

EMBER RESOURCES INC.

Management Discussion and Analysis

The following Management Discussion & Analysis (“MD&A”) is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Ember Resources Inc. (“Ember” or the “Company”) for the year ended December 31, 2008. The Company’s financial results have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The MD&A includes comparisons for the corresponding years ended December 31, 2007 and 2008. The following information has been prepared by management and should be read in conjunction with the audited financial statements for the year ended December 31, 2008, dated March 19, 2009. The reporting and the measurement currency is the Canadian dollar. This MD&A is dated as of March 19, 2009.

FORWARD-LOOKING STATEMENTS

Statements throughout this MD&A that are not historical facts may be considered “forward-looking statements”. Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and may be updated as required by law should material events or circumstances arise.

NON-GAAP MEASUREMENTS

This MD&A contains the terms “operating netback”, “funds from operations”, and “net debt”. These measurements should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of the Company’s performance. The Company’s determination of funds from operations, operating netback, and net debt may not be comparable to that reported by other companies. The Company also presents funds from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculations used in determining earnings per share. Ember’s peer companies in the oil and gas industry use the same definitions and for consistency the Company will continue to report in this manner.

Funds from operations are determined as operating cash flows before abandonment expenditures and working capital adjustments. Management uses this term to compare with other companies that also report this measure, to manage debt facilities that may

use this measure to guide determination of debt pricing, and to readily provide this information to investors that routinely request this measure. Operating netback is not a measure that is readily apparent in the GAAP prepared financial statements. It is an energy industry measure which measures funds flows at the field level by determining all field-related revenues less costs. The Company uses this measure to compare its field operations with those of its peers, and reports this measure to members of the investment community requesting it, or in the absence of the Company providing it, calculating the measure themselves. Net debt is determined as total long term debt (excluding non cash long term liabilities) plus current liabilities minus current assets.

BOE PRESENTATION

This MD&A contains disclosure expressed as barrel of oil equivalent (“BOE”); such equivalency measures may be misleading particularly if used in isolation. Petroleum and natural gas reserves and volumes have been converted to a common unit of measure of one BOE on a basis of six thousand cubic feet “Mcf” of gas to one barrel “bbl” of oil. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

SHARE CONSOLIDATION

On September 5, 2008 in conjunction with the closing of Cordero Energy Inc. (“Cordero”), Ember consolidated its share capital, issuing one share in exchange for each 2.5 shares held. All share amounts reflected in this report are on a post consolidation basis.

ACQUISITION OF CORDERO ENERGY INC.

On September 5, 2008, Ember acquired Cordero, by Plan of Arrangement, (the “Arrangement”). Under the Arrangement, Ember acquired all the issued and outstanding shares of Cordero for \$71.768 million in cash and the issuance of 26,194,207 Ember Common Shares (“Common Shares”). The value attributed to each Ember Common Share issued was \$4.36 per share, representing the volume weighted average trading price on the Toronto Stock Exchange for an Ember Common Share for the period from June 26, 2008 to July 11, 2008. This period includes the five trading days before and after Ember’s announcement of its offer to acquire Cordero on July 3, 2008.

To partially finance the cash component of the Cordero acquisition, Ember issued through a private placement equity financing, 10,731,707 Common Shares at \$5.125 per share post consolidation for gross and net proceeds of \$55 million. Upon completion of the Arrangement, Cordero became a wholly owned subsidiary of Ember with the existing Ember shareholders and option holders holding approximately 49% of the combined entity. Although Cordero shareholders held 51% of the Ember Common Shares following the Arrangement, the transaction has been accounted for as an acquisition of Cordero by Ember, because of the following factors: Ember is the surviving legal entity, Ember paid a premium to acquire Cordero and Ember’s existing management and Board of Directors retained their positions. These financial statements incorporate the operations of Ember for the period from January 1 to December 31, 2008 and the operations of Cordero and its subsidiaries for the period from September 5 to December 31, 2008.

The acquisition is being accounted for using the purchase method and the purchase price was allocated on a preliminary basis as follows:

(\$000s)	
Property, plant and equipment	\$ 271,022
Current assets	8,710
Current liabilities	(11,289)
Obligations under capital lease	(2,393)
Debt assumed	(59,021)
Asset retirement obligation	(7,170)
Derivative financial instruments	894
Future income tax liability	(12,785)
Total purchase price	\$ 187,968
Consideration was comprised of:	
Common shares	\$ 114,178
Cash	71,768
Transaction costs and other	2,022
Total consideration	\$ 187,968

EMBER'S BUSINESS

Ember is a natural gas exploration and production company focused on extraction of natural gas derived from coal or coalbed methane ("CBM") in the province of Alberta, Canada. The Company operates in the following principal geographic areas of Alberta: Horseshoe Canyon coal areas of Acme, Buffalo Lake, Malmo and Fenn-Big Valley, located north of Calgary; and Mannville coal prospective areas of Rosalind located south-east of Edmonton, and Manola located north-west of Edmonton. At December 31, 2008, the Company held interests in 488,000 net acres of developed and undeveloped land, and had an average rate of production for December 2008 of 28,335 Mcf/d (4,722 BOE/d).

