Management's Report

Management is responsible for the integrity and objectivity of the information contained in the accompanying financial statements, management's discussion and analysis and message to shareholders (collectively, the "annual release") and for the consistency between the financial statements and other financial and operating data contained in the other sections described. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected with all information available up to March 22, 2012. The financial statements have been prepared using policies and procedures established by management in accordance with International Financial Reporting Standards and reflect fairly Poseidon's financial position, results of operations and cash flow.

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

KPMG LLP, independent auditors appointed by the shareholders, have examined the financial statements. Their examinations provide independent views as to the amounts and disclosures in the financial statements.

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

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

(signed) "Lyle Michaluk"

Lyle Michaluk
Chief Executive Officer

(signed) "Matt MacKenzie"

Matt MacKenzie
Chief Financial Officer

March 22, 2012

Independent Auditors' Report

To the Shareholders of Poseidon Concepts Corp.

We have audited the accompanying consolidated financial statements of Poseidon Concepts Corp., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Poseidon Concepts Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

(signed) "KPMG LLP"

Chartered Accountants
Calgary, Canada

March 22, 2012

Consolidated Statements of Financial Position

(thousands) As at		December 31, 2011		December 31, 2010 (note 22)		January 1, 2010 (note 22)
ASSETS						
Current assets:						
Accounts receivable (note 18)	$	53,595	$	9,668	$	10,501
Prepaid expenses and deposits		1,105		2,201		1,575
Inventory (note 7)		2,856		90		–
Fair value of commodity contracts (note 18)		–		213		–
		57,556		12,172		12,076
Deferred taxes (note 12)		11,492		–		–
Exploration and evaluation assets (note 8)		–		14,634		9,013
Property, plant and equipment (note 9)		33,836		205,188		188,049
	$	102,884	$	231,994	$	209,138
LIABILITIES						
Current liabilities:						
Bank indebtedness (note 10)	$	18,305	$	51,053	$	40,065
Due to Open Range (note 19)		36,419		–		–
Note payable (note 19)		10,066		–		–
Accounts payable and accrued liabilities		12,437		10,726		9,582
Dividends payable		6,725		–		–
Current taxes payable (note 12)		204				
Fair value of commodity contracts (note 18)		–		–		434
		84,156		61,779		50,081
Fair value of commodity contracts (note 18)		–		902		–
Flow-through share premium		–		–		1,373
Deferred taxes (note 12)		–		10,702		6,089
Decommissioning obligations (note 11)		–		2,811		5,310
		84,156		76,194		62,853
SHAREHOLDERS' EQUITY						
Share capital (note 13)		299,531		148,269		148,253
Contributed surplus		5,315		9,078		6,452
Accumulated other comprehensive income		188		–		–
Deficit		(286,306)		(1,547)		(8,420)
		18,728		155,800		146,285
Commitments (note 17)						
Subsequent event (note 23)						
	$	102,884	$	231,994	$	209,138

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(thousands, except per share amounts) Years ended December 31		2011		2010
				(note 22)
Revenue	$	78,767	$	5,549
Expenses:				
Operating		9,623		616
General and administrative		4,523		235
Stock-based compensation (note 13)		1,134		8
Depreciation (note 9)		2,149		697
		17,429		1,556
Operating income		61,338		3,993
Other expense items:				
Interest and finance expenses (note 15)		757		145
Income before income taxes		60,581		3,848
Current tax expense (note 12)		204		–
Deferred tax expense (note 12)		15,377		1,127
Income tax expense		15,581		1,127
Net income from continuing operations		45,000		2,721
Net income (loss) from discontinued operations, net of tax (note 6)		(57,478)		4,152
Net income (loss)		(12,478)		6,873
Other comprehensive income:				
Currency translation adjustment		188		–
Comprehensive income (loss)	$	(12,290)	$	6,873
Income from continuing operations per share (note 13):				
Basic	$	0.73	$	0.05
Diluted	$	0.73	$	0.05
Income (loss) from discontinued operations per share (note 13):				
Basic	$	(0.93)	$	0.08
Diluted	$	(0.93)	$	0.08
Income per share (note 13):				
Basic	$	(0.20)	$	0.13
Diluted	$	(0.20)	$	0.13

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(thousands)	Common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Retained earnings (deficit)		Total equity
Balance at January 1, 2010	53,873	$	148,253	$	6,452	$	–	$	(8,420)	$	146,285
Net income from continuing operations for the period	–		–		–		–		2,721		2,721
Net income from discontinued operations (note 6)	–		–		–		–		4,152		4,152
Issued pursuant to private placement	–		24		–		–		–		24
Share issuance costs, net of tax of $4	–		(8)		–		–		–		(8)
Stock-based compensation expensed	–		–		1,282		–		–		1,282
Stock-based compensation capitalized	–		–		1,344		–		–		1,344
Balance at December 31, 2010	53,873	$	148,269	$	9,078	$	–	$	(1,547)	$	155,800
Net income from continuing operations for the period	–		–		–		–		45,000		45,000
Net loss from discontinued operations (note 6)									(57,478)		(57,478)
Accumulated other comprehensive income							188		–		188
Stock-based compensation [1]	–		–		6,440		–		–		6,440
Issuance of common shares on exercise of options	5,943		17,591		–		–		–		17,591
Transfer of stock-based compensation on options exercised	–		9,924		(9,924)		–		–		–
Issuance of common shares on exercise of warrants (note 6)	8,675		104,533		–		–		(99,905)		4,628
Transfer of stock-based compensation on warrants exercised	–		279		(279)		–		–		–
Recognition of deferred tax asset	–				–		–		8,297		8,297
Issuance of common shares	6,229		20,071		–		–		–		20,071
Share issuance costs, net of tax of $373	–		(1,136)		–		–		–		(1,136)
Distribution of Open Range shares (note 6)	–		–		–		–		(167,223)		(167,223)
Dividends to shareholders ($0.09 dividend per share)	–		–		–		–		(13,450)		(13,450)
Balance at December 31, 2011	74,720	$	299,531	$	5,315	$	188	$	(286,306)	$	18,728

See accompanying notes to consolidated financial statements.

[1] Stock-based compensation includes $1,134 on continuing operations and $2,236 capitalized and $3,070 expensed for discontinued operations.

