements. External advisors have been retained and will assist management with the project on an as needed basis. Staff training programs will commence in 2009 and be ongoing as the project unfolds.

4. PROPERTY, PLANT AND EQUIPMENT

December 31,	2008	2007
Petroleum and natural gas properties	\$ 168,771,963	\$ 106,799,108
Other assets	2,414,217	2,376,006
	171,186,180	109,175,114
Accumulated depletion and depreciation	(40,035,327)	(21,075,946)
Net book value	\$ 131,150,853	\$ 88,099,168

During 2008, the Corporation capitalized \$3,230,253 (2007 – \$2,690,219) of overhead-related costs to petroleum and natural gas properties, of which \$744,682 (2007 – \$510,201) related to stock-based compensation. The future tax liability of \$248,227 (2007 – \$183,876) associated with the capitalized stock-based compensation was also capitalized.

Costs associated with unproved properties excluded from costs subject to depletion at December 31, 2008 totalled \$19,172,000 (2007 – \$11,209,000). Future development costs of proved reserves of \$38,463,000 at December 31, 2008 (2007 – \$11,691,000) have been included in the depletion calculation.

During 2008, the Corporation disposed of certain interests in petroleum and natural gas properties for cash of \$20,000, with associated asset retirement obligations of \$213,230 also eliminated.

The Corporation performed a ceiling test calculation at December 31, 2008 to assess the recoverable value of the petroleum and natural gas assets. As at December 31, 2008 there was no impairment required. For purposes of the ceiling test calculation, the Corporation used the January 1, 2009 commodity price forecast of its independent reserve evaluators. The following table summarizes the benchmark prices used in the calculation:

	U.S. Dollar exchange rate (US\$/Cdn\$)	WTI (US\$/bbl)	Edmonton Par (Cdn\$/bbl)	Open Range oil & NGL price (Cdn\$/bbl)	AECO natural gas (Cdn\$/mcf)	Open Range natural gas price (Cdn\$/mcf)
2009	\$ 0.825	\$ 57.50	\$ 68.61	\$ 56.05	\$ 7.58	\$ 7.92
2010	0.850	68.00	78.94	65.50	7.94	8.31
2011	0.875	74.00	83.54	69.57	8.34	8.74
2012	0.925	85.00	90.92	76.14	8.70	9.11
2013	0.950	92.01	95.91	80.59	8.95	9.37
2014	0.950	93.85	97.84	82.37	9.14	9.58
2015	0.950	95.73	99.82	84.34	9.34	9.79
2016	0.950	97.64	101.83	86.28	9.54	10.00
2017	0.950	99.59	103.89	87.94	9.75	10.22
2018	0.950	101.59	105.99	89.76	9.95	10.45
2019	\$ 0.950	\$ 103.62	\$ 108.11	\$ 91.63	\$ 10.15	\$ 10.65
2020 and thereafter	\$ 0.950	+2.0%/yr	+2.0%/yr	\$ 93.55	+2.0%/yr	\$ 10.87

5. BANK DEBT

The Corporation has a \$50,000,000 extendable revolving credit facility and a \$4,000,000 non-revolving acquisition/development demand facility. These facilities are with a Canadian chartered bank. The interest rate on the extendable revolving facility is calculated using the bank's prime rate plus an applicable facility margin based on the Corporation's net debt to cash flow ratio for the previous trailing calendar quarter. The interest rate on the non-revolving facility is calculated using the bank's prime rate plus 75 basis points. The credit facilities are secured by a first fixed and floating charge debenture in the minimum face amount of \$100,000,000 and a general security agreement. Pursuant to the terms of the credit facilities, the Corporation has provided the covenant that at all times its working capital ratio shall be not less than 1 to 1. The working capital ratio is defined under the terms of the facilities as current assets, including the undrawn portion of the revolving credit facility, to current liabilities, excluding any current bank indebtedness. The Corporation is in compliance with this covenant as at December 31, 2008. The facilities are open for review semi-annually with the next review occurring in April 2009. As the available lending limits of the facilities are based on the bank's interpretation of the Corporation's reserves and future commodity prices there can be no assurance as to the amount of available facilities that will be determined at each scheduled review.