HISTORY

In July 2005, Ember, Thunder Energy Inc. ("Thunder"), Mustang Resources Inc. ("Mustang") and Forte Resources Inc. ("Forte") completed a Plan of Arrangement (the "Arrangement"). Under the Arrangement, Ember acquired certain natural gas rights associated with coal from Thunder and became engaged in the acquisition, development and production of CBM gas reserves. Ember assumed all liabilities, including environmental liabilities, relating to the transferred assets.

In July 2005, Ember completed a \$6 million private placement consisting of 1,243,523 Common Shares in the capital of Ember issued at \$4.83 per share to employees, directors and service providers of Ember.

On August 31, 2005, Ember completed a bought deal financing of 2,800,000 Common Shares at a price of \$17.88 per share for gross proceeds of \$50,050,000.

On March 1, 2007, the Company acquired CBM natural gas assets from a private company for cash consideration of \$8.75 million. The assets located in the Acme area of Alberta consisted of 10 drilled and completed non-producing gas wells with

an average working interest of 92%, and a 70.5% operated interest in 16,960 gross acres of land (11,960 net).

Also on March 1, 2007, the Company issued 2,264,160 Common Shares by way of a private placement, at \$6.63 per share for cash consideration of \$15.0 million. Proceeds of the issue were used to fund the \$8.75 million Acme acquisition with the balance used to reduce debt and for working capital purposes.

On September 5, 2008, Ember acquired Cordero Energy Inc ("Cordero") pursuant to the Arrangement. Under the Arrangement, Ember acquired all of the issued and outstanding shares of Cordero for \$71.768 million in cash and the issuance of 26,194,207 Ember Common Shares.

On September 5, 2008 Ember issued through a private placement equity financing, 10,731,707 Common Shares at \$5.125 per share for gross proceeds of \$55 million.

On September 5, 2008, Ember closed a new syndicated \$120 million credit facility with two Canadian banks. The facility consists of a \$15 million working capital facility, an \$85 million production facility and a \$20 million subordinated development facility.

On September 3, 2008, the Company consolidated its share capital, issuing one share in exchange for each 2.5 shares held.

Since inception, Ember has drilled 164 gross (140.9 net) Horseshoe Canyon wells, and 13 gross (11.5 net) Mannville wells. The Company has increased production from 2,336 Mcf/d (389 BOE/d) at inception to a current rate of 28,335 Mcf/d (4,722 BOE/d), an increase of 1,114%.

2008 REVIEW

The following are highlights of the year ended December 31, 2008.

Financial performance

- Funds from operations increased 254% to \$21.5 million (\$0.82/share diluted) from \$6.1 million (\$0.43/share diluted) in 2007. Fourth quarter funds from operations were \$9.6 million (\$0.19/share diluted) compared with \$1.6 million (\$0.11/share diluted) in fourth quarter 2007.
- The Company recorded net income of \$0.1 million in 2008 (\$0.00/share diluted) as compared to net income of \$0.04 million (\$0.00/share diluted) in 2007. Net loss for the quarter was \$1.8 million (net loss \$0.04/share diluted) versus net income of \$1.2 million (\$0.08/share diluted) in Q4 2007.
- The Company completed the corporate acquisition of Cordero Energy Inc. on September 5, 2008 for a net purchase price of \$188.0 million resulting in a 263% increase in production rates prior to the acquisition.
- Capital expenditures including property acquisitions and dispositions totaled \$22.9 million in 2008 as compared to \$29.6 million spent in 2007. Net capital expenditures for the fourth quarter totaled \$6.6 million as compared to \$7.0 million in Q4 2008.

- At year-end 2008 Ember had net bank debt and a working capital deficiency totaling \$100.7 million. Currently the Company has a \$120 million line of credit.
- Net asset value before tax as at December 31, 2008 is estimated at \$7.83/share. Net asset value is calculated using net present value of proved, probable plus possible reserves discounted at 10% with forecasted prices.
- Ember continues to improve its cost efficiencies. Fourth quarter operating costs were \$8.37/BOE, general and administrative costs were \$2.79/BOE and the effective royalty rate was 12.2%. For 2009 Ember expects these costs to continue to decline to \$8.00/BOE, \$2.50/BOE and 10% respectively, making Ember one of the highest netback natural gas producers in Alberta.