Consolidated Statements of Cash Flows

(thousands) Years ended December 31	2011	2010 (note 22)
Cash provided by (used in):		
Operating:		
Net income (loss)	$ (12,478)	$ 6,873
Items not involving cash:		
Depletion and depreciation	22,370	21,162
Accretion of decommissioning obligations	91	180
Deferred tax expense	16,110	3,244
Stock-based compensation	4,204	1,282
Unrealized (gain) loss on commodity contracts	(313)	255
Gain on disposition of properties	–	(2,836)
Loss on sale of discontinued operations (note 6)	56,606	–
Interest and financing expenses	2,237	1,909
Restructuring costs (note 6)	(12,577)	
Decommissioning expenditures	(88)	(515)
Change in non-cash working capital (note 14)	(40,511)	(3,214)
	35,651	28,340
Financing:		
Bank indebtedness	(30,441)	10,988
Note payable	10,066	–
Net proceeds from Open Range Energy Corp.	36,419	–
Issuance of common shares, net of issuance costs	18,562	12
Proceeds from exercise of options and warrants	22,219	–
Dividends paid	(6,725)	–
Interest paid	(2,237)	(1,909)
	47,863	9,091
Investing:		
Property, plant and equipment expenditures	(100,991)	(48,019)
Exploration and evaluation expenditures	(4,506)	(5,621)
Disposition of properties	–	11,734
Change in non-cash working capital (note 14)	21,983	4,475
	(83,514)	(37,431)
Change in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	$ –	$ –

Cash is defined as cash and cash equivalents.

See accompanying notes to consolidated financial statements.

Notes to the Financial Statements

YEARS ENDED DECEMBER 31, 2011 AND 2010

(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") are engaged in the renting of fracturing fluid handling tanks primarily used in well completion operations in 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 (the "Arrangement") whereby Open Range was split into two independent energy companies, one a natural gas exploration and production (E&P) company, Open Range Energy Corp. (the "New Open Range"), and the other an energy service and supply company, Poseidon. These consolidated financial statements reflect the ongoing accounts of Open Range following the disposition of the E&P company. Further information on the Arrangement is presented in note 6.

Poseidon is organized under the laws of the province of Alberta and its shares are publicly traded on the Toronto Stock Exchange (TSX). The executive and registered office is located at #1200, 645 -7th Avenue S.W., Calgary, Alberta, Canada T2P 4G8.

The 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; and Poseidon Concepts Limited Partnership, a partnership organized under the laws of the province of Alberta. Inter-entity balances and transactions were eliminated.

2. BASIS OF PRESENTATION

(A) Statement of Compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). As these consolidated statements are the Corporation's first following its transition to IFRS, IFRS 1 – "First Time Adoption of International Financial Reporting Standards" was applied.

Poseidon's significant accounting policies under IFRS are presented in note 3. They were retrospectively and consistently applied except where IFRS 1 contained specific exemptions and permitted an alternative treatment upon transition. The financial impact of the new standards, including reconciliations presenting the change from previous Canadian generally accepted accounting principles (GAAP) to IFRS as at January 1, 2010 and as at and for the year ended December 31, 2010, is presented in note 22.

The consolidated financial statements were authorized for issuance by the Corporation's Board of Directors on March 22, 2012.

(B) Basis of Measurement and Principles Of Consolidation

The consolidated financial statements were prepared on the historical cost basis except that derivative financial instruments are measured at fair value.

The methods used to measure fair values are discussed in note 5.

(C) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, the functional currency of the Corporation, its subsidiary, Poseidon Concepts Ltd., and its wholly-owned partnership, Poseidon Concepts Limited Partnership. The Corporation's subsidiary, Poseidon Concepts Inc., has the U.S. dollar as its functional currency.

(D) Use of Estimates and Judgement

The preparation of the consolidated financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. As a result, actual amounts could differ from estimated amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year performed and in any future years affected. Significant estimates and judgement are as follows:

- Amounts recorded for depletion and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related cash flows, are subject to measurement uncertainty. Accordingly, the impact to the consolidated financial statements in future periods could be material;

- Amounts recorded for depreciation are based on estimated useful lives and salvage values which are subject to measurement uncertainty;

- Amounts recorded for decommissioning obligations and the related accretion expense require estimates with respect to the amount and timing of decommissioning expenditures. Decommissioning liabilities are recognized in the period when it becomes probable that there will be a future cash outflow;

- The estimated fair value of derivative instruments resulting in financial assets and liabilities is by nature subject to measurement uncertainty, due principally to the necessity to estimate volatile forward price curves;

- Compensation costs recognized for stock-based compensation plans are subject to the estimation of ultimate payout using pricing models such as the Black-Scholes model, which are based on significant assumptions such as volatility, risk-free interest rates and expected term; and

- Tax interpretations, regulation and legislation in the various jurisdictions in which the Corporation operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below were applied consistently by the Corporation to all periods presented. Many of the policies presented below are those of Open Range for comparative purposes.

In addition to the quantitative adjustments from previous GAAP to IFRS, certain comparative amounts were reclassified to conform to the current period's presentation. In addition, the comparative statement of comprehensive income has been re-presented as if the New Open Range discontinued operations had been discontinued from the start of the comparative year (see note 6).

(A) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, currently exercisable voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements throughout the period of control.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of income.

(ii) Jointly controlled operations and jointly controlled assets

Many of the Corporation's former oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Corporation's share of the jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(iii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(B) Foreign Currency

Transactions in foreign currencies are translated to the functional currencies of each entity at exchange rates prevailing on the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to each entity's functional currency at the period-end exchange rate. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency gains and losses are reported on a net basis.

The assets and liabilities of foreign operations are translated to Canadian dollars, the reporting currency, at the reporting date. The income and expense transactions of foreign operations are translated to Canadian dollars at exchange rates at the date of each transaction. Foreign currency differences on translation to the reporting currency are recognized directly in equity.

(C) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise accounts receivable, cash and cash equivalents, bank debt, amounts due to Open Range, note payable and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

The Corporation's non-derivative financial instruments, such as cash and cash equivalents, accounts receivable, bank debt, due to Open Range, note payable and accounts payable and accrued liabilities, are measured at amortized cost using the effective interest rate method, less any impairment losses.

(ii) Derivative financial instruments

The Corporation's former oil and natural gas business has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Corporation had not designated its financial derivative contracts as effective accounting hedges, and thus had not applied hedge accounting, even though the Corporation considered all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified at fair value through profit or loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in earnings when incurred.

The Corporation has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with their expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and were not recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized in the consolidated statement of income.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity, net of any deferred taxes.

(D) Inventory

Inventory is valued at the lower of cost and net realizable value and consists of parts and material required for fracturing fluid tank setup. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

(i) Recognition and measurement

E&E expenditures:

Costs incurred prior to obtaining the legal rights to explore an area are recognized in the consolidated statement of income as incurred.

