Interim Condensed Consolidated Statements of Financial Position

(thousands) (Unaudited)		As at September 30, 2012		As at December 31, 2011
ASSETS				
Current assets:				
Cash and cash equivalents	$	3,461	$	-
Accounts receivable		125,516		53,595
Prepaid expenses and deposits		4,362		1,105
Inventory		6,507		2,856
		139,846		57,556
Deferred taxes		2,484		11,492
Property, plant and equipment (note 4)		59,451		33,836
	$	201,781	$	102,884
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	$	23,102	$	12,437
Dividends payable		7,405		6,725
Current taxes payable		6,600		204
Bank indebtedness		-		18,305
Due to Open Range (note 8)		-		36,419
Note payable		-		10,066
		37,107		84,156
Deferred taxes		1,635		-
Long-term debt (note 5)		55,544		-
		94,286		84,156
SHAREHOLDERS' EQUITY				
Share capital (note 6)		92,616		299,531
Contributed surplus (note 6)		11,566		5,315
Accumulated other comprehensive income		(232)		188
Retained earnings (deficit)		3,545		(286,306)
		107,495		18,728
	$	201,781	$	102,884

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Income and Comprehensive Income

(thousands, except per share amounts) (Unaudited)	Three months ended Sept. 30, 2012	Three months ended Sept. 30, 2011	Nine months ended Sept. 30, 2012	Nine months ended Sept. 30, 2011
Revenue	$ 41,116	$ 23,969	$ 148,120	$ 44,943
Expenses:				
Operating	9,069	2,658	17,107	6,346
General and administrative	5,458	1,191	14,713	2,395
Stock-based compensation (note 6)	2,310	43	6,251	100
Depreciation (note 4)	679	1,159	3,116	2,103
Bad debt expense	9,476	–	9,476	–
	26,992	5,051	50,663	10,944
Operating income	14,124	18,918	97,457	33,999
Other expense (income) items:				
Interest and finance expenses	531	133	1,908	203
Foreign exchange	3,305	–	2,922	–
Income before income taxes	10,288	18,785	92,627	33,796
Tax expense	2,456	4,487	23,973	8,436
Net income from continuing operations	7,832	14,298	68,654	25,360
Net income from discontinued operations, net of tax (note 3)	–	523	–	1,098
Net income	7,832	14,821	68,654	26,458
Other comprehensive income:				
Currency translation adjustment	(1,015)	1,086	(420)	849
Comprehensive income	$ 6,817	$ 15,907	$ 68,234	$ 27,307
Income from continuing operations per share (note 6):				
Basic	$ 0.10	$ 0.24	$ 0.85	$ 0.43
Diluted	$ 0.10	$ 0.22	$ 0.85	$ 0.42
Income from discontinued operations per share (note 6):				
Basic	$ –	$ 0.01	$ –	$ 0.02
Diluted	$ –	$ 0.01	$ –	$ 0.02
Income per share (note 6):				
Basic	$ 0.10	$ 0.25	$ 0.85	$ 0.45
Diluted	$ 0.10	$ 0.23	$ 0.85	$ 0.44

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(thousands) (Unaudited)	Common shares		Share capital		Contributed surplus		Accumulated other comprehensive income (loss)		Retained earnings (deficit)		Total equity
Balance at January 1, 2012	74,720	$	299,531	$	5,315	$	188	$	(286,306)	$	18,728
Reduction of capital (note 6)	–		(286,306)		–		–		286,306		–
Net income for the period	–		–		–		–		68,654		68,654
Accumulated other comprehensive loss	–		–		–		(420)		–		(420)
Stock-based compensation expensed	–		–		6,251		–		–		6,251
Issuance of common shares	6,377		82,841		–		–		–		82,841
Share issuance costs, net of tax of $1,150	–		(3,450)		–		–		–		(3,450)
Dividends to shareholders ($0.81 per share)	–		–		–		–		(65,109)		(65,109)
Balance at September 30, 2012	81,097	$	92,616	$	11,566	$	(232)	$	3,545	$	107,495
Balance at January 1, 2011	53,873	$	148,269	$	9,078	$	–	$	(1,547)	$	155,800
Net income from continuing operations for the period	–		–		–		–		25,360		25,360
Net income from discontinued operations for the period	–		–		–		–		1,098		1,098
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	408		1,282		–		–		–		1,282
Transfer of stock-based compensation on options exercised	–		663		(663)		–		–		–
Issuance of common shares	6,229		20,071		–		–		–		20,071
Share issuance costs, net of tax of $316	–		(972)		–		–		–		(972)
Balance at September 30, 2011	60,510	$	169,313	$	10,685	$	849	$	24,911	$	205,758

