



Q3 REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

FINANCIAL AND OPERATING HIGHLIGHTS

Consolidated Highlights

(in thousands except per share amounts)	Three months ended Sept. 30, 2011 ⁽¹⁾	Three months ended Sept. 30, 2010 ⁽¹⁾	Nine months ended Sept. 30, 2011 ⁽¹⁾	Nine months ended Sept. 30, 2010 ⁽¹⁾
Revenue ⁽²⁾	\$ 33,162	\$ 11,157	\$ 73,458	\$ 34,176
Funds from operations ⁽³⁾	27,454	7,539	58,041	22,357
Per basic share	0.40	0.12	0.88	0.37
Per diluted share	0.38	0.12	0.85	0.37
Net income	14,822	1,059	26,458	3,323
Per basic share	0.22	0.02	0.40	0.05
Per diluted share	0.21	0.02	0.39	0.05
Net debt (end of period)	46,399	49,820	46,399	49,820
Capital expenditures, net	\$ 30,619	\$ 7,180	\$ 73,814	\$ 42,351
Weighted average shares outstanding				
Per basic share	68,436	60,934	66,187	60,934
Per diluted share	72,010	60,934	68,154	60,934

Exploration & Production Highlights

	Three months ended Sept. 30, 2011 ⁽¹⁾	Three months ended Sept. 30, 2010 ⁽¹⁾	Nine months ended Sept. 30, 2011 ⁽¹⁾	Nine months ended Sept. 30, 2010 ⁽¹⁾
Production				
Natural gas (mcf per day)	23,113	20,139	22,654	20,653
Oil and NGL (bbls per day)	322	328	314	337
Total (@ 6:1) (boe per day)	4,174	3,685	4,090	3,779
Realized average sales prices				
Natural gas (\$ per mcf) ⁽²⁾	4.20	4.29	4.26	4.70
Oil and NGL (\$ per bbl)	80.27	61.95	81.87	65.75
Combined average (\$ per boe)	29.45	29.01	29.88	31.52
Royalties (\$ per boe)	(2.76)	(2.75)	(2.80)	(3.14)
Operating costs (\$ per boe)	(3.70)	(4.14)	(3.69)	(4.89)
Transportation costs (\$ per boe)	(0.98)	(0.98)	(0.84)	(0.88)
Operating netback (\$ per boe)	22.01	21.14	22.55	22.61
G&A costs (\$ per boe)	(1.98)	(2.68)	(2.07)	(2.48)
Net interest expense (\$ per boe)	(1.29)	(1.58)	(1.43)	(1.36)
Corporate netback (\$ per boe)	18.74	16.88	19.05	18.77

Poseidon Concepts Highlights

(in thousands except percentages)	Three months ended Sept. 30, 2011⁽¹⁾	Three months ended Sept. 30, 2010 ⁽¹⁾	Nine months ended Sept. 30, 2011⁽¹⁾	Nine months ended Sept. 30, 2010 ⁽¹⁾
Fracturing fluid handling tank rental revenue	\$ 22,329	\$ 1,324	\$ 41,236	\$ 1,658
Operating costs	(541)	(12)	(1,510)	(14)
G&A costs	(1,555)	(29)	(3,334)	(54)
Operating earnings (EBITDA)	\$ 20,232	\$ 1,283	\$ 36,392	\$ 1,590
Operating margin	91%	97%	88%	96%

⁽¹⁾ Open Range's transition date to International Financial Reporting Standards (IFRS) was January 1, 2010; therefore, information above including comparative information was calculated in accordance with IFRS.

⁽²⁾ Includes the realized gain or loss on commodity contracts.

⁽³⁾ Funds from operations is calculated using cash flow from operations before the change in non-cash working capital and decommissioning expenditures and excludes interest and finance expenses as presented under the Corporation's IFRS-based interim consolidated statements of cash flows for the three and nine months ended September 30, 2011.

Poseidon Concepts Corp. (TSX:PSN) ("Poseidon") and Open Range Energy Corp. (TSX:ONR) ("New Open Range") are pleased to release the consolidated financial and operating results of their predecessor combined company, Open Range Energy Corp. ("Open Range" or the "Company"), for the three and nine months ended September 30, 2011.

Poseidon and New Open Range are each concurrently releasing individual operational updates and third quarter highlights. The two companies were separated effective November 1, 2011 under a plan of arrangement approved by a vote of shareholders at a special meeting held October 31, 2011. The two companies initiated separate trading on the TSX on November 4, 2011.

The complete consolidated financial statements and notes thereto as well as the consolidated management's discussion and analysis for the three and nine months ended September 30, 2011 have been filed under Poseidon's profile on SEDAR at www.sedar.com and are posted on each company's website, www.openrangeenergy.com and www.poseidonconcepts.com.

CONSOLIDATED HIGHLIGHTS

In the three months ended September 30, 2011, Open Range:

- Generated consolidated funds from operations of \$27.5 million, an increase of 267 percent from \$7.5 million in the third quarter of 2010;
- Generated consolidated funds from operations of \$0.38 per diluted share, an increase of 217 percent over the third quarter of 2010;
- Had EBITDA of \$20.2 million from Poseidon Concepts (included in consolidated funds from operations);
- Had average production of 4,174 boe per day, an increase of 13 percent over the third quarter of 2010;
- Made consolidated capital expenditures of approximately \$30.6 million to initiate the Company's second-half 2011 capital program. This included further expansion of Poseidon's fracturing fluid tank rental fleet, two drilling rigs operating at Ansell/Sundance focused on horizontal drilling of multiple Deep Basin targets, as well as expansion of the operated Ansell/Sundance gas plant and construction of the 14-kilometre West Sundance lateral pipeline;
- Continued on its track of increasing operating efficiencies in the exploration and production (E&P) business, with operating costs of \$3.70 per boe plus transportation costs of \$0.98 per boe, for a total of \$4.68 per boe (\$0.78 per mcfe), compared to a total of \$5.12 per boe (\$0.85 per mcfe) in the third quarter of 2010, an improvement of 9 percent;
- Incurred all-in cash costs (operating, transportation, G&A, interest) for the E&P business of \$7.95 per boe of production, a reduction of 15 percent from the third quarter of 2010;
- On September 6, 2011, announced a proposed plan of arrangement for a strategic realignment aimed at unlocking the value of the consolidated company's two business lines; and
- Exited the quarter with net debt of \$46.4 million, down by \$3.4 million from September 30, 2010.

Subsequent to September 30, 2011:

- Open Range held a special meeting of shareholders on October 31, 2011 at which shareholders overwhelming approved the plan of arrangement to create one E&P company, Open Range Energy Corp., and one energy services company, Poseidon Concepts Corp.; and
- On November 4, 2011 the two independent companies commenced separate trading on the TSX.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Plan of Arrangement

On September 5, 2011, the Board of Directors of Open Range Energy Corp. (“Open Range” or the “Corporation”) approved a proposal to split into two independent energy companies – one a natural gas exploration and production (“E&P”) company and the other a dividend-paying energy service and supply company. The corporate reorganization (the “Arrangement”) closed on November 1, 2011. The Arrangement resulted in two publicly-traded entities with the names of Open Range Energy Corp. (the “New Open Range”) for the new E&P company and Poseidon Concepts Corp. (“Poseidon”) for the energy service and supply company. Poseidon represents Open Range following the transfer of the E&P assets to New Open Range and subsequent to it being renamed. Pursuant to the Arrangement, Open Range shareholders received one New Open Range common share for each Open Range share held. In addition, Open Range shareholders received 0.8839 Poseidon common shares for each Open Range share held, resulting in a consolidation of Open Range and now Poseidon shares outstanding. Following the closing of the Arrangement New Open Range and Poseidon now each have 74.7 million common shares outstanding.

The Corporation is currently determining with New Open Range the final division of assets and liabilities that will be carved out of the Corporation’s financial statements and transferred to New Open Range at historic costs. This process will be completed during the fourth quarter of 2011.

Basis of Presentation

The following management’s discussion and analysis (MD&A) is a review of operations and current financial position for Open Range for the three and nine-month periods ended September 30, 2011 and 2010. This MD&A should be read in conjunction with the unaudited interim financial statements for the three and nine months ended September 30, 2011 and 2010, and the audited financial statements for the year ended December 31, 2010. This MD&A is dated November 8, 2011.

The interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards (IFRS). Open Range adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Previously, the Corporation prepared its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). Open Range has provided IFRS accounting policies and prepared reconciliations between GAAP and IFRS in note 3 and note 17, respectively, to its March 31, 2011, June 30, 2011, and September 30, 2011 interim consolidated financial statements. Further information on the IFRS impacts is provided in the “International Financial Reporting Standards” section in this document.

The terms “funds from operations”, “funds from operations per share”, “operating netback”, “operating earnings” and “operating margin” in this discussion are not recognized measures under IFRS or previous Canadian GAAP. Open Range management believes that in addition to net earnings and cash flow from operations as per IFRS and previous Canadian GAAP, funds from operations, operating netback, operating earnings and operating margin 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 decommissioning expenditures. Operating netback is a benchmark used in the oil and natural gas industry to assess operating profitability by measuring the contribution of oil and natural gas sales following the deduction of royalties, operating expenses and transportation costs. Operating earnings are defined as operating income before depletion and depreciation, stock-based compensation and unrealized gain (loss) on commodity contracts. Operating earnings and operating margin provide an indication of the results generated by the Corporation’s fracturing fluid tank rental activities prior to consideration of how those activities are financed or how the results are taxed. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with IFRS and previous Canadian GAAP as an indication of Open Range’s performance.

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 IFRS and previous Canadian GAAP before the change in non-cash working capital related to operating activities and decommissioning 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:

(thousands)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Cash flow from				
operating activities (per IFRS)	\$ 12,204	\$ 7,077	\$ 30,221	\$ 22,258
Change in non-cash working capital	15,247	326	27,620	(279)
Decommissioning expenditures	3	136	200	378
Funds from operations	\$ 27,454	\$ 7,539	\$ 58,041	\$ 22,357

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.

Forward-Looking Statements

This MD&A contains certain forward-looking statements, which relate to future events or the Corporation's 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 this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A.

This MD&A contains forward-looking statements pertaining to the following: (a) future production volumes; (b) expected royalty rates, operating expenses and G&A costs; (c) future capital expenditures and the method of financing thereof; (d) amount of decommissioning obligations; (e) future liquidity and the ability to raise capital to continually add to reserves through exploration, development and/or acquisition; (f) the future tax horizon of the Corporation; (g) the impact of the adoption of various new 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 but are not limited to: (i) future oil and natural gas prices will not deteriorate significantly; (ii) debt and equity 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 renew its credit facilities on acceptable terms; (vi) Open Range will be able to continue to add production and reserves through exploration and development activities at a satisfactory rate; and (vii) the current tax and regulatory regimes will remain substantially unchanged. Certain or all of the foregoing assumptions may prove to be incorrect.