E&E costs, including the costs of acquiring mineral leases, initially are capitalized as E&E assets. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource are considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration licence or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to PP&E.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units (CGUs, see definition below).

Petroleum and natural gas costs:

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The costs of development and production assets include: transfers from E&E assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs, the costs of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads.

Petroleum and natural gas assets are grouped into CGUs for impairment testing. The Corporation had grouped its petroleum and natural gas assets into the following CGUs: Deep Basin – North and Deep Basin – South.

When significant parts of an item of PP&E, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Fracturing fluid tank and office equipment expenditures:

Fracturing fluid tank assets and other office equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures directly attributable to the manufacturing of the tanks or acquisition of the office equipment.

The Corporation considers the fracturing tank business to be a single CGU.

Gains and losses on disposal:

Gains and losses on disposal of an item of PP&E, including oil and natural gas interests and fracturing fluid tanks, are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized on a net basis on the consolidated statement of income.

(ii) Subsequent Costs

Petroleum and natural gas costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

Fracturing fluid tank and office equipment expenditures:

The cost of replacing fracturing fluid tank and office equipment assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying part of the replaced asset is derecognized. The costs of the day-to-day servicing of fracturing fluid tanks (repair and maintenance) are recognized in net income or loss.

(iii) Depletion

The net carrying value of petroleum and natural gas assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserves evaluators at least annually.

Proved plus probable reserves are estimated annually by independent qualified reserves evaluators and represent the estimated quantities of natural gas, natural gas liquids (NGL) and crude oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. For interim financial statements, internal estimates of changes in reserves and future development costs are used for determining depletion for the period.

For depletion purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy-equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset less its residual value.

Depreciation is recognized in net income or loss on a straight-line basis over the estimated life of each part of an item of PP&E. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Computer hardware	3 years
Office furniture and fixtures	5 years
Other assets	5 years
Fracturing fluid tanks	10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(v) Research and Development (R&D)

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, directly associated labour costs, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(F) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date for objective evidence that it is impaired. If such evidence indicates one or more events have had a negative effect on the estimated future cash flows of that asset, the asset is considered impaired.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested individually for impairment. The remaining financial assets are assessed collectively in groups that have similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized that restores some or all of the estimated future cash flows of that asset up to its original carrying amount. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than E&E assets, inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment and, if so, the asset's recoverable amount is estimated.

E&E assets are assessed for impairment when they are reclassified to PP&E, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped into the smallest classification of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (referred to as CGUs). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the assets discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated pro-rata to reduce the carrying amount of the assets in the CGU.

Impairment losses recognized in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, if no impairment loss had been recognized.

(G) Stock-Based Compensation

The Corporation uses the fair value method for valuing stock option and performance warrant grants. Under this method, compensation cost attributable to all stock options and performance warrants granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options and performance warrants that vest. Upon the exercise of the stock options or performance warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(H) Decommissioning Obligations

The Corporation's petroleum and natural gas activities gave rise to dismantling, decommissioning and site disturbance remediation activities. Provision was made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion whereas increases and decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(I) Leased Assets

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the liability's balance.

Other leases are operating leases, which are not recognized on the Corporation's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense, over the lease term.

(J) Revenue

Fracturing fluid tank rental revenues are generally derived from the provision of rentals and related services which are based on contracts that include fixed or determinable prices based on daily rental rates. Revenue is recognized when there is persuasive evidence of an arrangement, tank rentals and related services are provided, the rate is fixed and determinable and collectability is reasonably assured.

Revenue from the sale of natural gas, NGL and crude oil was recorded when the significant risks and rewards of ownership of the product were transferred to the buyer, which is usually when legal title passes to the external party, and when collection is reasonably assured.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(K) Interest and Finance Expenses

Finance expense comprises interest expense on bank indebtedness. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest rate method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Corporation's outstanding borrowing during the period.

Interest income is recognized as it accrues in profit or loss, using the effective interest rate method.

(L) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(M) Amounts Per Share

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

(N) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. On issuance the premium received on the flow-through shares, being the difference in fair value over a common share with no tax attributes, is recognized on the statement of financial position. As expenditures are incurred the deferred tax liability associated with the renounced tax deductions is recognized through profit and loss along with a pro-rata portion of the deferred premium.

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 12 – "Disclosure of Interests in Other Entities" provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special-purpose entities and other off-balance-sheet entities;

- 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;

- International Accounting Standard (IAS) 27 – "Separate Financial Statements", as amended in 2011, revises the standard that addresses the presentation of parent company financial statements that are not consolidated financial statements; and

- IAS 28 – "Investments in Associates and Joint Ventures" revised the existing standard and prescribes for accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

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

5. DETERMINATION OF FAIR VALUES

Some of the Corporation's disclosure and accounting policies 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) PP&E and 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) Inventories

The fair value of inventories is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort.

(C) Cash and Cash Equivalents, Accounts Receivable and Payable, Due to Open Range, Note Payable and Bank Debt

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

(D) 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 statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published Government of Canada 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.

(E) 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. DISCONTINUED OPERATIONS

On September 5, 2011, the Board of Directors of Open Range approved a proposal to split into two independent energy companies – one a natural gas E&P company and the other a dividend-paying energy service and supply company. The Arrangement closed on October 31, 2011, receiving shareholder and court approval effective for November 1, 2011. The Arrangement resulted in two publicly-traded entities, being New Open Range for the new E&P company and Poseidon Concepts Corp. for the energy service and supply company. Poseidon represents Open Range following the carve-out of the E&P company 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 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 and shareholder 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 Poseidon had 74,720 common shares outstanding.

For accounting purposes the issuance of the 657 Poseidon Concepts Limited Partnership units momentarily created a non-controlling interest in Poseidon Concepts Limited Partnership. The non-controlling interest was then immediately acquired by Poseidon, the parent, through the issuance of 8,675 Poseidon common shares at a fair value of $104,812. The shares were ascribed a value based on Poseidon's trading price which is considered to be level 1 under the fair value hierarchy. The difference between the fair value of the common shares issued and the carrying value of the non-controlling interest of $4,907 was recorded as an increase to the deficit of $99,905 as the acquisition was considered a capital transaction.

The 74,720 common shares that were received from New Open Range as consideration for the E&P business were, as mentioned above, distributed to Open Range shareholders. The value of the shares distributed was determined based on New Open Range's first day trading value-weighted price of $2.24 per share, which is considered to be level 1 under the fair value hierarchy. The shares were presented as a distribution in the consolidated statement of shareholder's equity.