As at December 31, 2008, \$31,418,884 (2007 – \$12,855,623) has been drawn against the revolving credit facility. Letters of credit totaling \$550,000 are held against this facility. No amount (2007 – \$nil) has been drawn against the non-revolving demand facility. The revolving facility had an effective interest rate of 3.5 percent at December 31, 2008 (2007 – 6.125 percent).

6. 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 at December 31, 2008 to be approximately \$7,238,000 (2007 – \$6,578,000), to be incurred between 2009 and 2041. The majority of the costs will be incurred between 2020 and 2040. A credit-adjusted, risk-free rate of 8 to 10 percent (2007 – 8 percent) was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	2008	2007
Balance, beginning of year	\$ 2,342,760	\$ 1,994,891
Liabilities incurred	118,143	202,441
Change in estimates	546,432	–
Dispositions (note 4)	(213,230)	–
Liabilities settled	(477,955)	(16,869)
Accretion expense	158,536	162,297
Balance, end of year	\$ 2,474,686	\$ 2,342,760

7. INCOME TAXES

The difference between the expected tax provision obtained by applying the combined federal and provincial income tax rate for 2008 of 29.5 percent (2007 – 32.12 percent) to earnings before income taxes and the reported income tax provision is summarized below:

Years ended December 31,	2008	2007
Earnings before income taxes	\$ 3,694,206	\$ 822,598
Statutory tax rate	29.5%	32.12%
Computed income taxes at the statutory tax rate	\$ 1,089,791	\$ 264,218
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	15,793	12,643
Stock-based compensation	233,744	175,333
Future tax rate changes and other	(442,795)	(152,735)
Future income taxes	\$ 896,533	\$ 299,459

The components of the net future income tax liability are as follows:

December 31,	2008	2007
Future tax assets:		
Asset retirement obligations	\$ 629,337	\$ 594,575
Share issue costs	693,992	521,790
	1,323,329	1,116,365
Future tax liabilities:		
Unrealized gain on commodity contracts	(106,751)	(210,356)
Property, plant and equipment	(7,538,369)	(1,557,107)
	(7,645,120)	(1,767,463)
Future income tax liability	\$ (6,321,791)	\$ (651,098)

No taxes were paid during the years ended December 31, 2008 or 2007.

8. SHARE CAPITAL

(A) Authorized

The authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of first preferred shares.

(B) Common Shares Issued and Outstanding

	Number of shares	Amount
Balance, December 31, 2006	16,763,841	\$ 54,526,892
Issued pursuant to flow-through share offerings	5,029,100	19,000,395
Share issue costs (net of tax of \$334,898)	-	(811,947)
Tax effect of flow-through shares issued in 2006	-	(1,830,840)
Balance, December 31, 2007	21,792,941	\$ 70,884,500
Issued pursuant to flow-through share offerings	2,400,000	12,000,000
Issued pursuant to common share offerings	3,095,300	13,000,260
Issued pursuant to private placements	40,000	178,600
Exercise of stock options	6,000	18,250
Stock-based compensation on exercise of stock options	-	7,453
Share issue costs (net of tax of \$414,170)	-	(1,104,437)
Share repurchases	(733,400)	(2,414,810)
Tax effect of flow-through shares issued in 2007	-	(4,940,103)
Balance, December 31, 2008	26,600,841	\$ 87,629,713

On March 4, 2008 Open Range closed a private placement common share issuance with a new employee of the Corporation for 20,000 shares at a price of \$3.10 per share for gross proceeds of \$62,000. On June 17, 2008 Open Range closed a private placement common share issuance with another new employee of the Corporation for 20,000 shares at a price of \$4.96 per share for gross proceeds of \$99,200 plus stock-based compensation of \$17,400.

On April 4, 2008 the Corporation issued 2,400,000 flow-through common shares and 3,095,300 common shares at prices of \$5.00 and \$4.20 per share, respectively, for combined gross proceeds of \$25,000,260. Certain officers of Open Range purchased 5,000 common shares for total gross proceeds of \$21,000.