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 equity capital from internal and external sources; the limited operating history of the Poseidon Concepts business unit; demand for fracturing fluid handling systems; risks associated with the manufacture and supply of fracturing fluid handling systems; competition from other fluid handling system suppliers; the ability of the Poseidon Concepts business unit to attract and retain clientele; the ability of the Poseidon Concepts business unit to fund its ongoing capital requirement from cash flow from operations; 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 in Canada or the United States) 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 in Canada or the United States. 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, 2010, which is filed on SEDAR and available for review at www.sedar.com. 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.

EXPLORATION & PRODUCTION OPERATIONS (E&P)

Production

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Production				
Natural gas (mcf per day)	23,113	20,139	22,654	20,653
Oil and NGL (bbls per day)	322	328	314	337
Total (boe per day)	4,174	3,685	4,090	3,779
Total (mboe)	384	339	1,116	1,032
Natural gas % of production	92	91	92	91

Open Range's production for the three and nine months ended September 30, 2011 increased from the comparative periods in 2010. The increases were primarily due to the tie-in of new horizontal wells drilled at Ansell/Sundance more than offsetting the divestiture of certain non-core holdings in the fourth quarter of 2010 and the natural production declines from existing wells. Production in the three and nine months ended September 30, 2011 averaged 4,174 boe per day and 4,090 boe per day, respectively. This represented an increase of 13 percent and 8 percent, respectively, from the average production of 3,685 boe per day and 3,779 boe per day for the respective three and nine months ended September 30, 2010. Natural gas production in the three and nine months ended September 30, 2011 increased to 23,113 mcf per day and 22,654 mcf per day, respectively, from 20,139 mcf per day and 20,653 mcf per day, respectively, for the three and nine months ended September 30, 2010. Oil and natural gas liquids (NGL) production in the three and nine months ended September 30, 2011 decreased slightly to 322 barrels per day and 314 barrels per day, respectively, from 328 barrels per day and 337 barrels per day for the respective three and nine month periods in 2010.

With several new horizontal wells tied-in during the first half, and an accelerated drilling program announced for the balance of 2011, including the drilling of 3 (net 2.2) new horizontal wells in the third quarter, as well as further wells being drilled and tied-in during the fourth quarter, Open Range is forecasting an exit rate of 6,200 boe per day for 2011. Current production is in excess of 5,000 boe per day.

Oil and Natural Gas Revenues

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Revenue (thousands)				
Natural gas	\$ 8,584	\$ 7,104	\$ 25,705	\$ 24,958
Oil and NGL	2,380	1,869	7,014	6,041
Realized gain on commodity contracts	347	860	633	1,519
Total	\$ 11,311	\$ 9,833	\$ 33,352	\$ 32,518
Average realized price				
Natural gas (\$ per mcf)	4.04	3.83	4.16	4.43
Oil and NGL (\$ per bbl)	80.27	61.95	81.87	65.75
Realized gain on commodity contracts (\$ per mcf)	0.16	0.46	0.10	0.27
Combined average (\$ per boe)	29.45	29.01	29.88	31.52
Benchmark pricing				
Alberta Spot (Cdn\$ per mcf)	3.75	3.41	3.74	4.00
Edmonton Par (Cdn\$ per bbl)	92.45	73.45	94.43	76.28

Revenue, including realized gains on commodity contracts, for the three months ended September 30, 2011 increased by 15 percent to \$11.3 million from \$9.8 million in the third quarter of 2010. For the nine months ended September 30, 2011 revenue, including realized gains on commodity contracts, increased by 3 percent to \$33.4 million from \$32.5 million in the respective period in 2010. The change in revenue was primarily a result of 13 percent and 8 percent respective increases in production volumes from the comparative periods in 2010, aided by a 2 percent increase and a offset by a 5 percent decrease in the combined average realized price from the respective comparative periods in 2010. The period-over-period changes in average sales prices for crude oil, NGL and natural gas realized by Open Range were consistent with the fluctuations in benchmark oil and natural gas prices over the same periods. Open Range's average sales price for natural gas continued to be at a premium to the Alberta natural gas spot benchmark price due to the high energy content of the Corporation's natural gas production.

For the three and nine months ended September 30, 2011, Open Range realized gains on commodity contracts of \$0.3 million and \$0.6 million, respectively. These realized gains related to commodity contracts and amounted to additional revenue of \$0.16 per mcf and \$0.10 per mcf, respectively, on the Corporation's natural gas production for the three and nine months ended September 30, 2011.

Unrealized Gain (Loss) on Commodity Contracts

Open Range's management utilizes commodity contracts as a risk management technique to reduce volatility in cash flows and mitigate the unpredictable commodity price environment. For the three months ended September 30, 2011, the Corporation recorded an unrealized gain on commodity contracts of \$0.9 million and for the nine months ended September 30, 2011 the Corporation recorded an unrealized gain on commodity contracts of \$0.7 million. This amount represented the change in the fair value of the commodity contracts held by the Corporation during the three- and nine-month periods ended September 30, 2011.

Natural gas and crude oil hedging contracts entered into as at September 30, 2011 and expired contracts presented for comparative purposes are as follows:

Period	Volume (GJ/d)	Type of contract	Average AECO spot floor (Cdn\$/GJ)	Average AECO spot ceiling (Cdn\$/GJ)	Unrealized gain (loss) for the three months ended Sept. 30, 2011 (thousands)	Unrealized gain (loss) for the three months ended Sept. 30, 2010 (thousands)	Unrealized gain (loss) for the Nine months ended Sept. 30, 2011 (thousands)	Unrealized gain for the Nine months ended Sept. 30, 2010 (thousands)
Apr. 2009 to Mar. 2010	5,000	Costless Collar	\$ 4.00	\$ 5.84	\$ -	\$ -	\$ -	\$ 32
Apr. 2009 to Mar. 2010	1,000	Costless Collar	\$ 4.25	\$ 5.92	-	-	-	4
Jan. to Dec. 2010	1,500	Call Option	n/a	\$ 7.75	-	1	-	75
Apr. to Oct. 2010	3,000	Put Option	\$ 4.25	n/a	-	46	-	254
Apr. to Oct. 2010	1,000	Put Option	\$ 4.50	n/a	-	(13)	-	56
Apr. to Oct. 2010	1,500	Put Option	\$ 4.25	n/a	-	5	-	90
Apr. to Oct. 2010	1,000	Put Option	\$ 4.50	n/a	-	(11)	-	63
Jan. to Dec. 2010	1,500	Costless Collar	\$ 4.40	\$ 7.00	-	(27)	-	140
Apr. to Oct. 2010	1,500	Swap	\$ 5.51	\$ 5.51	-	(224)	-	38
Feb. to Dec. 2010	1,500	Costless Collar	\$ 4.00	\$ 6.89	-	(2)	-	76
Feb. to Dec. 2010	1,500	Costless Collar	\$ 4.25	\$ 6.95	-	(16)	-	109
Apr. to Oct. 2010	1,500	Put Option	\$ 4.50	n/a	-	(51)	-	41
Jan. to Dec. 2011	2,000	Swap	\$ 5.33	\$ 5.33	(244)	-	(653)	-
Jan. to Dec. 2011	2,000	Put Option	\$ 3.80 ⁽¹⁾	n/a	42	-	50	-
Jan. to Dec. 2011	2,000	Swap	\$ 3.80	\$ 3.80	37	-	83	-
Jan. to Dec. 2011	2,000	Swap	\$ 3.80	\$ 3.80	37	-	83	-
Jan. to Dec. 2011	2,000	Put Option	\$ 3.80 ⁽²⁾	n/a	45	-	60	-
Jan. to Dec. 2011	2,000	Put Option	\$ 3.80 ⁽³⁾	n/a	29	-	(2)	-
					\$ (54)	\$ (292)	\$ (379)	\$ 978

⁽¹⁾ Cost of put option to the Corporation is \$0.422 per GJ and payment is due on the fifth business day following each contract month.

⁽²⁾ Cost of put option to the Corporation is \$0.440 per GJ and payment is due on the fifth business day following each contract month.

⁽³⁾ Cost of put option to the Corporation is \$0.355 per GJ and payment is due on the fifth business day following each contract month.

Period	Volume (bbls/d)	Type of contract	Average WTI-Nymex floor (US\$/bbl)	Average WTI-Nymex ceiling (US\$/bbl)	Unrealized gain for the three months ended Sept. 30, 2011 (thousands)	Unrealized gain (loss) for the three months ended Sept. 30, 2010 (thousands)	Unrealized gain for the Nine months ended Sept. 30, 2011 (thousands)	Unrealized gain (loss) for the Nine months ended Sept. 30, 2010 (thousands)
Jan. 2011 to Dec. 2012	200	Call Option	n/a	\$ 90.00	\$ 978	\$ -	\$ 1,073	\$ -
					\$ 978	\$ -	\$ 1,073	\$ -

For more details on these contracts refer to note 14, Financial Risk Management, to the interim consolidated financial statements for the three and nine months ended September 30, 2011.

Royalties

(thousands except per unit amounts)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Royalty expense – natural gas	\$ 504	\$ 338	\$ 1,721	\$ 1,397
Royalty expense – oil & NGL	557	593	1,407	1,839
Total	\$ 1,061	\$ 931	\$ 3,128	\$ 3,236
Per boe (\$)	2.76	2.75	2.80	3.14
% of revenue ⁽¹⁾	10	10	10	10

⁽¹⁾ Revenue before the realized gains or losses on commodity contracts.

Royalties totalled \$1.1 million and \$3.1 million for the third quarter and first nine months of 2011, respectively, compared to \$0.9 million and \$3.2 million, respectively, for the comparative periods in 2010. Royalties as a percentage of revenue remained consistent in the three months ended September 30, 2011 with the comparative period in 2010. On a per-unit-of-production basis, royalty costs for the three and nine months ended September 30, 2011 were up by less than 1 percent and down by 11 percent, respectively, from the comparative periods in 2010, mainly due to the impact of the 5 percent front-end royalty rate on the Corporation's natural gas wells brought on-production in the first quarter of 2011.

Open Range estimates that royalty rates for 2011 will amount to an average of 8-10 percent of revenue. This reflects the impact of current commodity prices resulting in lower royalty rates and the impact of the now-permanent 5 percent front-end royalty rate on newly tied-in wells.

Operating Costs

(thousands except per unit amounts)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Operating costs	\$ 1,421	\$ 1,404	\$ 4,121	\$ 5,047
Transportation costs	378	332	941	906
Total	\$ 1,799	\$ 1,736	\$ 5,062	\$ 5,953
Operating costs (\$ per boe)	3.70	4.14	3.69	4.89
Transportation costs (\$ per boe)	0.98	0.98	0.84	0.88
Total (\$ per boe)	4.68	5.12	4.53	5.77

Operating costs were \$1.4 million and \$4.1 million, respectively, for the three and nine months ended September 30, 2011 compared to \$1.4 million and \$5.0 million, respectively, for the comparative periods in 2010. On a per-unit-of-production basis, operating costs for the three and nine months ended September 30, 2011 were \$3.70 per boe and \$3.69 per boe, respectively. This represented an 11 percent and a 25 percent decrease, respectively, from \$4.14 per boe and \$4.89 per boe in the comparative periods in 2010. This reduction was due primarily to continued operating efficiencies being realized at Ansell/Sundance, where increasing production volumes are handled at the Corporation-operated plant and facilities, and the divestiture of certain higher-cost non-operated holdings in the fourth quarter of 2010.