The loss on sale of discontinued operations was calculated as follows:

Consideration		
Common shares of New Open Range (74,720 common shares)	$	167,223
Reorganization costs		(12,577)
Due to New Open Range [1]		(9,964)
		144,682
Carrying value of net assets disposed		
Accounts receivable	$	11,468
Prepaid expenses and deposits		962
PP&E		253,565
E&E assets		18,955
Bank indebtedness		(12,271)
Accounts payable and accrued liabilities		(37,395)
Fair value of commodity contracts		(376)
Deferred taxes		(29,616)
Decommissioning obligations		(3,985)
Carrying value of net assets disposed	$	201,307
Loss on disposal of discontinued operations, net of tax of $19	$	56,606

(1) In connection with the Arrangement, New Open Range agreed to assume an amount of bank indebtedness such that following the Arrangement the aggregate net debt of Poseidon would be $25,000 (after taking into account Poseidon's working capital surplus).

As a result of the Arrangement, the Corporation has presented the results of New Open Range, the former E&P business, as discontinued operations and, as such, the consolidated statements of income and comprehensive income for the years ended December 31, 2011 and 2010 were revised. The consolidated statements of financial position as at December 31, 2010 and January 1, 2010 were not revised.

Net income (loss) from discontinued operations for the years ended December 31, 2011 and 2010 is summarized below:

		2011		2010
Revenues				
Petroleum and natural gas	$	36,278	$	40,700
Royalties		(3,416)		(3,833)
		32,862		36,867
Realized gain on commodity contracts		831		2,101
Unrealized gain (loss) on commodity contracts		313		(255)
		34,006		38,713
Expenses:				
Operating		5,659		8,119
General and administrative		3,624		3,478
Stock-based compensation		3,070		1,274
Depletion and depreciation		20,221		20,465
		32,574		33,336
Operating income		1,432		5,377
Other expense items:				
Accretion of decommissioning obligations		91		180
Interest and other finance expenses		1,480		1,764
Gain on disposition of properties		–		(2,836)
Income (loss) before income taxes		(139)		6,269
Deferred tax expense		733		2,117
Net income (loss) from discontinued operations		(872)		4,152
Loss on disposal of discontinued operations, net of tax of $19		(56,606)		–
Net income (loss) from discontinued operations	$	(57,478)	$	4,152

Cash flows from discontinued operations for the years ended December 31, 2011 and 2010 are summarized as follows:

		2011		2010
Cash flows from operating activities	$	26,399	$	26,893
Cash flows from financing activities		26,924		7,921
Cash flows used in investing activities		(53,323)		(34,814)
Cash flows from discontinued operations	$	–	$	–

7. INVENTORY

For the year ended December 31, 2011, the Corporation had $2,856 (December 31, 2010 – $90) of parts and material inventory.

In 2011, parts and material inventory expense recognized as an operating expense amounted to $7,627 (2010 – $378). In 2011 there were no (2010 – $nil) write-downs of inventory to net realizable value.

8. EXPLORATION AND EVALUATION ASSETS

		Total
Balance at January 1, 2010	$	9,013
Additions		5,621
Balance at December 31, 2010	$	14,634
Additions		4,506
Lease expiries		(185)
Disposition to New Open Range		(18,955)
Balance at December 31, 2011	$	–

E&E assets represent the former petroleum and natural gas business, which have been fully disposed of as of December 31, 2011. For further information on the Arrangement refer to note 6.

9. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Poseidon assets	Total
Cost or deemed cost	($)	($)	($)
Balance at January 1, 2010	187,061	2,428	189,489
Additions	43,646	4,373	48,019
Capitalized stock-based compensation	1,344	–	1,344
Property dispositions	(15,958)	–	(15,958)
Changes in decommissioning obligations	956	–	956
Balance at December 31, 2010	217,049	6,801	223,850
Additions	69,670	31,321	100,991
Capitalized stock-based compensation	2,236	–	2,236
Changes in decommissioning obligations	1,171	–	1,171
Disposition to New Open Range	(290,126)	–	(290,126)
Balance at December 31, 2011	–	38,122	38,122

	Petroleum and natural gas assets	Poseidon assets	Total
Accumulated depletion and depreciation	($)	($)	($)
Balance at January 1, 2010	–	(1,440)	(1,440)
Depletion and depreciation expense	(20,465)	(697)	(21,162)
Dispositions	3,940	–	3,940
Balance at December 31, 2010	(16,525)	(2,137)	(18,662)
Depletion and depreciation expense	(20,036)	(2,149)	(22,185)
Disposition to New Open Range	36,561	–	36,561
Balance at December 31, 2011	–	(4,286)	(4,286)

Net book value	Petroleum and natural gas assets ($)	Poseidon assets ($)	Total ($)
Balance at January 1, 2010	187,061	988	188,049
Balance at December 31, 2010	200,524	4,664	205,188
Balance at December 31, 2011	–	33,836	33,836

All petroleum and natural gas assets and associated depletion were fully disposed of as of December 31, 2011. For further information on the Arrangement refer to note 6.

During 2011 the Corporation capitalized $1,432 (December 31, 2010 – $2,387) of general and administrative costs directly attributable to development activities of the petroleum and natural gas business.

10. BANK DEBT

On November 1, 2011, in connection with the completion of the Arrangement, the Corporation obtained a new $50,000 credit facility (the "New Facility") with a syndicate of banks, including an accordion provision permitting the Corporation to request an increase of up to $25,000 in the credit facility, which does not obligate the banks to participate. The New Facility is comprised of: (i) a $20,000 committed extendible revolving operating credit facility to be used for working capital requirements and subject to the value of certain accounts receivable ("Operating Facility"), and (ii) a $30,000 committed extendible revolving term facility ("Revolving Facility") to be used for capital expenditures, that is subject to the value of certain PP&E assets. These facilities are held with a syndicate of banks and are available on a 364-day revolving basis with initial maturity on May 31, 2012. The interest rate on the New Facility 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 trailing calendar quarter. The credit facility is secured by a general security agreement. In the event that it is not extended for a particular lender and is not otherwise assigned, then all indebtedness owing to the non-extending lenders will be repayable immediately in the case of the revolving operating credit facility, and in 12 equal successive monthly payments in the case of the revolving term credit facility. Pursuant to the New Facility, Poseidon is required to comply with certain financial covenants and conditions that are typical for this type of arrangement. The Corporation has received a waiver from its lending syndicate from the application of certain covenants due to the reorganization under the Arrangement and is in compliance with all other covenants as at December 31, 2011.

As at December 31, 2011, $18,305 was drawn against the credit facilities out of the $27,369 available. The credit facilities had an effective interest rate of 4.0 percent at December 31, 2011 (December 31, 2010 – 4.5 percent).