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(thousands) (Unaudited)	Three months ended Sept. 30, 2012	Three months ended Sept. 30, 2011	Nine months ended Sept. 30, 2012	Nine months ended Sept. 30, 2011
Cash provided by (used in):				
Operating:				
Net income	$ 7,832	$ 14,822	$ 68,654	$ 26,458
Items not involving cash:				
Depletion and depreciation	679	7,452	3,116	20,107
Accretion of decommissioning obligations	–	25	–	81
Deferred tax expense	1,553	5,050	11,694	9,250
Stock-based compensation	2,310	524	6,251	1,318
Unrealized gain on commodity contracts	–	(924)	–	(694)
Unrealized foreign exchange loss	3,443	–	3,060	–
Bad debt expense	9,476	–	9,476	–
Interest and financing expenses	531	505	1,908	1,521
Funds from operations	25,824	27,454	104,159	58,041
Decommissioning expenditures	–	(3)	–	(200)
Change in non-cash working capital	(20,178)	(15,247)	(77,034)	(27,620)
	5,646	12,204	27,125	30,221
Financing:				
Bank debt, net	21,000	(365)	37,239	8,887
Note repayment	–	–	(10,066)	–
Net repayment to Open Range Energy Corp.	–	–	(36,419)	–
Issuance of common shares, net of issuance costs	–	(5)	78,241	18,783
Proceeds from exercise of options	–	444	–	1,282
Dividends paid	(21,896)	–	(64,535)	–
Interest paid	(285)	(505)	(1,731)	(1,278)
	(1,181)	(431)	2,729	27,674
Investing:				
Property, plant and equipment expenditures	(9,659)	(30,618)	(29,231)	(73,502)
Exploration and evaluation expenditures	–	–	–	(311)
Property, plant and equipment dispositions	–	–	500	–
Change in non-cash working capital	(3,469)	18,845	2,338	15,918
	(13,128)	(11,773)	(26,393)	(57,895)
Change in cash	(8,663)	–	3,461	–
Cash, beginning of period	12,124	–	–	–
Cash, end of period	$ 3,461	$ –	$ 3,461	$ –

Cash is defined as cash and cash equivalents.

For the three and nine months ended September 30, 2012 the Corporation paid cash taxes of $0.9 million (2011 – nil) and $5.7 million (2011 – nil), respectively.

See accompanying notes to interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 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

Poseidon Concepts Corp., formerly Open Range Energy Corp. ("Open Range"), and its subsidiaries (together "Poseidon" or the "Corporation") provide fluid management solutions and related products and services to the oil and natural gas industry throughout western Canada and the United States.

Poseidon began independent operations on November 1, 2011, as a result of a corporate reorganization whereby Open Range Energy Corp. was split into two independent energy companies, a natural gas exploration and production (E&P) company, Open Range Energy Corp., and the other an energy service and supply company, Poseidon. These interim condensed consolidated financial statements present the ongoing results of the service company while the E&P company's results are presented as discontinued operations (note 3). For further details on the corporate reorganization please refer to the consolidated financial statements for the year ended December 31, 2011.

These interim condensed consolidated financial statements include the accounts of the Corporation and the following wholly-owned subsidiaries: Poseidon Concepts Ltd., 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; Poseidon Concepts Limited Partnership, a partnership organized under the laws of the province of Alberta; Poseidon Concepts Holding Corp., a corporation organized under the laws of the province of Alberta; Poseidon Concepts Global SÀRL, a corporation organized under the laws of Luxembourg; and Poseidon Concepts Dublin Limited, a corporation organized under the laws of Ireland. Inter-entity balances and transactions were eliminated.