Transportation costs for the three and nine months ended September 30, 2011 were \$0.4 million or \$0.98 per boe and \$0.9 million or \$0.84 per boe, respectively. This compared to \$0.3 million or \$0.98 per boe and \$0.9 million or \$0.88 per boe, respectively, for the comparative periods in 2010.

Operating Netback

(\$ per boe)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Average realized sales price	29.45	29.01	29.88	31.52
Royalty expenses	(2.76)	(2.75)	(2.80)	(3.14)
Operating costs	(3.70)	(4.14)	(3.69)	(4.89)
Transportation costs	(0.98)	(0.98)	(0.84)	(0.88)
Operating netback	22.01	21.14	22.55	22.61

The Corporation's operating netback for the three months ended September 30, 2011 increased by 4 percent to \$22.01 per boe from \$21.14 per boe in the third quarter of 2010. The Corporation's operating netback for the first nine months of 2011 decreased by less than 1 percent to \$22.55 per boe from \$22.61 per boe for the comparative period in 2010. The period-over-period changes were mainly due to decreases in natural gas prices driving down the Corporation's average realized sales price while being either wholly or partially offset by lower royalty expenses and operating costs per unit of production.

General and Administrative (G&A) Costs

(thousands except per unit amounts)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Gross G&A costs	\$ 1,443	\$ 1,596	\$ 4,292	\$ 4,783
Partner recovery	(166)	(105)	(366)	(426)
Capitalized	(516)	(578)	(1,618)	(1,795)
Net G&A costs	\$ 761	\$ 910	\$ 2,308	\$ 2,562
Per boe, net (\$)	1.98	2.68	2.07	2.48

Net G&A costs for the three and nine months ended September 30, 2011 totalled \$0.8 million and \$2.3 million, respectively, after overhead recoveries and capitalization of \$0.7 million and \$2.0 million, respectively. On a per boe basis G&A costs in the three and nine months ended September 30, 2011 decreased to \$1.98 per boe and \$2.07 per boe, respectively. This represented a decrease of 26 percent and 17 percent, respectively, from \$2.68 per boe and \$2.48 per boe for the respective periods in 2010. The Corporation continues to focus its efforts on future-oriented exploration and development activities and will continue to capitalize any costs directly attributable to its exploration, geological and geophysical activities. The Corporation's gross G&A costs for the three and nine months ended September 30, 2011 decreased by 10 percent from the comparative periods of 2010, as a result of the administrative synergies realized from combining the day-to-day management of the E&P and Poseidon Concepts business units.

Capital Expenditures

(thousands)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Drilling and completions	\$ 12,438	\$ 4,416	\$ 37,516	\$ 25,538
Equipment and facilities	16,864	1,797	29,176	8,239
Land	739	16	5,131	1,123
Exploration and evaluation	–	361	311	5,621
Capitalized G&A	516	578	1,618	1,795
Geological and geophysical	61	12	61	35
Total capital expenditures	30,618	7,180	73,813	42,351
Capital items not involving cash:				
Stock-based compensation	361	303	952	1,046
Decommissioning obligations	709	191	1,247	801
Total capital expenditures including non-cash items	\$ 31,688	\$ 7,674	\$ 76,012	\$ 44,198

Open Range's capital expenditures during the first nine months of 2011 were heavily focused at Ansell/Sundance. The budget for the nine months ended September 30, 2011 included drilling, completing and bringing on-production 7 (5.8 net) horizontal natural gas wells, and also participating in the drilling and completion of one (0.2 net) horizontal Glauconitic natural gas well at Ferrier in west central Alberta. The third quarter budget included an additional three gross (2.2 net) horizontal wells at Ansell/Sundance, of which two gross (1.2 net) were completed and tied-in by the end of September. Also during the third quarter the Corporation expanded its operated Ansell/Sundance gas plant to 60 mmcf per day capacity (while increasing its working interest to 69 percent) at a cost of \$5.5 million, and constructed a 15 km lateral pipeline to the Corporation's western lands. The accelerated second half 2011 capital program is continuing in the fourth quarter.

(thousands)	Three months ended Sept. 30, 2011		Three months ended Sept. 30, 2010		Nine months ended Sept. 30, 2011		Nine months ended Sept. 30, 2010	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	–	–	–	–	–	–	2	1.4
Development	3	2.2	4	2.5	8	6	8	5.3
Total	3	2.2	4	2.5	8	6	10	6.7
Average working interest	73%		61%		75%		67%	
Success rate	100%		100%		100%		100%	

Depletion, Depreciation and Accretion

(thousands except per unit amounts)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Depletion and depreciation	\$ 7,452	\$ 5,134	\$ 20,107	\$ 15,547
Accretion of decommissioning obligations	25	52	81	153
Total	\$ 7,477	\$ 5,186	\$ 20,188	\$ 15,700
Depletion and depreciation (\$ per boe)	19.40	15.15	18.01	15.07
Accretion of decommissioning obligations (\$ per boe)	0.07	0.15	0.07	0.15
Total (\$ per boe)	19.47	15.30	18.08	15.22

Depletion and depreciation are calculated based upon cumulative capital expenditures, production rates, proved plus probable reserves and estimated useful lives. Open Range recorded \$7.5 million or \$19.40 per boe in depletion and depreciation for the three months ended September 30, 2011 compared to \$5.1 million or \$15.15 per boe for the comparative period in 2010. Depletion and depreciation for the first nine months of 2011 increased to \$20.1 million or \$18.01 per boe from \$15.5 million or \$15.07 per boe in the comparative period in 2010. The period-over-period increases are due to increased production volumes partially offset by reserve additions from the successful 2011 drilling program.

Open Range estimates depletion on a quarterly basis using independent inputs such as reserve and land reports when available. Costs associated with unproved properties under development, including \$20.6 million of undeveloped land, seismic and salvage value, have been excluded from the calculation and future development costs of \$113.4 million have been included in the capital base used in the calculation.

Poseidon Concepts

(thousands except percentages)	Three months ended Sept. 30, 2011 ⁽¹⁾	Three months ended Sept. 30, 2010 ⁽¹⁾	Nine months ended Sept. 30, 2011 ⁽¹⁾	Nine months ended Sept. 30, 2010 ⁽¹⁾
Fracturing fluid handling tank rental revenue	\$ 22,329	\$ 1,324	\$ 41,236	\$ 1,658
Operating costs	(541)	(12)	(1,510)	(14)
G&A costs	(1,555)	(29)	(3,334)	(54)
Operating earnings	\$ 20,232	\$ 1,283	\$ 36,392	\$ 1,590
Operating margin	91%	97%	88%	96%

⁽¹⁾ Includes inter-corporate activities that have been eliminated upon consolidation.

During the three and nine months ended September 30, 2011 the Corporation continued to expand the rental offering of its innovative fracturing fluid handling system to exploration and production companies in western Canada and the United States through its wholly-owned business unit, Poseidon Concepts. Demand for the Corporation's fracturing fluid handling system increased sharply during the first nine months of 2011 and the business unit was engaged at leases in 2 provinces and 14 states.

Fracturing fluid handling tank rental revenue of \$22.3 million and \$41.2 million was recognized for the three and nine months ended September 30, 2011, respectively. Operating earnings in the three and nine months ended September 30, 2011 were \$20.2 million and \$36.4 million, respectively, generating operating margins of 91 percent and 88 percent. The solid operating margins were driven by a strong operating environment for fracturing services and related equipment, resulting in a high utilization rate for the Corporation's expanding tank fleet, and by the overall acceptance of the business unit's service offering, which was driven mainly by the cost advantages and operating efficiencies of the Poseidon system over conventional steel tanks, combined with low internal costs.

CORPORATE ACTIVITIES

Net Interest and Finance Expenses

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Net interest expense (thousands)	\$ 496	\$ 535	\$ 1,596	\$ 1,402
Per boe, net (\$)	1.29	1.58	1.43	1.36

Net interest expense for the three and nine months ended September 30, 2011 was \$0.5 million or \$1.29 per boe and \$1.6 million or \$1.43 per boe, respectively. The decrease in net interest expense from the three months ended September 30, 2010 was primarily the result of utilizing a portion of the Poseidon business unit's strong EBITDA stream for the debt repayments. The increase in net interest expense from the nine months ended September 30, 2010 was primarily the result of increased average borrowings on the Corporation's credit facilities and annual facility renewal fees paid in the second quarter. The Corporation had \$59.9 million drawn on its extendable revolving credit facility at September 30, 2011.

Stock-Based Compensation

(thousands)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Total stock-based compensation	\$ 885	\$ 597	\$ 2,270	\$ 2,017
Capitalized stock-based compensation	(361)	(303)	(952)	(1,046)
Stock-based compensation expense	\$ 524	\$ 294	\$ 1,318	\$ 971

During the third quarter of 2011, stock-based compensation of \$0.5 million was expensed and \$0.4 million was capitalized. This resulted in total stock-based compensation for the three months ended September 30, 2011 of \$0.9 million, compared to \$0.6 million for the third quarter of 2010. For the first nine months of 2011 stock-based compensation of \$1.3 million was expensed and \$1.0 million was capitalized. This resulted in total stock-based compensation for the first nine months of 2011 of \$2.3 million, compared to \$2.0 million for the first nine months of 2010. At September 30, 2011 there were 6.3 million stock options outstanding compared to 5.8 million outstanding at September 30, 2010.

Income Taxes

Open Range did not incur any cash tax expense in 2010. Deferred tax expense of \$5.1 million and \$9.3 million was recorded for the three and nine months ended September 30, 2011, respectively.

Net Income

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Net income (thousands)	\$ 14,822	\$ 1,059	\$ 26,458	\$ 3,323
Net income per basic share	\$ 0.22	\$ 0.02	\$ 0.40	\$ 0.05
Net income per diluted share	\$ 0.21	\$ 0.02	\$ 0.39	\$ 0.05

For the nine months ended September 30, 2011 the Corporation recorded net income of \$26.5 million or \$0.40 per basic share and \$0.39 per diluted share compared to net income of \$3.3 million or \$0.05 per basic and diluted share for the comparative period in 2010. For the three months ended September 30, 2011 the Corporation recorded net income of \$14.8 million or \$0.22 per basic share and \$0.21 per diluted share compared to net income of \$1.1 million or \$0.02 per basic and diluted share for the third quarter of 2010. The increase in net income in 2011 is mainly attributable to growing operating earnings from the Corporation's Poseidon Concepts business unit and continued strong operating netbacks on increased production volumes.