See note 23, Subsequent Events, for a discussion of changes to the Corporation's credit facilities following the end of the reporting period.

11. 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. All decommissioning obligations were disposed of with the disposition of the E&P business; see note 6 for further information.

At December 31, 2010 the Corporation estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be $6,477. The majority of the costs were to be incurred between 2020 and 2040. A risk-free rate of 4 percent was used to calculate the fair value of the decommissioning obligations for 2010 and 2.9 percent until the point of disposal for 2011.

A reconciliation of the decommissioning obligations is provided below:

	2011	2010
Balance at January 1	$ 2,811	$ 5,310
Liabilities incurred	444	491
Change in estimates	727	465
Liabilities related to property dispositions (note 9)	–	(3,120)
Liabilities related to disposition to New Open Range (note 6)	(3,985)	–
Liabilities settled	(88)	(515)
Accretion expense	91	180
Balance at December 31	$ –	$ 2,811

12. DEFERRED TAXES

(A) Deferred Income Tax Expense:

The provision for income tax expense in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rate to the Corporation's income before income taxes. This difference results from the following items.

Reconciliation of effective tax rate:

	December 31, 2011	December 31, 2010
Income before income taxes	$ 60,581	$ 3,848
Expected tax rate [1]	26.5%	28.0%
Effective income tax	16,054	1,077
Non-deductible	375	2
Change in statutory tax rates	(901)	–
Other	53	48
Total income tax expense	$ 15,581	$ 1,127

(1) The statutory rate consists of the combined statutory tax rate for the Corporation and its subsidiaries for the years ended December 31 2011 and December 31, 2010. The general combined federal/provincial tax rate fell to 26.5 percent in 2011 from 28 percent in 2010 due to the federal corporate income tax rate dropping from 18 percent in 2010 to 16.5 percent in 2011.

There were no unrecognized deferred tax assets or liabilities at December 31, 2011 (2010 – $nil).

(B) Deferred Income Tax Liability or Asset:

The components of the Corporation's deferred income tax liability or asset are as follows:

	December 31, 2011	December 31, 2010
Deferred tax liabilities:		
PP&E and E&E assets	$ (10,587)	$ 12,431
Less deferred tax assets:		
Provisions	–	(706)
Other	(905)	(1,023)
Net deferred tax liability (asset)	$ (11,492)	$ 10,702

Poseidon has sufficient future cash flow and income projections to support the recognition of the deferred tax assets.

The following tables provide a continuity of the deferred income tax liability:

	Balance January 1, 2010	Recognized in profit or loss	Booked in equity	December 31, 2010
PP&E and E&E assets	8,812	2,250	1,369	$ 12,431
Provisions	(1,346)	640	–	(706)
Other	(1,377)	354	–	(1,023)
Balance at end of year	6,089	3,244	1,369	$ 10,702

	December 31, 2010	Recognized in profit or loss	Booked in discontinued operations	Booked in equity	December 31, 2011
PP&E and E&E assets	12,431	5,883	(28,901)	–	$ (10,587)
Provisions	(706)	706	–	–	–
Other	(1,023)	8,788	–	(8,670)	(905)
Balance at end of year	10,702	15,377	(28,901)	(8,670)	$ (11,492)

13. 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 Arrangement, the Poseidon common shares were consolidated at 0.8839 for all periods before November 1, 2011.

On March 21, 2011, 6,209 post-consolidation common shares were issued pursuant to a bought-deal financing for total proceeds of $20,021. Of this financing, one director purchased 18 post-consolidation shares.

The Corporation also issued 20 post consolidation common shares on March 18, 2011 pursuant to a private placement for proceeds of $50.

(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:

	2011	2010
Weighted average basic and diluted common shares outstanding	**61,384**	53,860

Options to purchase nil common shares for the year ended December 31, 2011 (December 31, 2010 – 6,087) were not included in the computation because they were anti-dilutive.

(C) Stock Options and Performance Warrants

Under the Corporation's old stock option plan it was able to grant options to its employees for up to 6,846 shares. The exercise price of each option equalled the market price of the Corporation's shares on the date of grant. Options had terms of five years and vested as to one-third on each of the first, second and third anniversaries of the grant date. On November 1, 2011, due to the corporate reorganization (note 6), 5,535 of the total outstanding options under the old stock option plan vested and were fully exercised.

	2011		2010	
	Number of options [1]	Weighted average exercise price [1]	Number of options [1]	Weighted average exercise price [1]
Granted and outstanding at beginning of year	**5,380**	**$ 2.75**	5,120	$ 3.30
Granted	**912**	**4.66**	1,252	2.03
Exercised [2]	**(5,943)**	**2.96**	–	–
Forfeited	**(47)**	**2.65**	(104)	2.53
Cancelled	**–**	**–**	(196)	3.87
Expired	**(302)**	**4.42**	(692)	5.22
Granted and outstanding at end of year	**–**	**$ –**	5,380	$ 2.75
Exercisable at end of year	**–**	**$ –**	2,048	$ 3.44

(1) This option continuity is presented in post-consolidation amounts.

(2) The weighted average trading price of Old Open Range option exercises on the date of exercises was $11.08.

On November 8, 2010, Poseidon Concepts Limited Partnership entered into certain performance warrant agreements with its employees, officers and directors. The performance warrants had terms of five years and vested as to one-third on each of the first, second and third anniversaries of the grant date. On November 1, 2011, pursuant to the Arrangement, all 657 warrants outstanding vested and were exercised immediately for units of Poseidon Concepts Corp. resulting in $170 of stock-based compensation to be immediately expensed. The warrants had exercise prices of $1.00-$20.00 per warrant. Please see note 6 for further information.

Under the Corporation's new stock option plan it may grant options to its employees for up to 7,472 shares, of which 6,500 had been granted as at December 31, 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-quarter on each of the first, second, third and fourth anniversaries of the grant date.

	2011	
	Number of options	Weighted average exercise price
Granted and outstanding at beginning of new stock option plan	–	$ –
Granted	6,500	11.44
Granted and outstanding at end of year	6,500	$ 11.44
Exercisable at end of year	–	$ –

The following table summarizes information about the stock options outstanding at December 31, 2011:

	Options Outstanding			Options Exercisable	
Exercise price	Number	Weighted average exercise price	Weighted average contractual life (years)	Number	Weighted average exercise price
$ 11.04	25	$ 11.04	5.0	–	$ –
$ 11.44	6,475	11.44	4.9	–	–
$ 11.04 – $ 11.44	6,500	$ 11.44	4.9	–	$ –

(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 from the Arrangement through December 31, 2011: 9.4 percent annual dividend yield, average expected volatility of 50 percent, average risk-free interest rate of 1.12 percent, and expected life of five years. The average fair value of stock options granted from the Arrangement through December 31, 2011 was $2.18 per option.