On October 23, 2008 the Corporation received regulatory approval under Canadian securities laws to purchase common shares under a Normal Course Issuer Bid (the “Bid”) which commenced on October 28, 2008 and will terminate on October 27, 2009. Pursuant to the Bid, Open Range is entitled to purchase for cancellation, from time to time, up to a maximum of 1,366,662 common shares. As of December 31, 2008 the Corporation has purchased and cancelled 733,400 common shares under the Bid for total consideration of \$1,117,287. The excess of the average book value over the market price totaling \$1,297,523 is recorded as contributed surplus. Subsequent to the end of the year ended December 31, 2008, the Corporation has purchased and cancelled an additional 66,500 common shares under the Bid for total consideration of \$54,497.

(C) Share Option Plan

Under the Corporation’s share option plan it may grant options to its employees for up to 2,660,084 shares, of which 2,632,000 had been granted as at December 31, 2008 (2007 – 1,926,500). 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 grant date.

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Granted and outstanding, beginning of year	1,926,500	\$ 4.08	1,673,000	\$ 4.17
Granted	779,500	4.93	256,500	3.51
Exercised	(6,000)	3.04	–	–
Forfeited	(13,000)	4.33	(3,000)	3.53
Expired	(55,000)	4.31	–	–
Granted and outstanding, end of year	2,632,000	4.33	1,926,500	4.08
Exercisable at year-end	1,516,833	\$ 4.22	859,667	\$ 4.32

The following table summarizes information about the fixed stock options outstanding at December 31, 2008:

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
\$ 2.40 – \$ 4.23	989,500	\$ 3.46	3.0	505,500	\$ 3.41
\$ 4.24 – \$ 6.06	1,642,500	\$ 4.85	2.9	1,011,333	\$ 4.63
\$ 2.40 – \$ 6.06	2,632,000	\$ 4.33	2.9	1,516,833	\$ 4.22

(D) 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 in the year ended December 31, 2008: zero dividend yield, average expected volatility of 58 percent (2007 – 52 percent), average risk-free interest rate of 3.14 percent (2007 – 4.27 percent), and expected life of five years (2007 – five years). The average fair value of stock options granted during the year was \$2.57 (2007 – \$1.74) 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.

(E) Contributed Surplus

Balance, December 31, 2006	\$ 819,334
Stock-based compensation expense	1,056,071
Balance, December 31, 2007	\$ 1,875,405
Stock-based compensation expense	1,519,636
Excess of book value over market value on share repurchases	1,297,523
Transfer to share capital on exercise of stock options	(7,453)
Balance, December 31, 2008	\$ 4,685,111

(F) Per Share Amounts

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

	2008	2007
Weighted average basic common shares outstanding	25,851,408	19,403,154
Stock option dilution	150,367	–
Weighted average diluted common shares outstanding	26,001,775	19,403,154

Options to purchase 2,197,000 common shares for the year ended December 31, 2008 (2007 – 1,926,500) were not included in the computation because they were anti-dilutive.

9. CAPITAL MANAGEMENT

The Corporation's objectives when managing its capital are: maintain financial flexibility so as to preserve the ability to meet its financial obligations, and finance its growth, which may include accessing capital markets and credit facilities to fund the drilling of exploration and development wells as well as potential property or corporate acquisitions.

The Corporation manages its capital structure and adjusts it as a result of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Corporation considers its capital structure to include shareholders' equity, bank debt and working capital and is shown in the table below. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current and forecast debt levels.

December 31,	2008	2007
Shareholders' equity	\$ 94,836,151	\$ 72,483,559
Bank debt	31,418,884	12,855,623
Working capital excluding bank debt	\$ 3,793,908	\$ 23,516

The Corporation manages its capital and financing requirements using the non-GAAP financial metric of the net debt to annualized funds from operations ratio. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital, divided by annualized funds from operations, defined as the most recent calendar quarter's cash flow from operating activities, before the change in non-cash working capital and asset retirement expenditures incurred, multiplied by four. The Corporation's strategy is to maintain a ratio of no more than 2 to 1. This ratio may increase at certain times as a result of acquisitions. This ratio is calculated as follows:

December 31,	2008	2007
Current liabilities	\$ 47,576,352	\$ 22,250,218
Current assets	(19,951,376)	(9,418,111)
Net debt	27,624,976	12,832,107
Quarterly cash flow from operating activities	6,037,292	2,867,479
Change in non-cash working capital	13,232	1,698,137
Asset retirement expenditures	300,438	16,869
Quarterly funds from operations	6,350,962	4,582,485
Annualized funds from operations	\$ 25,403,848	\$ 18,329,940
Net debt to annualized funds from operations ratio	1.1:1	0.7:1

As at December 31, 2008 and 2007, the Corporation's ratio of net debt to annualized funds from operations was well within the acceptable range established by the Corporation. The increase in the ratio from December 31, 2007 to December 31, 2008 is primarily due to expenditures under the 2008 capital program being incurred. Subsequent to the year ended December 31, 2008, the Corporation expects the ratio will increase during the first quarter of 2009 as the Corporation anticipates further indebtedness to be incurred as a result of expenditures under the 2009 capital program, followed by an expected reduction as the Corporation incurs reduced capital expenditures and utilizes cash flow to repay a portion of debt. As a result of the current volatility in the commodity, credit and capital markets, Open Range has limited its capital investment program for 2009 to a level that allows it to be funded entirely from cash flow from operations.

The Corporation's share capital is not subject to external restrictions; however, the bank debt facilities are based on petroleum and natural gas reserves (see note 5) and covenants. The Corporation has not paid or declared any dividends since the date of incorporation.

There were no changes in the Corporation's approach to capital management during the year.

10. COMMITMENTS

(A) Future Payments

In the normal course of business, the Corporation is obligated to make future payments. These obligations represent contracts and other commitments that are known to the Corporation as at December 31, 2008:

	Total	2009	2010	2011	Thereafter
Payments for office lease	\$ 1,947,023	\$ 1,015,838	\$ 931,185	–	–
Payments for office equipment leases	32,091	14,263	14,263	\$ 3,565	–
Firm natural gas transportation agreements	10,171,424	819,504	1,564,006	2,144,836	\$ 5,643,078
Total	\$ 12,150,538	\$ 1,849,605	\$ 2,509,454	\$ 2,148,401	\$ 5,643,078

(B) Flow-Through Common Shares

On December 20, 2007 the Corporation issued 2,029,100 flow-through common shares for gross proceeds of \$7,000,395. Under the terms of the flow-through share agreements, the Corporation is required to renounce qualifying oil and natural gas expenditures and had until December 31, 2008 to incur the expenditures. As at December 31, 2008 the Corporation had incurred \$7,000,395 of qualifying expenditures and is not required to incur any additional expenditures.

On April 4, 2008 the Corporation issued 2,400,000 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, 2008 and has until December 31, 2009 to incur the expenditures. As at December 31, 2008 the Corporation had incurred \$12,000,000 of qualifying expenditures and is not required to incur any additional expenditures.

11. FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing risk. Further qualitative disclosures are included throughout these financial statements.

(A) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and from joint venture partners. As at December 31, 2008 the Corporation's receivables consisted of \$14,352,119 (2007 – \$4,552,556) from joint venture partners, \$3,213,683 (2007 – \$2,078,846) from purchasers of the Corporation's natural gas, crude oil and natural gas liquids and \$897,399 (2007 – \$1,259,862) of other trade receivables.