Funds from Operations and Cash Flow from Operating Activities

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Funds from operations (thousands)	\$ 27,454	\$ 7,539	\$ 58,041	\$ 22,357
Funds from operations per basic share	\$ 0.40	\$ 0.12	\$ 0.88	\$ 0.37
Funds from operations per diluted share	\$ 0.38	\$ 0.12	\$ 0.85	\$ 0.37
Cash flow from operating activities (per IFRS) (thousands)	\$ 12,204	\$ 7,077	\$ 30,221	\$ 22,258

During the three months ended September 30, 2011, Open Range generated funds from operations of \$27.5 million or \$0.40 per basic share and \$0.38 per diluted share compared to \$7.5 million or \$0.12 per basic and diluted share for the comparative period in 2010. For the first nine months of 2011 funds from operations increased by 160 percent to \$58.0 million from \$22.4 million for the comparative period in 2010. The increase in funds from operations was primarily due to growing revenues from the rental of fracturing fluid handling systems and higher revenues from increased production volumes.

Share Capital

(thousands)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Weighted average basic common shares outstanding	68,436	60,934	66,187	60,934
Stock option dilution	3,574	–	1,967	–
Weighted average diluted common shares outstanding	72,010	60,934	68,154	60,934

Options to purchase 0.5 million common shares as at September 30, 2011 were not included in the computation of weighted average diluted shares outstanding because they were anti-dilutive.

Outstanding securities (thousands except percentages)	September 30, 2011	November 8, 2011
Common shares	68,458	74,720
Stock options	6,262	–
Total outstanding securities	74,720	74,720
Proportion of outstanding securities held by officers and directors	11%	13%

Under the Corporation's share option plan, 6.3 million options to purchase shares had been granted to employees, consultants, officers and directors as at September 30, 2011. The exercise price of each option equals the market price of the Corporation's stock on the date of grant.

On November 8, 2010, one of the Corporation's wholly owned subsidiaries entered into certain performance warrant agreements with employees, officers and directors. The Corporation had granted 0.7 million performance warrants with exercise prices ranging from \$1.00-\$20.00 as at September 30, 2011. Performance warrants are exercisable into units of the subsidiary.

Equity financings since inception	Date of issuance	Issue price per share	Shares issued (thousands)	Gross proceeds (thousands)
Common shares ⁽¹⁾	November 29, 2005	\$ 3.10	2,000	\$ 6,200
Common shares	January 10, 2006	4.25	1,649	7,008
Flow-through common shares	May 16, 2006	5.70	1,000	5,700
Common shares	November 9, 2006	3.55	2,324	8,251
Flow-through common shares	February 22, 2007	4.00	3,000	12,000
Flow-through common shares	December 20, 2007	3.45	2,029	7,000
Common shares	April 4, 2008	4.20	3,095	13,000
Flow-through common shares	April 4, 2008	5.00	2,400	12,000
Flow-through common shares	November 4, 2009	2.30	3,050	7,015
Common shares	November 16, 2009	1.85	31,350	57,997
Common shares	March 21, 2011	2.85	7,025	20,021
Total		\$ 2.65	58,922	\$ 156,192

⁽¹⁾ Initial private placement financing.

RELATED-PARTY AND OFF-BALANCE-SHEET TRANSACTIONS

During the three and nine months ended September 30, 2011, the Corporation incurred \$112,000 and \$330,000, respectively, in legal costs to a law firm in which the a Director and the Corporate Secretary of the Corporation are partners.

Open Range was not involved in any off-balance-sheet transactions during the three and nine months ended September 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Open Range had a working capital deficiency, excluding the fair value of commodity contracts, of \$46.3 million at September 30, 2011. Open Range had available a \$90 million extendable revolving credit facility, which includes a \$2 million U.S. operating facility, with a syndicate of Canadian banks. The facility is available on a revolving basis for a 364-day period until June 19, 2012. The Corporation may request that the facility be extended for an additional 364-day period at the lenders' option. The interest rate on the facility is calculated using the syndicate's prime rate plus an applicable margin based on the Corporation's net-debt-to-cash-flow ratio for the trailing calendar quarter. The facility is a borrowing-based facility that is determined based on, among other things, the Corporation's reserves, production, operating results, current and forecast commodity prices, and Poseidon Concepts' EBITDA. Pursuant to the terms of the credit facility, the Corporation has provided the covenants that at all times its working capital ratio shall be not less than 1.2 to 1 and that the ratio of Poseidon Concepts debt to EBITDA for the trailing 12 months is not greater than 1.5 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 was in compliance with these covenants as at September 30, 2011. As at September 30, 2011, \$59.9 million had been drawn on the facility.

(thousands)	As at Sept. 30, 2011
Bank lines available	\$ 90,000
Working capital deficiency excluding fair value of commodity contracts	(46,399)
Capital resources available	\$ 43,601

During periods of commodity market instability 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 while continuing to finance the Corporation's future growth. The Corporation manages its capital structure in part by using the non-IFRS financial metric of net debt to the trailing quarter's annualized funds from operations ratio. The Corporation's strategy is to maintain a ratio of no more than 2 to 1. As at September 30, 2011, the Corporation's ratio of net debt to third-quarter 2011 annualized funds from operations was 0.4 to 1, which was within the targeted range by the Corporation. For more details on the calculation of this ratio refer to note 12, Capital Management, to the interim consolidated financial statements for the three and nine months ended September 30, 2011.

Concurrent with the closing of the Arrangement, New Open Range and Poseidon have entered into independent credit facility agreements each with a syndicate of Canadian banks. New Open Range has available a \$75 million extendable revolving credit facility available until May 31, 2012, at which time it may be extended for a 364-day period at the lenders' option. Poseidon has available up to \$75 million on an extendable revolving credit facility available until May 31, 2012, at which time it may also be extended for a 364-day period at the lenders' option. The Corporation considers itself to have sufficient liquidity and capital resources based on the available bank lines to conduct ongoing operations.

SELECTED QUARTERLY INFORMATION

	2011				2010			2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 ⁽³⁾
Production								
Natural gas (mcf per day)	23,113	24,363	20,455	20,467	20,139	22,120	19,695	15,814
Oil and NGL (bbls per day)	322	335	283	386	328	366	316	282
Total (boe per day)	4,174	4,396	3,693	3,797	3,685	4,053	3,598	2,918
Quarterly total (mboe)	384	400	332	349	339	369	324	268
% natural gas	92	92	92	90	91	91	91	90
Financial (\$ thousands except as noted)								
Revenue ^{(1) (2)}	33,162	20,781	19,515	13,796	11,158	11,514	11,504	9,254
Net income (loss)	14,822	6,115	5,521	3,548	1,059	(340)	2,606	(517)
Per share (\$)								
– basic	0.22	0.09	0.09	0.06	0.02	(0.01)	0.04	(0.01)
– diluted	0.21	0.08	0.09	0.06	0.02	(0.01)	0.04	(0.01)
Funds from operations	27,454	15,534	15,053	9,712	7,539	7,538	7,280	6,243
Per share (\$)								
– basic	0.40	0.23	0.24	0.16	0.12	0.12	0.12	0.14
– diluted	0.38	0.22	0.24	0.16	0.12	0.12	0.12	0.14
Cash flow from								
operating activities	12,204	12,090	5,927	6,082	7,077	8,385	6,796	782
Total assets (end of period)	319,699	278,234	271,276	231,994	233,904	231,295	233,334	209,009
Capital expenditures, net	30,618	9,154	34,041	(445)	7,180	7,769	27,402	65,950
Weighted average								
shares outstanding (thousands)								
– basic	68,436	68,240	61,814	60,936	60,934	60,934	60,934	44,132
– diluted	72,010	70,805	63,256	60,936	60,934	60,934	60,937	44,132
Per Unit								
Oil and NGL revenue (\$ per bbl)	80.27	88.82	75.43	64.93	61.95	64.97	70.70	60.09
Natural gas revenue (\$ per mcf) ⁽²⁾	4.20	4.33	4.24	4.24	4.29	4.48	5.36	5.29
Combined revenue (\$ per boe) ⁽²⁾	29.45	30.79	29.26	29.43	29.01	30.32	35.52	34.47
Operating netback (\$ per boe)	22.01	23.65	21.81	22.27	21.10	21.83	25.04	26.91

⁽¹⁾ Includes fracturing fluid handling tank rental revenue, which commenced operations in June 2010.

⁽²⁾ Includes the realized gain or loss on commodity contracts.

⁽³⁾ Open Range's IFRS transition date was January 1, 2010; therefore, 2009 comparative information above was calculated in accordance with previous Canadian GAAP and has not been restated.

Open Range's steady growth in funds from operations and total assets is attributable to successful exploration and development drilling at the Corporation's Deep Basin properties, particularly the Ansell/Sundance core area, and the rental of fracturing fluid handling systems beginning in late 2010 and accelerating in 2011. Production growth in 2011 is primarily the result of the drilling, completion and tie-in of four (3.6 net) horizontal wells at Ansell/Sundance.

CONTRACTUAL OBLIGATIONS^{(2) (3)}

(thousands) As at September 30, 2011	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Bank indebtedness ⁽¹⁾	\$ 59,940	\$ 59,940	–	–	–
Office lease	3,185	672	\$ 1,587	\$ 926	–
Office equipment leases	43	13	25	5	–
Firm natural gas transportation agreements	12,348	1,875	5,864	3,795	\$ 814
Total	\$ 75,516	\$ 62,500	\$ 7,476	\$ 4,726	\$ 814

⁽¹⁾ Amount is drawn against the Corporation's extendable revolving facility. As the facility is available on a revolving basis for a 364-day period and would be due immediately if not extended, amounts outstanding are classified as current liabilities. 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 14, Financial Risk Management, to the interim consolidated financial statements for the three and nine months ended September 30, 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 1, 2011, IFRS became the generally accepted accounting principles in Canada for profit-oriented publicly accountable enterprises. Open Range adopted IFRS for financial reporting purposes using a transition date of January 1, 2010. The adoption of IFRS required the restatement, for comparative purposes, of amounts reported by the Corporation for the three and nine months ended September 30, 2010. The Corporation's financial results for the three and nine months ended September 30, 2011 and comparative periods are reported under IFRS while historical data prior to January 1, 2010 continues to be reported under previous Canadian GAAP.

An explanation of how the transition to IFRS affected the reported consolidated financial position, financial performance and cash flows of the Corporation is provided in note 17, Reconciliation of Previous GAAP with IFRS, to the interim consolidated financial statements for the three and nine months ended September 30, 2011, which provides information for the three and nine months ended September 30, 2010. This note also includes reconciliations of equity and comprehensive income (loss) for comparative periods reported under previous Canadian GAAP to those under IFRS, along with details of the IFRS 1 exemptions applied. The adoption of IFRS did not impact the underlying economics of Open Range's operations.

The Corporation prepared its interim consolidated financial statements and related MD&A for the three and nine months ended September 30, 2011 in accordance with IFRS and interpretations currently provided and expected to be in effect at the end of Open Range's first annual IFRS reporting period, which will be December 31, 2011.