2. BASIS OF PRESENTATION

(A) Statement of Compliance

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", of International Financial Reporting Standards (IFRS), and using the accounting policies disclosed in the consolidated financial statements for the year ended December 31, 2011. These interim condensed consolidated financial statements are intended to be read in conjunction with the consolidated financial statements for the year ended December 31, 2011 and do not include all of the information required for full annual financial statements.

The interim condensed consolidated financial statements were authorized for issuance by the Corporation's Board of Directors on November 14, 2012.

(B) Seasonality

A portion of the Corporation's operations are carried on in western Canada where activity levels in the oilfield service industry are subject to a degree of seasonality. Operating activities in western Canada are generally lower during "spring breakup" which normally commences in late March and continues on through to late May or early June. Operating activities tend to increase in the fall and peak in the winter months from December until late March. Additionally, volatility in the weather and temperatures not only during this period, but year-round, can create additional unpredictability in operational results. Activity levels in the United States are not subject to seasonality to the extent that it occurs in the western Canada region.

3. DISCONTINUED OPERATIONS

The income from discontinued operations for the three and nine months ended September 30, 2011 is:

	Three months ended Sept. 30, 2011	Nine months ended Sept. 30, 2011
Revenues:		
Petroleum and natural gas	$ 10,964	$ 32,719
Royalties	(1,061)	(3,128)
	9,903	29,591
Realized gain on commodity contracts	347	633
Unrealized gain on commodity contracts	924	694
	11,174	30,918
Expenses:		
Operating	1,800	5,063
General and administrative	1,125	3,247
Stock-based compensation	481	1,218
Depletion and depreciation	6,293	18,004
	9,699	27,532
Operating income	1,475	3,386
Other expense items:		
Accretion of decommissioning obligations	25	81
Interest and other finance expenses	364	1,393
Net income before income taxes	1,086	1,912
Deferred tax expense	563	814
Net income from discontinued operations	$ 523	$ 1,098

Cash flows from discontinued operations for the three and nine month period ended September 30, 2011 are summarized as follows:

	Three months ended Sept. 30, 2011	Nine months ended Sept. 30, 2011
Cash flows from operating activities	$ 8,523	$ 20,434
Cash flows from financing activities	(4,806)	17,408
Cash flows used in investing activities	(3,717)	(37,842)
Cash flows from discontinued operations	$ –	$ –

4. PROPERTY, PLANT AND EQUIPMENT

Cost		
Balance at December 31, 2011	$	38,122
Additions		29,231
Disposition		(2,365)
Balance at September 30, 2012	$	64,988

Accumulated depletion and depreciation		
Balance at December 31, 2011	$	(4,286)
Depreciation expense		(3,116)
Disposition		1,865
Balance at September 30, 2012	$	(5,537)

Net book value		
Balance at December 31, 2011	$	33,836
Balance at September 30, 2012	$	59,451

5. LONG-TERM DEBT

Effective June 29, 2012, the Corporation obtained a new $100 million two-year extendible revolving credit facility (the "Facility") with a syndicate of banks. The Corporation may request an extension annually, and upon approval of the banks, the Facility can be extended for a further one-year period. The Facility, if not extended, will become due on June 30, 2014. The Facility, which replaced the previous $50 million facility, is secured by a general security agreement and interest is calculated using the syndicate's prime rate plus an applicable facility margin based on Poseidon's funded debt to EBITDA ratio for the previous financial quarter. The Facility has an effective interest rate of 3.5 percent (December 31, 2011 – 4.0 percent) at September 30, 2012. Debt issue costs with respect to the Facility are expensed over the term of the loan as finance expenses.

As at September 30, 2012, $56 million was drawn against the Facility out of the $100 million available. As at September 30, 2012, no mandatory principal repayments are required within the next year.

Pursuant to the Facility, Poseidon is required to comply with certain financial covenants and conditions typical for this type of credit agreement. As at September 30, 2012, the Corporation was in compliance with the covenants.