Receivables from purchasers of the Corporation's natural gas, crude oil and natural gas liquids are normally collected on the 25th day of the month following production. The Corporation's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. In the third quarter of 2008, the Corporation experienced a collection issue with one of its purchasers of natural gas, SemCanada Energy Company, and one of its purchasers of crude oil, SemCanada Crude Company. Both companies are Canadian subsidiaries of SemGroup, L.P., which in July 2008 filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States. As of December 31, 2008, the Corporation is owed \$949,462 and \$97,146 from SemCanada Energy Company and SemCanada Crude Company, respectively. The Corporation has held general discussions with several arms length parties with regards to the purchase and sale of the outstanding receivable balances from SemCanada Energy Company and SemCanada Crude Company. Based on these discussions and an internal evaluation of what portion, if any, of these amounts will be collectible, the Corporation has recorded a provision for bad debts of \$784,956 as of December 31, 2008, which represents 75 percent of the outstanding amounts owed to it by SemCanada Energy Company and SemCanada Crude Company. The Corporation is continuing to work with its legal counsel to pursue the possible sale of the accounts receivable to a third party and, accordingly, will update its provision for bad debts as circumstances deem it necessary. After reviewing the facts and sequence of events in this issue, the Corporation's management has concluded that these events could not have been detected, or detected earlier, by a standard credit risk program.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Corporation attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to commencement of the joint venture project. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venture partners as disagreements occasionally arise that increase the potential for non-collection. The Corporation does not typically obtain collateral from joint venture partners; however, the Corporation has the ability to withhold production from joint venture partners in the event of non-payment.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in less than 90 days. The Corporation manages the credit risk exposure related to short-term investments by selecting counter-parties based on credit ratings and monitoring all investments to ensure a stable return, and also by avoiding complex investment vehicles with higher risk such as asset-backed commercial paper.

Derivative assets consist of commodity contracts used to manage the Corporation's exposure to fluctuations in commodity prices. The Corporation manages the credit risk exposure related to derivative assets by selecting counter-parties based on credit ratings and financial stability and by not entering into commodity contracts for trading or speculative purposes.

The carrying amount of accounts receivable, cash and cash equivalents, when outstanding, and the fair value of commodity contracts represent the maximum credit exposure. The Corporation has an allowance for doubtful accounts as at December 31, 2008 in the amount of \$784,956 which represents 75 percent of the outstanding amounts owed to it by SemCanada Energy Company and SemCanada Crude Company. There was no allowance for doubtful accounts as at December 31, 2007.

As at December 31, 2008 the Corporation considers its receivables to be aged as follows:

Not past due (less than 120 days)	\$ 18,040,718
Past due (over 120 days)	422,483
Total	\$ 18,463,201

(B) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation utilizes prudent cash and debt management to mitigate the likelihood of encountering difficulties in meeting its financial obligations. As disclosed in note 9, the Corporation targets a net debt to annualized funds from operations ratio of no more than 2 to 1 to manage the Corporation's overall liquidity risk.

The Corporation prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Corporation utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Corporation has a revolving reserve-based credit facility, disclosed in note 5, that is reviewed semi-annually by the lender. The Corporation also attempts to match its payment cycle with collection of petroleum and natural gas revenues on the 25th of each month.

The following are the contractual maturities of financial liabilities as at December 31, 2008:

Financial Liability	Less than 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 16,050,716	\$ -	\$ 16,050,716
Bank indebtedness – principal only ⁽¹⁾	\$ 31,418,884	\$ -	\$ 31,418,884

⁽¹⁾Amount is drawn against the Corporation's extendable revolving demand facility. As the facility is demand in nature amounts outstanding are classified as current liabilities implying they are due in one year or less. Management fully expects the term of the facility to be extended.

(C) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollars, but also by continental and worldwide economic events and natural phenomena such as the weather, all of which influence the levels of supply and demand. The Corporation utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. Because the large majority of the Corporation's production is natural gas, plus the associated natural gas liquids, all of the Corporation's current commodity contracts are for natural gas.

The following table indicates the fair value of natural gas hedging contracts outstanding as at December 31, 2008 and indicates the unrealized gains (losses) on natural gas contracts for the year then ended:

Period	Volume (GJ/d)	Type of contract	Average AECO Spot floor (Cdn\$/GJ)	Average AECO Spot ceiling (Cdn\$/GJ)	Fair value of contract as at December 31, 2008	Unrealized gains (losses) for the year ended December 31, 2008	Realized gains (losses) for the year ended December 31, 2008
Apr. 2007 to Mar. 2008	1,000	Costless Collar	\$7.00	\$10.16	–	\$ (68,534)	\$ 31,465
Nov. 2007 to Mar. 2008	1,500	Costless Collar	\$7.50	\$10.67	–	(164,411)	101,534
Jan. to Dec. 2008	3,000	Costless Collar	\$6.75	\$7.50- \$9.12	–	(497,458)	(610,763)
Apr. to Oct. 2008	1,500	Swap	\$6.46	\$6.46	–	9,263	(561,390)
Nov. to Dec. 2008	1,500	Swap	\$7.26	\$7.26	–	8,065	87,685
Apr. to Oct. 2008	1,500	Swap	\$6.50	\$6.50	–	–	(548,550)
Nov. 2008 to Mar. 2009	1,500	Costless Collar	\$6.75	\$11.09	\$ 102,614	102,614	8,694
Jan. to Dec. 2009	1,000	Costless Collar	\$6.50	\$9.00- \$13.00	265,495	265,495	–
					\$ 368,109	\$ (344,966)	\$ (1,491,325)

The Corporation has also entered into the following natural gas hedging transaction subsequent to December 31, 2008:

Period	Volume (GJ/d)	Type of contract	Average AECO Spot floor (Cdn\$/GJ)	Average AECO Spot ceiling (Cdn\$/GJ)
Apr. 2009 to Mar. 2010	5,000	Costless Collar	\$4.00	\$5.835

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Corporation's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States currency.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest.

The Corporation had no forward exchange rate contracts or interest rate swap contracts in place as at or during the years ended December 31, 2008 and 2007.

The following table summarizes the sensitivity of the fair value of the Corporation's market risk management positions to fluctuations in natural gas prices and interest rates. Both such fluctuations were evaluated independently, with all other variables held constant. In assessing the potential impact of these fluctuations, the Corporation believes that the volatilities presented below are reasonable measures. Fluctuations in natural gas prices, which would impact the mark-to-market calculation of commodity contracts, and in interest rates could have had the following impact on the net earnings:

	Net earnings impact	
	Year ended December 31, 2008	
	Rate increase	Rate decrease
Natural gas price – change of 10%	\$ (121,359)	\$ 143,902
Interest rate – change of 10% ⁽¹⁾	\$ (22,872)	\$ 22,872

⁽¹⁾As at December 31, 2008, a 10 percent change to the Corporation's effective interest rate would be equivalent to a change of 35 basis points or 0.35 percent in the rate charged by the Corporation's bank.

(D) Fair Value of Financial Instruments

The Corporation's financial instruments as at December 31, 2008 and 2007 include accounts receivable, derivative contracts, accounts payable and accrued liabilities and bank debt. The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to their short terms to maturity.

The fair value of derivative contracts is determined by discounting the difference between the contracted price and published forward price curves as at the balance sheet date, using the remaining contracted petroleum and natural gas volumes. As at December 31, 2008, the fair value of commodity contracts was determined using a forward price curve with a range of \$6.23 to \$7.79 per mcf of natural gas.

Bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

12. RELATED-PARTY TRANSACTIONS

During the year ended December 31, 2008, the Corporation incurred \$142,211 in legal costs (2007 – \$124,000) to a law firm in which the Chairman of the Board of Directors and the Corporate Secretary of the Corporation are partners. The legal costs incurred were in the normal course of operations and were based on the exchange value of the services provided. Of the legal costs incurred in 2008, \$8,857 was included in accounts payable at December 31, 2008 (2007 – \$43,000).

During the year ended December 31, 2008, the Corporation received \$359,584 in office rent (2007 – \$311,817) from a private corporation in which the Chairman of the Board of Directors and the President and Chief Executive Officer are directors. The office rent received was in the normal course of operations and was based on the market value of the office space provided. Of the office rent received in 2008, no amounts were included in accounts receivable at December 31, 2008 (2007 – \$11,694).

Certain officers and directors of the Corporation purchased a total of 5,000 shares as part of the equity offering that closed on April 4, 2008, for total gross proceeds of \$21,000.

DIRECTORS

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Partner, Burstall Winger LLP
Calgary, Alberta

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

Kenneth J. Faircloth
Independent Businessman
Calgary, Alberta

Dean R. Jensen
Partner
Toscana Capital Corporation
Calgary, Alberta

OFFICERS

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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

Jarrod J. Isfeld
Burstall Winger LLP
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Symbol: ONR

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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