The adoption of IFRS resulted in the following adjustments for the three and nine months ended September 30, 2010:

- Petroleum and natural gas assets – There was no impairment of property, plant, and equipment (PP&E) or exploration and evaluation (E&E) assets at September 30, 2010. At September 30, 2010, a total of \$14.6 million was reclassified from PP&E to E&E assets;
- Depletion – Under IFRS, depletion is calculated on a unit-of-production basis using total proved plus probable reserves as compared to total proved reserves under previous GAAP. As a result of this change, the depletion expense decreased by approximately \$3.0 million and \$9.4 million, respectively, for the three and nine months ended September 30, 2010;

- Decommissioning obligations – Under previous GAAP decommissioning obligations were discounted at a credit-adjusted risk-free rate of 8-10 percent. Under IFRS, the estimated cash flows to abandon and remediate the wells and facilities have been risk-adjusted and, therefore, the provision is discounted at the risk-free rate in effect at the end of each reporting period. The change in the decommissioning obligations in each period as a result of the changes in the discount rate will result in an offsetting charge to PP&E. As at September 30, 2010 the decommissioning obligations were \$2.5 million higher than under previous GAAP due to the change in discount rate and its impact on the liabilities incurred or acquired during the period;
- Deferred taxes – Under IFRS, deferred taxes are reported as a non-current liability, resulting in a reclassification of the \$0.2 million current deferred tax liability to long-term at September 30, 2010;
- Flow-through shares – Under IFRS, flow-through shares issued are recorded in share capital at the fair value of common shares on the date of issuance. The premium received on issuing flow-through shares is initially recorded as a deferred credit and then, as qualifying expenditures are incurred, the deferred premium is reversed and a deferred tax liability is recorded for the foregone tax benefit of the flow-through. The net amount is then recognized as deferred tax expense. The impact of the flow-through share change in accounting policy resulted in a transitional adjustment to share capital of \$1.6 million, a deferred flow-through share premium liability of \$1.4 million and an adjustment to the deficit of \$3 million. The premium liability was reversed fully in the first nine months of 2010 as qualifying expenditures were incurred and the tax impact of the flow-through share issuance of \$1.8 million was reclassified from share capital to deferred tax expense; and
- Stock-based compensation – Under previous GAAP, the Corporation recognized an expense related to the stock-based compensation on a straight-line basis through the date of the full vesting and did not incorporate a forfeiture rate. Under IFRS, the Corporation is required to recognize the expense over the individual vesting periods for the graded vesting awards, to estimate a forfeiture rate at the date of grant and to update it throughout the vesting period. The three and nine months ended September 30, 2010 saw an increase to stock-based compensation expense of \$0.1 million and \$0.3 million with capitalized portions of \$0.1 million and \$0.3 million, respectively.

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 (CEO) and Chief Financial Officer (CFO) concluded based on their evaluation as at September 30, 2011 that disclosure controls and procedures were 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 CEO and CFO believe that disclosure controls and procedures provide a reasonable level of assurance and 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.

FINANCIAL REPORTING

Open Range's CEO and CFO are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and previous Canadian GAAP. Such officers of the Corporation are also responsible for evaluating, or causing to be evaluated under their supervision, the operating effectiveness of Open Range's internal controls over financial reporting at the financial year-end of the Corporation.

The Corporation evaluated the design of its internal controls over financial reporting as at September 30, 2011. During this evaluation the Corporation identified weaknesses due to the limited number of finance and accounting personnel at the Corporation dealing with complex and non-routine accounting transactions that may arise. Notwithstanding the weaknesses identified with regards to complex and non-routine accounting matters, the Corporation concluded that all other of its internal controls over financial reporting have been designed properly at September 30, 2011.

No material changes in the design of the Corporation's internal controls over financial reporting, including identified weaknesses, were identified during the three and nine months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal financial reporting processes. There were no material changes in the Corporation's internal controls over financial reporting as a result of the transition to IFRS.

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 of the Board of Directors reviews on a quarterly basis the financial statements and key risks of the Corporation and queries management about significant transactions, the Corporation's auditors conduct a quarterly review of the financial statements of the Corporation, and senior management of the Corporation perform daily oversight of the accounting records.

RISK FACTORS AND ADDITIONAL INFORMATION

The Corporation is subject to multiple business and other risks that are similar to those experienced by other entities involved in the energy sector. Open Range's financial position, results of operations and funds from operations are directly impacted by several risk factors and uncertainties.

For a detailed discussion of the risks and uncertainties associated with Open Range's business and operations, refer to the Corporation's Annual Information Form (AIF), which is available on SEDAR at www.sedar.com, or the Corporation's website at www.openrangeenergy.com.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands) (Unaudited)	As at September 30, 2011	As at December 31, 2010
ASSETS		
Current assets:		
Accounts receivable	\$ 40,163	\$ 9,668
Prepaid expenses and deposits	3,631	2,291
Fair value of commodity contracts (note 14)	178	213
	43,972	12,172
Exploration and evaluation assets (note 6)	14,760	14,634
Property, plant and equipment (note 7)	260,967	205,188
	\$ 319,699	\$ 231,994
LIABILITIES		
Current liabilities:		
Bank indebtedness (note 8)	\$ 59,940	\$ 51,053
Accounts payable and accrued liabilities	30,253	10,726
	90,193	61,779
Fair value of commodity contracts (note 14)	173	902
Deferred taxes	19,636	10,702
Decommissioning obligations (note 9)	3,939	2,811
	113,941	76,194
SHAREHOLDERS' EQUITY		
Share capital (note 10)	169,313	148,269
Contributed surplus	10,685	9,078
Accumulated other comprehensive income	849	-
Retained earnings (deficit)	24,911	(1,547)
	205,758	155,800
Commitments (note 13)		
Subsequent event (note 18)		
	\$ 319,699	\$ 231,994

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(thousands, except per share amounts) (unaudited)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010 <small>(note 17)</small>	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010 <small>(note 17)</small>
Revenues:				
Petroleum and natural gas	\$ 10,964	\$ 8,973	\$ 32,719	\$ 30,999
Royalties	(1,061)	(931)	(3,128)	(3,236)
Fracturing fluid tank rentals	21,851	1,324	40,106	1,658
	31,754	9,366	69,697	29,421
Realized gain on commodity contracts (note 14)	347	860	633	1,519
Unrealized gain (loss) on commodity contracts (note 14)	924	(292)	694	978
	33,025	9,934	71,024	31,918
Expenses:				
Operating	2,340	1,748	6,572	5,967
General and administrative	2,316	939	5,642	2,616
Stock-based compensation (note 10)	524	294	1,318	971
Depletion and depreciation (note 7)	7,452	5,134	20,107	15,547
	12,632	8,115	33,639	25,101
Operating income	20,393	1,819	37,385	6,817
Other expense items:				
Accretion of decommissioning obligations (note 9)	25	52	81	153
Interest and finance expenses	496	535	1,596	1,402
Income before income taxes	19,872	1,232	35,708	5,262
Deferred tax expense	5,050	173	9,250	1,939
Net income	14,822	1,059	26,458	3,323
Other comprehensive income:				
Currency translation adjustment	1,085	-	849	-
Comprehensive income	\$ 15,907	\$ 1,059	\$ 27,307	\$ 3,323
Income per share (note 10):				
Basic	\$ 0.22	\$ 0.02	\$ 0.40	\$ 0.05
Diluted	\$ 0.21	\$ 0.02	\$ 0.39	\$ 0.05

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands) (Unaudited)	Common shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
Balance at January 1, 2011	60,949	\$ 148,269	\$ 9,078	\$ –	\$ (1,547)	\$ 155,800
Net income for the period	–	–	–	–	26,458	26,458
Accumulated other comprehensive income	–	–	–	849	–	849
Stock-based compensation expensed	–	–	1,318	–	–	1,318
Stock-based compensation capitalized	–	–	952	–	–	952
Issuance of common shares on exercise of options	462	1,282	–	–	–	1,282
Transfer of stock-based compensation on option exercises	–	663	(663)	–	–	–
Issuance of common shares	7,047	20,071	–	–	–	20,071
Share issuance costs, net of tax of \$316	–	(972)	–	–	–	(972)
Balance at September 30, 2011	68,458	\$ 169,313	\$ 10,685	\$ 849	\$ 24,911	\$ 205,758
Balance at January 1, 2010	60,934	\$ 148,253	\$ 6,452	\$ –	\$ (8,420)	\$ 146,285
Net income for the period	–	–	–	–	3,323	3,323
Share issuance costs, net of tax of \$4	–	(8)	–	–	–	(8)
Stock-based compensation expensed	–	–	971	–	–	971
Stock-based compensation capitalized	–	–	1,046	–	–	1,046
Balance at September 30, 2010	60,934	\$ 148,245	\$ 8,469	\$ –	\$ (5,097)	\$ 151,617

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands, except per share amounts) (Unaudited)	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010 <small>(note 17)</small>	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010 <small>(note 17)</small>
Cash provided by (used in):				
Operating:				
Net income	\$ 14,822	\$ 1,059	\$ 26,458	\$ 3,323
Items not involving cash:				
Depletion and depreciation	7,452	5,134	20,107	15,547
Accretion of decommissioning obligations	25	52	81	153
Deferred tax expense	5,050	173	9,250	1,939
Stock-based compensation	524	294	1,318	971
Unrealized (gain) loss on commodity contracts	(924)	292	(694)	(978)
Interest and financing expenses	505	535	1,521	1,402
Decommissioning expenditures	(3)	(136)	(200)	(378)
Change in non-cash working capital (note 11)	(15,247)	(326)	(27,620)	279
	12,204	7,077	30,221	22,258
Financing:				
Bank indebtedness	(365)	(2,531)	8,887	14,898
Issuance of common shares, net of issuance costs	(5)	5	18,783	(12)
Proceeds from exercise of options	444		1,282	
Interest paid	(505)	(559)	(1,278)	(1,120)
	(431)	(3,085)	27,674	13,766
Investing:				
Property, plant and equipment expenditures	(30,618)	(6,819)	(73,502)	(36,730)
Exploration and evaluation expenditures		(361)	(311)	(5,621)
Change in non-cash working capital (note 11)	18,845	3,188	15,918	6,327
	(11,773)	(3,992)	(57,895)	(36,024)
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

(Unaudited)

(All amounts in text and tabular format are stated in thousands, except per share amounts and other exceptions as noted)

1. REPORTING ENTITY

On September 5, 2011, the Board of Directors of Open Range Energy Corp. (“Open Range” or the “Corporation”) approved a proposal to split into two independent energy companies – one a natural gas exploration and production (“E&P”) company and the other a dividend-paying energy service and supply company. The corporate reorganization (the “Arrangement”) closed on November 1, 2011. The Arrangement resulted in two publicly-traded entities with the names of Open Range Energy Corp. (the “New Open Range”) for the new E&P company and Poseidon Concepts Corp. (“Poseidon”) for the energy service and supply company. Poseidon represents Open Range following the transfer of the E&P assets to New Open Range and subsequent to it being renamed. For further details on the Arrangement refer to note 18, Subsequent Event.