6. 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. Pursuant to the corporate reorganization, the Poseidon common shares were consolidated at 0.8839 for all periods before November 1, 2011.

On February 2, 2012, 6,347 common shares were issued pursuant to a bought-deal financing for total gross proceeds of $82,511.

The Corporation's accumulated deficit balance of $286.3 million as at January 1, 2012 was eliminated and applied against accounting share capital, without payment or reduction to stated capital or paid-up capital, as voted on and approved by the shareholders of the Corporation at its Annual and Special Meeting held on May 17, 2012.

(B) Per Share Amounts

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

	Three months ended Sept. 30, 2012	Three months ended Sept. 30, 2011	Nine months ended Sept. 30, 2012	Nine months ended Sept. 30, 2011
Weighted average basic common shares outstanding	81,097	60,491	80,341	58,503
Stock option dilution	1,331	3,159	840	1,738
Weighted average diluted common shares outstanding	82,428	63,650	81,181	60,241

Options to purchase 375 common shares as at September 30, 2012 (September 30, 2011 – 402) were not included in the computation because they were anti-dilutive.

(C) Stock Options

Under the Corporation's stock option plan it may grant options to its employees for up to 8,110 shares, of which 7,182 had been granted as at September 30, 2012 (December 31, 2011 – 6,500). The exercise price of each option equals the closing price of the Corporation's shares on the last trading day prior to the date of grant. Options have terms of five years and vest as to one-quarter on each of the first, second, third and fourth anniversaries of the grant.

	Nine months ended September 30, 2012		Year ended December 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Granted and outstanding at beginning of period	6,500	$ 11.44	–	$ –
Granted	1,640	14.10	6,500	11.44
Forfeited	(958)	11.93	–	–
Granted and outstanding at end of period	7,182	$ 11.98	6,500	$ 11.44
Exercisable at end of period	–	$ –	–	$ –

The following table summarizes information about the stock options outstanding at September 30, 2012:

	Options Outstanding				Options Exercisable	
Range of exercise prices	Number	Weighted average exercise price	Weighted average contractual life (years)		Number	Weighted average exercise price
\$ 11.04 – \$ 12.26	5,723	\$ 11.44	4.12		–	\$ –
\$ 12.27 – \$ 13.49	140	12.65	4.55		–	–
\$ 13.50 – \$ 14.72	949	13.89	4.52		–	–
\$ 14.73 – \$ 15.94	370	15.21	4.47		–	–
\$ 11.04 – \$ 15.94	7,182	\$ 11.98	4.20		–	\$ –

(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 months ended September 30, 2012: 7.7 percent annual dividend yield, average expected volatility of 50 percent, average risk-free interest rate of 1.3 percent, and expected life of five years. The average fair value of stock options granted in the nine months ended September 30, 2012 was \$3.07 per option.

The Corporation has not re-priced any stock options. A forfeiture rate of 5 percent (September 30, 2011 – 3.84 percent) was used when recording stock-based compensation. This estimate is adjusted to the actual forfeiture rate. Stock-based compensation of \$6,251 was expensed during the nine months ended September 30, 2012 (September 30, 2011 – \$100).

7. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's accounts receivables.

The vast majority of the Corporation's accounts receivable are from customers involved in the oil and natural gas industry and the ultimate collection of the receivable depends on a mix of industry-related and customer-specific factors. Industry-related factors that may affect collection include commodity prices and access to capital. Customer-specific factors that may affect collection include realized commodity prices, the success of drilling programs, well reservoir depletion rates and access to capital. The Corporation's most significant customer, a large diversified energy company, accounted for 13 percent of the consolidated revenue for the nine months ended September 30, 2012. The Corporation's revenue is 85 percent from U.S. customers and 15 percent from Canadian customers.

The Corporation has a policy under which each customer is analyzed for creditworthiness before the Corporation begins to provide services to the customer and prior to offering standard payment terms and conditions. Credit limits are established for each customer, which represents the maximum exposure. The Corporation's credit limit review includes customer cash flow analysis, external debt ratings, and credit references when appropriate. Customers that fail to meet the Corporation's benchmark creditworthiness may transact with the Corporation only after providing a cash deposit to offset a portion of the credit amount; the customer will remain closely monitored until sufficient payment history is established.