The fair value for grants preceding the Arrangement in the year ended December 31, 2011 was: zero (2010 – zero) dividend yield, average expected volatility of 68 percent (2010 – 67 percent), average risk-free interest rate of 2.69 percent (2010 – 2.59 percent), and expected life of five years (2010 – five years). The average fair value of stock options granted preceding the Arrangement during the year ended December 31, 2011 was $2.12 per option (2010 – $1.04 per option).

The fair value of each performance warrant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for grants preceding the Arrangement in the year ended December 31, 2011: zero dividend yield (2010 – zero dividend yield), average expected volatility of 50 percent (2010 – 50 percent), average risk-free rate of 2.52 percent (2010 – 2.10 percent), and expected life of five years (2010 – five years). The average fair value of the performance warrants granted in 2011 was $2.12 per performance warrant (2010 – $0.18 per performance warrant).

The Corporation has not re-priced any stock options. A forfeiture rate of 5 percent in the period from the Arrangement through December 31, 2011 (2011 Pre-Arrangement – 3.84 percent; December 31, 2010 – 3.82 percent) was used when recording stock-based compensation. This estimate is adjusted to the actual forfeiture rate. The breakdown of stock-based compensation is as follows:

Years ended December 31,		2011		2010
Pre-arrangement stock-based compensation expense [1]	$	2,269	$	2,626
Immediately vested stock-based compensation		3,306		–
Stock-based compensation related to disposition of New Open Range		(5,306)		(2,618)
Post-arrangement stock-based compensation		865		–
Total stock-based compensation expense	$	1,134	$	8

(1) Of the total pre-arrangement stock-based compensation, $2,236 (2010 – $1,344) was capitalized that was directly attributable to development activities of the E&P business.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of:

December 31,		2011		2010
Source (use) of cash:				
Accounts receivable	$	(43,739)	$	833
Prepaid expenses and deposits		1,096		(626)
Inventory		(2,765)		(90)
Accounts payable and accrued liabilities		1,711		1,144
Current taxes payable		204		–
Discontinued-operation non-cash working capital impact		24,965		–
	$	(18,528)	$	1,261
Related to operating activities	$	(40,511)	$	(3,214)
Related to investing activities		21,983		4,475
	$	(18,528)	$	1,261

15. INTEREST AND FINANCE EXPENSE

Interest and finance expense is comprised of:

Years ended December 31,		2011		2010
Interest expense	$	716	$	145
Realized foreign exchange loss		41		–
	$	757	$	145

16. CAPITAL MANAGEMENT

The Corporation's objectives in managing its capital are: maintain financial flexibility, preserve the ability to meet its financial obligations, maintain and grow the business while retaining an acceptable level of risk, and provide shareholders with sustainable, prudent dividends.

The Corporation manages its capital structure and adjusts it as a result of changes in economic conditions and the risk characteristics of the underlying business. 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 new shares, repay debt, issue new debt, adjust the level of dividends paid to shareholders and adjust its capital spending to manage current and forecast debt levels.

December 31,	2011	2010
Shareholders' equity	$ 18,728	$ 155,800
Bank debt	18,305	51,053
Working capital excluding debt	$ 38,190	$ 1,446

The Corporation's share capital is not subject to external restrictions. The Corporation is required to comply with certain financial and non-financial covenants associated with existing debt facilities. The Corporation has received a waiver from its lending syndicate from the application of certain covenants due to the reorganization under the Arrangement and is in compliance with all other covenants as at December 31, 2011.

During the year ended December 31, 2011, the Corporation declared and paid its first monthly dividend of $0.09 per share on December 15, 2011 for shareholders of record on November 30, 2011. The dividend due for the month ended December 31, 2011 was paid January 15, 2012.

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

17. COMMITMENTS

In the normal course of business, the Corporation is obligated to make future payments. These obligations represent contracts and other commitments that are known to the Corporation as at December 31, 2011:

	Total	2011	2012	2013	2014	2015	Thereafter
Payments for office lease	$ 1,123	$ 351	$ 265	$ 265	$ 242	$ –	$ –
Payments for office equipment leases	220	55	55	55	55	–	–
Total	$ 1,343	$ 406	$ 320	$ 320	$ 297	$ –	$ –

18. FINANCIAL RISK MANAGEMENT

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

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

(A) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's trade receivables. As at December 31, 2011, the Corporation's receivables consisted of $52,925 (2010 – $4,403) from customers of the Corporation's fracturing fluid tank rental business, $nil from customers of the discontinued E&P business (2010 – $5,168) and $670 (2010 – $91) of other trade receivables.

The vast majority of the Corporation's trade accounts receivable are from customers involved in the oil and natural gas industry and the ultimate collection of the accounts 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, an integrated energy company, accounted for 14 percent of the consolidated revenue in the year ended December 31, 2011. For the year ended December 31, 2010 one significant customer accounted for 58 percent of revenues, not including discontinued operations.

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

The carrying amount of accounts receivable, cash and cash equivalents, when outstanding, and the fair value of commodity contracts, when outstanding, represent the maximum credit exposure. No uncollectible amounts were written off in the year ended December 31, 2011 (2010 – $nil).

As at December 31, 2011 and 2010 the Corporation considers its receivables to be aged as follows:

	2011	2010
Not past due (less than 120 days)	$ 47,573	$ 9,659
Past due (over 120 days)	6,022	9
Total	$ 53,595	$ 9,668

(B) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, to the extent reasonably possible, that it will have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable costs or losses or risk harm to its reputation. As at December 31, 2011 the Corporation maintained an extendible revolving operating line of credit which was available to a maximum of $20,000, an extendible revolving term facility available up to a maximum of $30,000, plus an accordion provision permitting the Corporation to request an increase of up to $25,000 without obligation on the banks' part.

The Company expects that cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its currently anticipated requirements for investments in working capital, capital assets and dividend payments.

The following maturity analysis shows the remaining contractual maturities for the Corporation's financial liabilities:

Financial Liability	Less than 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	$ 12,437	$ –	$ 12,437
Current taxes payable	204	–	204
Due to New Open Range	46,419	–	46,419
Dividend payable	6,725	–	6,725
Bank indebtedness – principal [1]	$ 18,305	$ –	$ 18,305

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

(C) Market Risk

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

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Corporation is exposed to currency risk on sales and purchases that are made in the United States resulting in a portion of the Corporation's accounts receivable and accounts payable being denominated in US dollars. As these are typically of a short-term nature and as the exchange rate has been fairly constant, there is no significant currency risk arising from fluctuations in foreign exchange rates.