Open Range is organized under the laws of the province of Alberta. During the three and nine months ended September 30, 2011 the Corporation was engaged in the acquisition of, exploration for and development of oil and natural gas in the Western Canada Sedimentary Basin and in the rental of fracturing fluid handling tanks primarily used in well completion operations in the oil and natural gas industry in western Canada and the United States.

These consolidated financial statements include the accounts prior to the Arrangement of the Corporation and the following wholly-owned subsidiaries: Poseidon Concepts Corp., a corporation organized under the laws of the province of Alberta; Poseidon Concepts Inc., a corporation organized under the laws of the state of Delaware; and Poseidon Concepts Limited Partnership, a partnership organized under the laws of the province of Alberta. All inter-entity balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – “Interim Financial Reporting”. These are Open Range’s third interim consolidated financial statements based on International Financial Reporting Standards (IFRS) and cover part of the period that will be covered by the first IFRS-based annual consolidated financial statements. The Corporation has applied IFRS 1 – “First-time Adoption of International Financial Reporting Standards” in these interim consolidated financial statements, which do not include all of the information required for full annual financial statements.

For information on the basis of measurement, functional and presentation currency and use of estimates and judgements refer to note 2 to the interim consolidated financial statements for the three months ended March 31, 2011.

The interim consolidated financial statements were authorized for issuance by the Corporation’s Board of Directors on November 8, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared by management in accordance with IFRS. The Corporation has consistently applied the same accounting policies and methods of computation for these interim consolidated financial statements as were applied in the preparation of the interim consolidated financial statements for the three months ended March 31, 2011. Refer to note 3 to the interim consolidated financial statements for the three months ended March 31, 2011 for Open Range's significant accounting policies under IFRS. Certain comparative amounts have been reclassified to conform to the current period's presentation.

4. CHANGES IN ACCOUNTING POLICIES

The following pronouncements from the International Accounting Standards Board (IASB) will become effective for financial reporting periods beginning on or after January 1, 2013 and have not yet been adopted by the Corporation. All of these new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

- IFRS 9 – “Financial Instruments” addresses the classification and measurement of financial assets;
- IFRS 10 – “Consolidated Financial Statements” builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company;
- IFRS 11 – “Joint Arrangements” establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
- IFRS 13 – “Fair Value Measurement” defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within IFRS; and
- IAS 27 – “Separate Financial Statements” revises the standard that addresses the presentation of parent company financial statements that are not consolidated financial statements.

The Corporation has not completed its evaluation of the effect of adopting these standards on its financial statements.

5. DETERMINATION OF FAIR VALUES

A number of the Corporation's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(A) Property, Plant and Equipment (PP&E) and Exploration & Evaluation (E&E) Assets

The fair value of PP&E and E&E assets recognized in an acquisition is based on market values. The market value of PP&E and E&E assets is the estimated amount for which PP&E and E&E assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) and intangible exploration assets when impaired is generally estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of PP&E and E&E assets is based on the quoted market prices for similar items.

(B) Cash and Cash Equivalents, Accounts Receivable and Payable, and Bank Debt

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2011 and December 31, 2010, the fair value of these balances approximated their carrying value due to their short term to maturity. Bank debt bears a floating rate of interest and, therefore, carrying value approximates fair value.

(C) Derivatives

The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates) and estimating a volatility factor. The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

(D) Stock Options and Performance Warrants

The fair value of employee stock options and performance warrants is measured using the Black-Scholes option pricing model. Measurement inputs include the share or unit price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instrument (based on historical experience and general option-holder's behaviour), expected dividends, and the risk-free interest rate (based on Government of Canada bonds).

6. EXPLORATION AND EVALUATION ASSETS

		Total
Balance at January 1, 2010	\$	9,013
Additions		5,621
Balance at December 31, 2010	\$	14,634
Additions		311
Lease expiries		(185)
Balance at September 30, 2011	\$	14,760

E&E assets consist of the Corporation's exploration projects which are pending the determination of proved or probable reserves. Costs primarily consist of undeveloped land and drilling costs until the drilling of the well is complete and results have been evaluated. The cost of undeveloped land that expires during a period and any impairment of intangible exploration assets are recognized as additional depletion and depreciation expense. Any reversal in a previous impairment charge would be recognized as a reduction to depletion and depreciation expense.

7. PROPERTY, PLANT AND EQUIPMENT

Cost or deemed cost		Total
Balance at January 1, 2010	\$	188,049
Additions		48,019
Capitalized stock-based compensation		1,344
Dispositions		(15,958)
Changes in decommissioning obligations		956
Balance at December 31, 2010		222,410
Additions		73,592
Capitalized stock-based compensation		952
Dispositions		(90)
Changes in decommissioning obligations		1,247
Balance at September 30, 2011	\$	298,111
Accumulated depletion and depreciation		
		Total
Balance at January 1, 2010	\$	–
Depletion and depreciation expense		(21,162)
Disposals		3,940
Balance at December 31, 2010		(17,222)
Depletion and depreciation		(19,922)
Balance at September 30, 2011	\$	(37,144)
Net book value		
		Total
Balance at January 1, 2010	\$	188,049
Balance at December 31, 2010		205,188
Balance at September 30, 2011	\$	260,967

During the nine months ended September 30, 2011 the Corporation capitalized \$1,660 (September 30, 2010 – \$1,795) of general and administrative costs directly attributable to exploration activities.

Costs associated with properties under development, including undeveloped land and seismic, and salvage value excluded from costs subject to depletion at September 30, 2011 totalled \$14,689 (September 30, 2010 – \$26,660). Future development costs of proved plus probable reserves of \$113,422 at September 30, 2011 (September 30, 2010 – \$81,251) have been included in the depletion calculation.

8. BANK DEBT

The Corporation has available a \$90,000 extendable revolving credit facility, which includes a \$2,000 U.S. operating facility, with a syndicate of banks. The facility is available on a revolving basis for a 364-day period until June 19, 2012. The interest rate on the credit facility is calculated using the syndicate'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 credit facility is secured by a first fixed and floating charge debenture in the minimum face amount of \$150,000 and a general security agreement. Pursuant to the terms of the credit facility, the Corporation has provided the covenants that at all times its working capital ratio shall be not less than 1.2 to 1 and that the ratio of Poseidon Concepts' debt to earnings before interest, taxes, depreciation and amortization (EBITDA) for the trailing 12 months shall not be greater than 1.5 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 these covenants as at September 30, 2011. As the available lending limit of the facility is based on the syndicate's interpretation of the Corporation's reserves and future commodity prices, and Poseidon Concepts' trailing 12-month EBITDA, among other factors, there can be no assurance as to the amount of available facilities that will be determined at each scheduled review.

As at September 30, 2011, \$59,940 (December 31, 2010 – \$51,053) has been drawn against the credit facility and no amount (December 31, 2010 – \$nil) has been drawn against the U.S. operating facility. Letters of credit totalling \$580 are held against this facility (December 31, 2010 – \$580). The credit facility had an effective interest rate of 3.75 percent at September 30, 2011 (December 31, 2010 – 4.5 percent).

See also Note 18, Subsequent Event, for discussion of changes to the Corporation's credit facilities following the end of the reporting period ended September 30, 2011.

9. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning 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 decommissioning obligations at September 30, 2011 to be approximately \$7,123 (December 31, 2010 – \$6,477), to be incurred between 2011 and 2050. The majority of the costs will be incurred between 2020 and 2040. A risk-free rate of 2.8 percent (2010 – 4 percent) was used to calculate the fair value of the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	September 30, 2011	December 31, 2010
Balance at beginning of period	\$ 2,811	\$ 5,310
Liabilities incurred	253	491
Change in estimates	994	465
Liabilities related to property dispositions (note 7)	–	(3,120)
Liabilities settled	(200)	(515)
Accretion expense	81	180
Balance at end of period	\$ 3,939	\$ 2,811

10. 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) Per Share Amounts

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

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Weighted average basic common shares outstanding	68,436	60,934	66,187	60,934
Stock option dilution	3,574	–	1,967	–
Weighted average diluted common shares outstanding	72,010	60,934	68,154	60,934

Options to purchase 455 common shares as at September 30, 2011 (September 30, 2010 – 5,762) were not included in the computation because they were anti-dilutive.

(C) Stock Options and Performance Warrants

Under the Corporation's stock option plan the Corporation may grant options to its employees for up to 6,846 shares, of which 6,262 had been granted as at September 30, 2011 (December 31, 2010 – 6,087). The exercise price of each option equals the market price of the Corporation's shares 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.

	Nine months ended Sept. 30, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Granted and outstanding at beginning of period	6,087	\$ 2.43	5,793	\$ 2.92
Granted	1,032	4.12	1,416	1.79
Exercised	(462)	2.78	–	–
Forfeited	(53)	2.34	(117)	2.24
Cancelled	–	–	(222)	3.42
Expired	(342)	3.90	(783)	4.61
Granted and outstanding at end of period	6,262	\$ 2.60	6,087	\$ 2.43
Exercisable at end of period	1,825	\$ 3.06	2,318	\$ 3.03

The following table summarizes information about the fixed share options outstanding at September 30, 2011:

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
\$ 1.44 – \$ 2.90	4,483	\$ 1.93	3.5	972	\$ 1.96
\$ 2.91 – \$ 4.37	1,324	3.98	3.3	418	3.38
\$ 4.38 – \$ 5.83	455	5.23	1.8	435	5.20
\$ 1.44 – \$ 5.83	6,262	\$ 2.60	3.3	1,825	\$ 3.06

On November 8, 2010, one of the Corporation's wholly owned subsidiaries entered into certain performance warrant agreements with its employees, officers and directors. The performance warrants have terms of five years and vest as to one-third on each of the first, second and third anniversaries of the grant date. Performance warrants are exercisable into units of the subsidiary which has 5,000 units outstanding. In the nine months ended September 30, 2011, the Corporation granted 82 performance warrants with exercise prices ranging from \$5.00-\$20.00 per warrant for a total of 657 warrants outstanding at the end of the quarter with exercise prices ranging from \$1.00-\$20.00 per warrant and with none exercisable.

(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 nine-month period ended September 30, 2011: zero dividend yield, average expected volatility of 68 percent, average risk-free interest rate of 2.69 percent, and expected life of five years. The average fair value of stock options granted during the nine months ended September 30, 2011 was \$2.41 per option.

The fair value of each performance warrant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in the nine-month period ended September 30, 2011: zero dividend yield, average expected volatility of 50 percent, average risk-free interest rate of 2.52 percent, and expected life of five years. The average fair value of the performance warrants granted during the nine months ended September 30, 2011 was \$2.12 per performance warrant.