Accounts receivable balances are reviewed frequently for credit risk. Should the monthly analysis show that a customer is approaching its credit limit or days sales outstanding are beginning to lengthen, the customer is contacted to discuss payment timing and commitments; when required, a customer could be added to a 'watch list' which signifies the Corporation no longer views the customer as creditworthy, while macro-economic or industry considerations could also necessitate adding a customer to this list. High risk customers are contacted weekly after the invoice date if payment has not been received; the Corporation will lien a customer's asset or pursue legal action if deemed necessary. The Corporation, at September 30, 2012, does not have any collateral over the outstanding accounts receivable.

The Corporation reviews its accounts receivable amounts quarterly in determining bad debt expense and amounts are written down to their expected realizable value when it is determined not to be fully collectable. Bad debt expense is charged to net earnings in the period that the account is determined to be doubtful or irrecoverable. In determining bad debt expense, the Corporation considers a variety of circumstances for each specific customer, which include but are not limited to, when the customer has indicated an unwillingness to pay, the Corporation is unable to communicate with the customer over an extended period of time, the customer has entered creditor protection or other economic circumstances indicate the inability to pay, and other methods to obtain payment have been utilized and have not been successful. While the Corporation relies on internal collection efforts, there are circumstances where external collection effort or legal action is required to collect an overdue account, which includes suspension of services and removal of equipment.

As at September 30, 2012 and December 31, 2011, the Corporation considers its receivables, net of bad debts, to be aged as follows:

	September 30, 2012	December 31, 2011
Not past due (less than 120 days)	$ 89,407	$ 47,573
Past due (over 120 days)	36,109	6,022
Total	$ 125,516	$ 53,595

The carrying amount of accounts receivable, when outstanding, represents the maximum credit exposure. $9,476 of uncollectible amounts were written off in the three and nine months ended September 30, 2012 (December 31, 2011 – $nil) related to amounts considered past due. The Corporation expects that the amounts that are past due remain collectible based on extensive analysis of customer credit risk, historic payment behavior, customer credit ratings, and other financial analysis.

The Corporation is also exposed to credit risk on its cash and cash equivalents, which are held with large financial institutions.

8. AMOUNT DUE TO OPEN RANGE

Upon the completion of the corporate reorganization on November 1, 2011 the Corporation and Open Range agreed that Poseidon would retain a net debt position, defined as current assets less current liabilities which included bank debt, of $25,000. Pursuant to the corporate reorganization and subsequent transactions, Poseidon owed $36,419 to Open Range as at December 31, 2011. As of September 30, 2012, the full amount owing to Open Range had been paid.

9. SEGMENTED INFORMATION

Geographical segments

The Corporation operates in two main geographical segments reflecting the focus of its operations in western Canada and the United States. The segmented amounts are as follows:

	Three months ended Sept. 30, 2012				Three months ended Sept. 30, 2011			
	Canada	United States	Other [1]	Total	Canada	United States	Other [1]	Total
Revenue	$ 6,475	$ 34,641	$ –	$ 41,116	$ 6,188	$ 18,133	$ (352)	$ 23,969
Total non-current assets [2]	$ 53,171	$ 8,764	$ –	$ 61,935	$ 275,498	$ 229	$ –	$ 275,727

	Nine months ended Sept. 30, 2012				Nine months ended Sept. 30, 2011			
	Canada	United States	Other [1]	Total	Canada	United States	Other [1]	Total
Revenue	$ 20,183	$127,937	$ –	$148,120	$ 17,541	$ 28,341	$ (939)	$ 44,943
Total non-current assets [2]	$ 53,171	$ 8,764	$ –	$ 61,935	$ 275,498	$ 229	$ –	$ 275,727

[1] Other includes the Corporation's inter-corporate activities and consolidation/elimination adjustments in the period.

[2] Total non-current assets for the three and nine months ended September 30, 2011 includes amounts relating to discontinued operations.