The Corporation has no foreign exchange derivative contracts in place as at or during the year ended December 31, 2011.

Interest rate risk

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

Fluctuations in interest rates could have had the following impact on net income:

		Net income impact		
		Year ended December 31, 2011		
		Increase		Decrease
Interest rate – change of 10% [1]	$	(73)	$	73

[1] As at December 31, 2011, a 10 percent change to the Corporation's effective interest rate would be equivalent to a change of 40 basis points or 0.40 percent in the rate charged by the Corporation's bank.

The Corporation had no interest rate swap or financial contract in place during the year ended December 31, 2011.

Commodity price risk

The Corporation utilized commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. All commodity contracts were transferred to the New Open Range upon closing of the Arrangement (note 6). Because the large majority of the E&P business' production was natural gas, plus the associated NGL, all but one of the Corporation's commodity contracts were for natural gas.

19. NOTE PAYABLE AND AMOUNT DUE TO OPEN RANGE

Upon the completion of the Arrangement on October 31, 2011 the Corporation and Open Range agreed that Poseidon would retain a net debt position, defined as current assets less current liabilities which includes bank debt, of $25,000. Pursuant to the Arrangement and subsequent transactions, Poseidon owes $36,419 to Open Range as at December 31, 2011.

The Corporation issued a $10,000 promissory note to Open Range on November 1, 2011. The note is non-revolving and due November 1, 2012. Its interest rate is calculated using the Corporation's syndicate prime rate plus 1 percent. The note is secured by a general security agreement.

20. PERSONNEL EXPENSES

The aggregate payroll expense of employees and executive management was as follows:

Years ended December 31,		2011 [1]		2010 [1]
Salaries and wages	$	7,847	$	3,165
Other short-term employee benefits		172		146
Stock-based compensation		4,784		1,282
Total employee remuneration	$	12,803	$	4,593

[1] Amounts relating to discontinued operations were $4,219 for salaries and wages (2010 – $2,564), $82 for other benefits (2010 – $110) and $3,070 for stock-based compensation expense (2010 – $1,274).

The Corporation provides, in addition to salaries, non-cash benefits to directors, executive officers and vice presidents (collectively "key management"). Key management personnel compensation is comprised of the following:

Years ended December 31,	2011 [1]	2010 [1]
Salaries and wages	$ 5,149	$ 1,845
Other short-term employee benefits	93	103
Stock-based compensation [1]	2,333	1,245

[1] Represents the amortization of stock-based compensation associated with options granted to key management as recorded in the financial statements.

[2] Amounts relating to discontinued operations were $2,969 for salaries and wages (2010 – $1,412), $50 for other benefits (2010 – $62) and $393 for stock-based compensation expense (2010 – $302).

21. SEGMENTED INFORMATION

Geographical segments

The Corporation operates in two main geographical segments reflecting the focus of it operations in western Canada and the United States. The following table only shows Poseidon, the continuing business, and its geographical breakdown. Prior to November 1, 2011 the Corporation also had another operating segment, the E&P business, which has been fully disposed of at December 31, 2011. For further information on the disposition refer to notes 6, 8 and 9.

The continuing segmented amounts are as follows:

	Year ended December 31, 2011				Year ended December 31, 2010			
	Canada	United States	Other [1]	Total	Canada	United States	Other [1]	Total
Revenues	$ 27,878	$ 52,429	$ (1,540)	$ 78,767	$ 5,513	$ 36	–	$ 5,549
Operating earnings [2]	18,406	46,215	–	64,621	4,696	2	–	4,698
Total assets	56,601	46,283	–	102,884	231,911	83	–	231,994
Total liabilities	$ 80,047	$ 4,109	$ –	$ 84,156	$ 137,932	$ 41	–	$ 137,973

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

[2] Operating earnings are defined as operating income before depreciation and stock-based compensation, and not including discontinued operations (note 6). Operating earnings should be adjusted for these amounts shown on the statements of income and comprehensive income to arrive at income before income taxes.

22. RECONCILIATION OF PREVIOUS 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. The Corporation has applied the following IFRS 1 optional exemptions:

- 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 were applied in preparing the consolidated financial statements for the reporting periods.

In preparing comparative information for the year ended December 31, 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 affected the Corporation's financial position, financial performance and cash flows are set out in the following tables and accompanying notes.

(A) IFRS Opening Statement of Financial Position (Reconciliation Of Equity)

As at January 1, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets:			
Accounts receivable	$ 10,501	$ –	$ 10,501
Prepaid expenses and deposits	1,575	–	1,575
Deferred taxes [c]	126	(126)	–
	12,202	(126)	12,076
Exploration and evaluation assets [a]	–	9,013	9,013
Property, plant and equipment [a]	196,807	(8,758)	188,049
	$ 209,009	$ 129	$ 209,138
LIABILITIES			
Current liabilities:			
Bank indebtedness	$ 40,065	$ –	$ 40,065
Accounts payable and accrued liabilities	9,582	–	9,582
Fair value of commodity contracts	434	–	434
	50,081	–	50,081
Flow-through share premium liability [d]	–	1,373	1,373
Deferred taxes	6,746	(657)	6,089
Decommissioning obligations [b]	3,186	2,124	5,310
	60,013	2,840	62,853
SHAREHOLDERS' EQUITY			
Share capital [d]	146,678	1,575	148,253
Contributed surplus [e]	5,934	518	6,452
Deficit	(3,616)	(4,804)	(8,420)
	148,996	(2,711)	146,285
	$ 209,009	$ 129	$ 209,138

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

As at December 31, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets:			
Accounts receivable	$ 9,668	$ –	$ 9,668
Prepaid expenses and deposits	2,291	–	2,291
Fair value of commodity contracts	213	–	213
	12,172	–	12,172
Exploration and evaluation assets [a]	–	14,634	14,634
Property, plant and equipment [a]	205,525	(337)	205,188
	$ 217,697	$ 14,297	$ 231,994
LIABILITIES			
Current liabilities:			
Bank indebtedness	$ 51,053	$ –	$ 51,053
Accounts payable and accrued liabilities	10,726	–	10,726
Deferred taxes [c]	56	(56)	–
	61,835	(56)	61,779
Fair value of commodity contracts	902	–	902
Deferred taxes [c]	7,920	2,782	10,702
Decommissioning obligations [b]	1,218	1,593	2,811
	71,875	4,319	76,194
SHAREHOLDERS' EQUITY			
Share capital [d]	144,940	3,329	148,269
Contributed surplus [e]	8,027	1,051	9,078
Deficit	(7,145)	5,598	(1,547)
	145,822	9,978	155,800
	$ 217,697	$ 14,297	$ 231,994