The Corporation has not re-priced any stock options or performance warrants. A forfeiture rate of 3.84 percent (September 30, 2010 – 3.44 percent) is used when recording stock-based compensation. This estimate is adjusted to the actual forfeiture rate. Stock-based compensation of \$1,318 (September 30, 2010 – \$971) was expensed during the nine months ended September 30, 2011. In addition, stock-based compensation of \$952 (September 30, 2010 – \$1,046) was capitalized during the nine months ended September 30, 2011.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of:

	Three months ended Sept. 30, 2011	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2011	Nine months ended Sept. 30, 2010
Source (use) of cash:				
Accounts receivable	\$ (15,766)	\$ (629)	\$ (29,648)	\$ 4,379
Prepaid expenses and deposits	(201)	268	(1,340)	49
Accounts payable and accrued liabilities	19,565	3,223	19,286	2,178
	\$ 3,598	\$ 2,862	\$ (11,702)	\$ 6,606
Related to operating activities	\$ (15,247)	\$ (326)	\$ (27,620)	\$ 279
Related to investing activities	18,845	3,188	15,918	6,327
	\$ 3,598	\$ 2,862	\$ (11,702)	\$ 6,606

12. CAPITAL MANAGEMENT

The Corporation's objectives in 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, potential property or corporate acquisitions and the construction of fracturing fluid tanks.

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, which are shown in the table below. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares, dispose of non-core properties and adjust its capital spending to manage current and forecast debt levels.

	Sept. 30, 2011	December 31, 2010
Shareholders' equity	\$ 205,758	\$ 155,800
Bank debt	59,940	51,053
Working capital excluding bank debt	\$ 13,719	\$ 1,446

The Corporation manages its capital and financing requirements using the non-IFRS financial metric of 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 and excluding the fair value of commodity contracts, 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 decommissioning 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:

	Sept. 30, 2011	December 31, 2010
Current liabilities, excluding fair value of commodity contracts	\$ 90,193	\$ 61,779
Current assets, excluding fair value of commodity contracts	43,794	(11,959)
Net debt	46,399	49,820
Quarterly cash flow from operating activities	12,204	5,381
Change in non-cash working capital	15,247	3,775
Decommissioning expenditures	3	137
Quarterly funds from operations	27,454	9,293
Annualized funds from operations	\$ 109,816	\$ 37,172
Net debt to annualized funds from operations ratio	0.4:1	1.3:1

As at September 30, 2011, the Corporation's ratio of net debt to annualized funds from operations was within the targeted range established by the Corporation. The decrease in the ratio from December 31, 2010 to September 30, 2011 is primarily due to increased cash flow from operations driven by increased revenues due to increased production volumes and fracturing fluid tank rental revenues, combined with continued declines in certain costs.

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 8) and the Corporation is required to meet certain financial covenants to maintain the facilities. 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 period.

13. 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 September 30, 2011:

	Total	2011	2012	2013	2014	2015	Thereafter
Payments for office lease	\$ 3,185	\$ 153	\$ 717	\$ 794	\$ 794	\$ 727	\$ -
Payments for office equipment leases	43	3	13	13	13	1	-
Firm natural gas transportation agreements	12,348	365	2,177	2,879	3,043	2,110	1,774
Total	\$ 15,576	\$ 521	\$ 2,907	\$ 3,686	\$ 3,850	\$ 2,838	\$ 1,774

14. FINANCIAL RISK MANAGEMENT

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 NGL, all but one of the Corporation's current commodity contracts are for natural gas.

The following tables indicate the fair value of natural gas and crude oil hedging contracts outstanding as at September 30, 2011 and indicate the unrealized gains or losses and realized gains on natural gas and crude oil contracts for the period 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 Sept. 30, 2011	Unrealized gain (loss) for the period ended Sept. 30, 2011	Realized gain (loss) for the period ended Sept. 30, 2011
Jan. to Dec. 2011	2,000	Swap	\$ 5.33	\$ 5.33	\$ 459	\$ (653)	\$ 962
Jan. to Dec. 2011	2,000	Put Option	\$ 3.80 ⁽¹⁾	n/a	(14)	50	(93)
Jan. to Dec. 2011	2,000	Swap	\$ 3.80	\$ 3.80	86	83	126
Jan. to Dec. 2011	2,000	Swap	\$ 3.80	\$ 3.80	86	83	126
Jan. to Dec. 2011	2,000	Put Option	\$ 3.80 ⁽²⁾	n/a	(18)	60	(103)
Jan. to Dec. 2011	2,000	Put Option	\$ 3.80 ⁽³⁾	n/a	(2)	(2)	(43)
					\$ 597	\$ (379)	\$ 975

⁽¹⁾ Cost of put option to the Corporation is \$0.422 per GJ and payment is due on the fifth business day following each contract month.

⁽²⁾ Cost of put option to the Corporation is \$0.440 per GJ and payment is due on the fifth business day following each contract month.

⁽³⁾ Cost of put option to the Corporation is \$0.355 per GJ and payment is due on the fifth business day following each contract month.

Period	Volume (bbls/d)	Type of contract	Average WTI-Nymex floor (US\$/bbl)	Average WTI-Nymex ceiling (US\$/bbl)	Fair value of contract as at Sept. 30, 2011	Unrealized gain for the period ended Sept. 30, 2011	Realized loss for the period ended Sept. 30, 2011
Jan. 2011 to Dec. 2012	200	Call Option	\$ n/a	\$ 90.00	\$ (592)	\$ 1,073	\$ (342)
					\$ (592)	\$ 1,073	\$ (342)

The following table summarizes the sensitivity of the fair value of the Corporation's market risk management positions to fluctuations in natural gas and crude oil prices and interest rates. All 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 and crude oil 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 Nine months ended September 30, 2011	
	Increase	Decrease
Natural gas price – change of 10%	\$ 309	\$ (213)
Crude oil price – change of 10%	\$ 161	\$ (184)
Interest rate – change of 10% ⁽¹⁾	\$ (110)	\$ 110

⁽¹⁾ As at September 30, 2011, a 10 percent change to the Corporation's effective interest rate would be equivalent to a change of 38 basis points or 0.38 percent in the rate charged by the Corporation's banking syndicate.

15. RELATED-PARTY TRANSACTIONS

During the three and nine months ended September 30, 2011, the Corporation incurred \$112 and \$330 in legal costs (September 30, 2010 – \$26 and \$63), respectively, to a law firm in which a Director 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 the period, \$83 were included in accounts payable at September 30, 2011 (December 31, 2010 – \$3).

16. SEGMENTED INFORMATION

Throughout the two reporting periods and to October 31, 2011 the Corporation operated in two main industry segments (see note 18, Subsequent Event). These segments are Exploration and Production Operations (E&P), which includes the exploration, development and production of oil and natural gas in the Western Canada Sedimentary Basin, and Poseidon Concepts, which includes the design, manufacture and rental of fracturing fluid handling tanks primarily used in well completion operations in the oil and natural gas industry. This segment's operations are focused in western Canada and the United States. The segmented amounts are as follows:

	Three months ended September 30, 2011				Three months ended September 30, 2010			
	E&P	Poseidon Concepts	Other ⁽¹⁾	Total	E&P	Poseidon Concepts	Other ⁽¹⁾	Total
Revenues ^{(2) (3)}	10,250	22,329	(478)	32,101	8,902	1,324	–	10,226
Operating earnings ⁽⁴⁾	7,339	20,232	(126)	27,445	6,256	1,283	–	7,539
Total assets	260,718	59,172	(191)	319,699	230,408	3,496	–	233,904

	Nine months ended September 30, 2011				Nine months ended September 30, 2010			
	E&P	Poseidon Concepts	Other ⁽¹⁾	Total	E&P	Poseidon Concepts	Other ⁽¹⁾	Total
Revenues ^{(2) (3)}	30,224	41,236	(1,130)	70,330	29,282	1,658	–	30,940
Operating earnings ⁽⁴⁾	21,915	36,392	(191)	58,116	20,767	1,590	–	22,357
Total assets	260,718	59,172	(191)	319,699	230,408	3,496	–	233,904

⁽¹⁾ Other includes the Corporation's corporate activities and consolidation adjustments in the period.

⁽²⁾ Revenues are net of royalties and include realized gains on commodity contracts.

⁽³⁾ For the three and nine months ended September 30, 2011, Poseidon Concepts revenues included \$17,064 and \$26,157, respectively, from tank rentals in the United States.

⁽⁴⁾ Operating earnings are defined as operating income before depletion and depreciation, stock-based compensation and unrealized gain (loss) on commodity contracts. Operating earnings should be adjusted for these amounts shown on the statements of income and comprehensive income to arrive at income before income taxes.

17. RECONCILIATION OF PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) WITH IFRS

The adoption of IFRS requires the application of IFRS 1. IFRS 1 generally requires that an entity retrospectively apply all IFRS effective at the end of its first IFRS reporting period, while including certain mandatory exceptions and limited optional exemptions. Certain IFRS 1 optional exemptions have been applied including:

- Deemed cost exemption for full cost oil and gas entities;
- Decommissioning obligation exemption that allows any changes in decommissioning obligations on transition to IFRS to be adjusted through opening deficit;
- Stock-based compensation exemption that allows a corporation to evaluate only stock-based compensation awards that were unvested as of the date of transition; and

- Business combinations exemption that allows a corporation not to restate any business combinations that occurred prior to the date of transition.

The accounting policies referred to in note 3 to the interim consolidated financial statements for the three months ended March 31, 2011 have been applied in preparing the interim consolidated financial statements for the three and nine months ended September 30, 2011 and the comparative information for the three and nine months ended September 30, 2010.

In preparing the comparative information for the three and nine months ended September 30, 2010, the Corporation adjusted amounts previously reported in financial statements prepared in accordance with previous GAAP. A financial summary and explanation of how the transition from previous GAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows are set out in the following tables and accompanying notes.

(A) Consolidated Statement of Financial Position (Reconciliation of Equity)

As at September 30, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets:			
Accounts receivable	\$ 6,122	\$ –	\$ 6,122
Prepaid expenses and deposits	1,526	–	1,526
Fair value of commodity contracts	544	–	544
	8,192	–	8,192
Exploration and evaluation assets ^(a)	–	14,634	14,634
Property, plant and equipment ^(a)	215,873	(4,795)	211,078
	\$ 224,065	\$ 9,839	\$ 233,904
LIABILITIES			
Current liabilities:			
Bank indebtedness	\$ 54,963	\$ –	\$ 54,963
Accounts payable and accrued liabilities	12,042	–	12,042
Deferred taxes ^(c)	152	(152)	–
	67,157	(152)	67,005
Deferred taxes ^(c)	7,829	1,567	9,396
Decommissioning obligations ^(b)	3,364	2,522	5,886
	78,350	3,937	82,287
SHAREHOLDERS' EQUITY			
Share capital ^(d)	144,916	3,329	148,245
Contributed surplus ^(e)	7,429	1,040	8,469
Deficit	(6,630)	1,533	(5,097)
	145,715	5,902	151,617
	\$ 224,065	\$ 9,839	\$ 233,904