(C) Consolidated Statement Of Income and Comprehensive Income

Year ended December 31, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues:			
Fracturing fluid tank rentals	$ 5,549	$ –	$ 5,549
	5,549	–	5,549
Expenses:			
Operating	616	–	616
General and administrative	235	–	235
Stock-based compensation [e]	4	4	8
Depreciation [a]	695	2	697
	1,550	6	1,556
Operating (loss) income	3,999	(6)	3,993
Other (income) expense items:			
Interest and other finance expenses	145	–	145
Income (loss) before income taxes	3,854	(6)	3,848
Deferred tax expense	1,127	–	1,127
Income (loss) from continuing operations	2,727	(6)	2,721
Income (loss) from discontinued operations, net of tax [note 22(D)]	(6,256)	10,408	4,152
Net income (loss) and comprehensive income (loss)	$ (3,529)	$ 10,402	$ 6,873

(D) Consolidated Statement of Income and Comprehensive Income for Discontinued Operations

Year ended December 31, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues:			
Petroleum and natural gas	$ 40,700	$ –	$ 40,700
Royalties	(3,833)	–	(3,833)
Interest [f]	69	(69)	–
	36,936	(69)	36,867
Realized gain on commodity contracts	2,101	–	2,101
Unrealized loss on commodity contracts	(255)	–	(255)
	38,782	(69)	38,713
Expenses:			
Operating	8,119	–	8,119
General and administrative	3,116	362	3,478
Stock-based compensation [e]	1,020	254	1,274
Depletion and depreciation [a]	32,614	(12,149)	20,465
	44,869	(11,533)	33,336
Operating (loss) income	(6,087)	11,464	5,377
Other (income) expense items:			
Accretion of decommissioning obligations [b][f]	191	(11)	180
Interest and other finance expenses [f]	1,833	(69)	1,764
Gain on disposition of properties [a]	–	(2,836)	(2,836)
Income (loss) before income taxes	(8,111)	14,380	6,269
Deferred tax expense (reduction) [c]	(1,855)	3,972	2,117
Net income (loss) and comprehensive income (loss)	$ (6,256)	$ 10,408	$ 4,152

(E) Consolidated Statement of Cash Flows

Year ended December 31, 2010	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):			
Operating:			
Net income (loss)	$ (3,529)	$ 10,402	$ 6,873
Items not involving cash:			
Depletion and depreciation [a]	33,309	(12,147)	21,162
Accretion of decommissioning obligations [b]	191	(11)	180
Deferred tax expense (reduction) [c]	(728)	3,972	3,244
Stock-based compensation [e]	1,024	258	1,282
Unrealized gain on commodity contracts	255	–	255
Gain on disposition of properties [a]	–	(2,836)	(2,836)
Interest and financing charges [f]	–	1,909	1,909
Decommissioning expenditures	(515)	–	(515)
Change in non-cash working capital	(3,214)	–	(3,214)
	26,793	1,547	28,340
Financing:			
Bank indebtedness	10,988	–	10,988
Share issuance costs	12	–	12
Interest paid [f]	–	(1,909)	(1,909)
	11,000	(1,909)	9,091
Investing:			
Property, plant and equipment expenditures	(53,663)	5,644	(48,019)
Exploration and evaluation expenditures	–	(5,621)	(5,621)
Disposition of properties	11,395	339	11,734
Change in non-cash working capital	4,475	–	4,475
	(37,793)	362	(37,431)
Change in cash	–	–	–
Cash, beginning of year	–	–	–
Cash, end of year	$ –	$ –	$ –

(F) Notes to Reconciliations

(a) PP&E and E&E Assets

IFRS 1 election for full cost oil and gas entities:

Poseidon 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 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 (December 31, 2010 – $14,634) in E&E assets with a corresponding decrease in PP&E, with no impact on deferred taxes. The increase in E&E assets during 2010 is due to capitalization of ongoing E&E expenditures, including undeveloped land and seismic acquired in 2010.

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 $12,147 for the year ended December 31, 2010.

Gains on disposition:

For the year ended December 31, 2010, Poseidon recorded a gain on disposition of $2,836 related to non-core properties as a result of the transition to IFRS.

Other:

Other PP&E IFRS adjustments include an increase in capitalized share-based compensation due to IFRS changes to stock-based compensation expense (note 13) as well as adjustments due to changes in the decommissioning obligation (note 22(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. Upon transition to IFRS the impact of this change was a $2,124 increase in the decommissioning obligations with a corresponding increase to the deficit on the statement of financial position. As at December 31, 2010 the decommissioning obligations were $1,593 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 $11 during the year ended December 31, 2010, 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 $126 current deferred tax asset to long-term at January 1 and a reclassification of $56 of current deferred tax liability to long-term at December 31, 2010.

Adjustments to deferred taxes were also 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, 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 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 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 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 impact on transition was an increase to contributed surplus of $518 with an offsetting increase to opening deficit of $263 and capitalized stock-based compensation of $255. The year ended December 31, 2010 saw an increase to stock-based compensation expense of $258 with a capitalized portion of $275.

(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 $1,909 for the year ended December 31, 2010.

23. SUBSEQUENT EVENTS

On January 10, 2012, the Corporation obtained an additional $15,000 credit facility (the "Additional Facility") with a Canadian chartered bank, which is currently a lender to the Corporation under the New Facility, to be used for working capital requirements. The Additional Facility matures March 30, 2012. Its interest rate is calculated using the lender's prime rate plus an applicable facility margin. Pursuant to its terms, Poseidon is required to comply with certain financial covenants. As at March 22, 2012, Poseidon had nil debt under the Additional Facility.

On February 2, 2012 the Corporation issued 6,347 common shares at a price of $13.00 per share for gross proceeds of $82,511. Net proceeds will be used for further tank construction, new product development, and to reduce debt.

Under the Arrangement, Poseidon agreed to assume New Open Range debt to the net amount of $25,000 (after taking into account the working capital surplus attributable to the tank rental business as at the effective date). As at March 22, 2012, Poseidon has repaid this debt, while the amount outstanding under the promissory note described above remains at $10,000.

The Corporation paid dividends for the months of December, January and February at a rate of $0.09 per common share. The Corporation also declared the March dividend of $0.09 per common share, which will be paid April 16, 2012.