(B) Consolidated Statement of Income and Comprehensive Income

Three months ended September 30, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues:			
Petroleum and natural gas	\$ 8,973	\$ –	\$ 8,973
Royalties	(931)	–	(931)
Fracturing fluid tank rentals	1,324	–	1,324
Interest ^(f)	1	(1)	–
	9,367	(1)	9,366
Realized gain on commodity contracts	860	–	860
Unrealized loss on commodity contracts	(292)	–	(292)
	9,935	(1)	9,934
Expenses:			
Operating	1,748	–	1,748
General and administrative	840	99	939
Stock-based compensation ^(e)	229	65	294
Depletion and depreciation ^(a)	8,148	(3,014)	5,134
	10,965	(2,850)	8,115
Operating income (loss)	(1,030)	2,849	1,819
Other expense items:			
Accretion of decommissioning obligations ^{(b)(f)}	57	(5)	52
Interest and finance expenses ^(f)	536	(1)	535
Income (loss) before income taxes	(1,623)	2,855	1,232
Deferred tax expense (reduction) ^(c)	(286)	459	173
Net income (loss) and comprehensive income (loss)	\$ (1,337)	\$ 2,396	\$ 1,059
Income (loss) per share:			
Basic	\$ (0.02)	\$ 0.04	\$ 0.02
Diluted	\$ (0.02)	\$ 0.04	\$ 0.02

(C) Consolidated Statement of Income and Comprehensive Income

Nine months ended September 30, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues:			
Petroleum and natural gas	\$ 30,999	\$ –	\$ 30,999
Royalties	(3,236)	–	(3,236)
Fracturing fluid tank rentals	1,658	–	1,658
Interest ^(f)	5	(5)	–
	29,426	(5)	29,421
Realized gain on commodity contracts	1,519	–	1,519
Unrealized gain on commodity contracts	978	–	978
	31,923	(5)	31,918
Expenses:			
Operating	5,967	–	5,967
General and administrative	2,342	274	2,616
Stock-based compensation ^(e)	720	251	971
Depletion and depreciation ^(a)	24,981	(9,434)	15,547
	34,010	(8,909)	25,101
Operating income (loss)	(2,087)	8,904	6,817
Other expense items:			
Accretion of decommissioning obligations ^{(b)(f)}	167	(14)	153
Interest and finance expenses ^(f)	1,407	(5)	1,402
Income (loss) before income taxes	(3,661)	8,923	5,262
Deferred tax expense (reduction) ^(c)	(647)	2,586	1,939
Net income (loss) and comprehensive income (loss)	\$ (3,014)	\$ 6,337	\$ 3,323
Income (loss) per share:			
Basic	\$ (0.05)	\$ 0.10	\$ 0.05
Diluted	\$ (0.05)	\$ 0.10	\$ 0.05

(D) Consolidated Statement of Cash Flows

Three months ended September 30, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):			
Operating:			
Net income (loss)	\$ (1,337)	\$ 2,396	\$ 1,059
Items not involving cash:			
Depletion and depreciation ^(a)	8,148	(3,014)	5,134
Accretion of decommissioning obligations ^(b)	57	(5)	52
Deferred tax expense (reduction) ^(c)	(286)	459	173
Stock-based compensation ^(e)	229	65	294
Unrealized loss on commodity contracts	292	–	292
Interest and financing charges ^(f)	–	535	535
Decommissioning expenditures	(136)	–	(136)
Change in non-cash working capital ^(f)	(350)	24	(326)
	6,617	460	7,077
Financing:			
Bank indebtedness	(2,531)	–	(2,531)
Share issuance costs	5	–	5
Interest paid ^(f)	–	(559)	(559)
	(2,526)	(559)	(3,085)
Investing:			
Property, plant and equipment expenditures	(7,279)	460	(6,819)
Exploration and evaluation expenditures	–	(361)	(361)
Change in non-cash working capital	3,188	–	3,188
	(4,091)	99	(3,992)
Change in cash	–	–	–
Cash, beginning of period	–	–	–
Cash, end of period	\$ –	\$ –	\$ –

(E) Consolidated Statement of Cash Flows

Nine months ended September 30, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):			
Operating:			
Net income (loss)	\$ (3,014)	\$ 6,337	\$ 3,323
Items not involving cash:			
Depletion and depreciation ^(a)	24,981	(9,434)	15,547
Accretion of decommissioning obligations ^(b)	167	(14)	153
Deferred tax expense (reduction) ^(c)	(647)	2,586	1,939
Stock-based compensation ^(e)	720	251	971
Unrealized gain on commodity contracts	(978)	–	(978)
Interest and financing charges ^(f)	–	1,402	1,402
Decommissioning expenditures	(378)	–	(378)
Change in non-cash working capital ^(f)	561	(282)	279
	21,412	846	22,258
Financing:			
Bank indebtedness	14,898	–	14,898
Share issuance costs	(12)	–	(12)
Interest paid ^(f)	–	(1,120)	(1,120)
	14,886	(1,120)	13,766
Investing:			
Property, plant and equipment expenditures	(42,625)	5,895	(36,730)
Exploration and evaluation expenditures	–	(5,621)	(5,621)
Change in non-cash working capital	6,327	–	6,327
	(36,298)	274	(36,024)
Change in cash	–	–	–
Cash, beginning of period	–	–	–
Cash, end of period	\$ –	\$ –	\$ –

(F) NOTES TO RECONCILIATIONS

(a) Property, Plant, and Equipment and Exploration and Evaluation Assets

IFRS 1 election for full cost oil and gas entities:

Open Range elected to utilize an IFRS 1 exemption whereby the full cost pool using previous GAAP was measured upon transition to IFRS as follows:

- (i) E&E assets were reclassified from the full cost pool to E&E assets at the amount that was recorded under previous GAAP; and
- (ii) The remaining full cost pool was allocated to the producing/development assets and components in PP&E pro rata using total proved plus probable reserve values at January 1, 2010.

This resulted in an increase of \$9,013 at January 1, 2010 in E&E assets with a corresponding decrease in PP&E, with no impact on deferred taxes. E&E assets increased by \$5,621 during the nine months ended September 30, 2010 due to capitalization of ongoing E&E expenditures, including undeveloped land and seismic acquired in the period.

Depletion:

Under IFRS, depletion is calculated on a unit-of-production basis using total proved plus probable reserves as compared to total proved reserves under previous GAAP. As a result of this change, the depletion expense decreased by approximately \$3,014 and \$9,434, respectively, for the three and nine months ended September 30, 2010.

Other:

Other PP&E IFRS adjustments include an increase in capitalized share-based compensation due to IFRS changes to stock-based compensation expense (note 10) as well as adjustments due to changes in the decommissioning obligation (note 17(F)(b)).

(b) Decommissioning Obligations

Under previous GAAP decommissioning obligations were discounted at a credit-adjusted risk-free rate of 8-10 percent. Under IFRS the estimated cash flows to abandon and remediate the wells and facilities have been risk-adjusted and, therefore, the provision is discounted at the risk-free rate in effect at the end of each reporting period. The change in the decommissioning obligations in each period as a result of the changes in the discount rate will result in an offsetting charge to PP&E. As at September 30, 2010 the decommissioning obligations were \$2,522 higher than under previous GAAP due to the change in discount rate and its impact on the liabilities incurred or acquired during the period.

As a result of the change in the discount rate, the decommissioning obligation accretion expense decreased by \$5 and \$14 during the three and nine months ended September 30, 2010, respectively, as the lower discount rate more than offset the impact of the higher obligation. In addition, under previous GAAP accretion was included in operating expenses. Under IFRS it has been moved to other expense items as it is considered a finance expense.

(c) Deferred Taxes

Under IFRS, deferred taxes are reported as a non-current liability, resulting in a reclassification of the \$152 current deferred tax liability to long-term at September 30, 2010.

Adjustments to deferred taxes have also been made in regards to the other adjustments noted throughout this section that resulted in a change to the temporary difference between tax and accounting values.

(d) Flow-through Shares

Under IFRS, flow-through shares issued are recorded in share capital at the fair value of common shares on the date of issuance. The premium received on issuing flow-through shares is initially recorded as a deferred credit and then, as qualifying expenditures are incurred, the deferred premium is reversed and a deferred tax liability is recorded for the foregone tax benefit of the flow-through. The net amount is then recognized as deferred tax expense.

The impact of the flow-through share change in accounting policy resulted in a transitional adjustment to share capital of \$1,581, a deferred flow-through share premium liability of \$1,373 and an adjustment to the deficit of \$2,954. The premium liability was reversed fully in the first nine months of 2010 as qualifying expenditures were incurred and the tax impact of the flow-through share issuance of \$1,754 was reclassified from share capital to deferred tax expense.

(e) Stock-based Compensation

Under previous GAAP, the Corporation recognized an expense related to the stock-based compensation on a straight-line basis through the date of the full vesting and did not incorporate a forfeiture rate. Under IFRS, the Corporation is required to recognize the expense over the individual vesting periods for the graded vesting awards, to estimate a forfeiture rate at the date of grant and to update it throughout the vesting period. The three and nine months ended September 30, 2010 saw an increase to stock-based compensation expense of \$65 and \$251, respectively, with a capitalized portion of \$66 and \$271, respectively.

(f) Reclassifications

Under previous GAAP, interest and accretion were disclosed as separate line items in the statement of income. Under IFRS, these amounts are unchanged but are reported below the determination of operating income. Interest paid is disclosed as a financing item in the statement of cash flows, resulting in an increase in cash provided by operating activities and a corresponding increase in cash used for financing activities of \$559 and \$1,120 for the three and nine months ended September 30, 2010, respectively.

18. SUBSEQUENT EVENT

On October 31, 2011, the Arrangement resulting in the reorganization of Open Range into a natural gas E&P company and a dividend-paying energy service and supply company received shareholder and Court approval and was made effective for November 1, 2011. Pursuant to the Arrangement, Open Range shareholders received one New Open Range common share for each Open Range share held. In addition, Open Range shareholders received 0.8839 Poseidon common shares for each Open Range share held, resulting in a consolidation of Open Range and now Poseidon shares outstanding.

In connection with the Arrangement and following shareholder approval, 6,262 Open Range stock options became fully vested and were exercised immediately into 6,262 common shares of Open Range which were subsequently exchanged for an aggregate of 6,262 New Open Range common shares and 5,535 Poseidon shares. Also in connection with the Arrangement and following Board approval, 657 Poseidon warrants became fully vested and were exercised immediately into 657 Poseidon Concepts Limited Partnership units which were subsequently exchanged for an aggregate of 8,675 Poseidon common shares. Following the closing of the Arrangement New Open Range and Poseidon now each have 74,720 common shares outstanding.

Concurrent with the closing of the Arrangement, New Open Range and Poseidon have entered into independent credit facility agreements each with a syndicate of Canadian banks. New Open Range has a \$75,000 extendable revolving credit facility available until May 31, 2012, at which time it may be extended for a 364-day period at the lenders' option. Poseidon also has a \$75,000 extendable revolving credit facility available until May 31, 2012, at which time it may also be extended for a 364-day period at the lenders' option.

The Corporation is currently determining with New Open Range the final division of assets and liabilities that will be carved out of the Corporation's financial statements and transferred to New Open Range at historic costs. This process will be completed during the fourth quarter of 2011.

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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
GJ	Gigajoule
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcfe	thousand cubic feet equivalent
mmcf	million cubic feet
NGL	natural gas liquids



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