Operating performance

- Average production for the year increased 152% to 14.7 MMcf/d from 5.8 MMcf/d in 2007. Fourth quarter production, which reflects a full quarter of the Cordero assets, increased 303% to 28.9 MMcf/d from 7.2 MMcf/d in fourth quarter 2007. Since inception in the third quarter of 2005, Ember has grown its Horseshoe Canyon CBM production base over 10-fold from 2.7 MMcf/d to 28.9 MMcf/d.
- The drilling program recorded 100% success during the year with activity focused on Ember's Acme property. In 2008 Ember drilled 64 wells (44.6 net) of which 57 wells (38.0 net) were drilled at Acme. The remaining wells were drilled in the Bashaw area on the newly acquired Cordero lands. All of the wells drilled in 2008 targeted the highly predictable Horseshoe Canyon coals.
- Proved, probable and possible reserves increased 203% to 180.0 Bcfe up from 59.3 Bcfe in 2007. Proved developed producing reserves increased 292% to 56.9 Bcfe. Ember's reserve life index based on fourth quarter production is estimated at 9.2 years total proved, 13.6 years total proved plus probable and 16.5 years for proved, probable and possible reserves.
- Ember's 2008 total finding, development and acquisitions costs, including changes in future capital, are estimated at \$26.08/BOE for proved reserves; \$20.44/BOE for proved plus probable reserves and \$16.24/BOE for proved, probable and possible reserves.
- Excluding the Cordero acquisition, Ember's finding and development costs for 2008, including changes in future capital, are estimated at \$7.57/BOE for proved reserves; \$4.36/BOE for proved plus probable reserves and \$3.06/BOE for proved, probable and possible reserves.
- Excluding the Cordero acquisition, Ember's three year finding and development and acquisitions costs including future development costs for the Horseshoe Canyon coals only are estimated at \$11.81/BOE for proved reserves; \$9.95/BOE for proved plus probable reserves and \$8.16/BOE for proved, probable and possible reserves.
- Operating netbacks for 2008 were \$29.42/BOE resulting in a recycle ratio, including changes in future capital, of 1.1 for proved reserves, 1.4 for proved plus probable reserves and 1.8 for proved, probable and possible reserves.

- Ember's inventory of Horseshoe Canyon development locations has increased to over 400 net wells, 355 net wells were recognized in Ember's year-end reserves, of which 223 are considered proved undeveloped. The success rate on Ember's Horseshoe Canyon programs has essentially been 100% with only one mechanical failure in the past three years. In addition, the Company has recorded consistent results as measured by both production rates and reserve additions.

FINANCIAL HIGHLIGHTS

(000s except per share amounts)	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Natural gas sales	\$17,521	\$3,890	350	\$39,520	\$13,338	196
Funds from operations	\$9,581	\$1,552	517	\$21,548	\$6,094	254
- per share basic & diluted (1)	\$0.19	\$0.11	73	\$0.82	\$0.43	91
Net income (loss)	\$(1,800)	\$1,186	(252)	\$125	\$44	184
- per share basic & diluted	\$(0.04)	\$0.08	(150)	\$0.00	\$0.00	NA
Capital investment additions	\$8,387	\$7,178	17	\$24,419	\$20,987	16
Property acquisition	\$-	\$(173)	100	\$-	\$8,633	(100)
Property disposition	\$1,750	\$-	NA	\$1,750	\$-	NA
Corporate acquisition	\$(31)	\$-	NA	\$187,968	\$-	NA
Total assets	\$387,368	\$108,315	258	\$387,368	\$108,315	258
Net bank debt and working capital	\$100,728	\$19,681	411	\$100,728	\$19,681	411
Shares outstanding	51,367	14,441	256	51,367	14,441	256

(1) See "Non-GAAP Measurements".

OPERATING HIGHLIGHTS

(000s except per unit amounts)	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Daily avg gas production (Mcf/d)	28,930	7,175	303	14,700	5,829	152
Daily avg production (BOE/d)	4,822	1,196	303	2,450	971	152
Average sales price (\$/Mcf)	6.58	5.89	12	7.35	6.27	17
Realized derivative gain (\$/Mcf)	0.27	-	NA	0.12	-	NA
Royalties (\$/Mcf)	0.80	0.53	51	0.82	0.44	86
Operating expenses (\$/Mcf)	1.39	1.71	(19)	1.55	1.33	17
Transportation expenses (\$/Mcf)	0.19	0.19	-	0.19	0.20	(5)
Operating netback (\$/Mcf)	4.47	3.46	29	4.91	4.30	14
Operating netback (\$/BOE)	26.82	20.80	29	29.42	25.89	14
CBM wells drilled (gross/net)	11.0 / 8.6	17.0 / 16.5	(35) / (48)	64.0 / 44.6	41.0 / 37.3	56 / 20
- Mannville	- / -	- / -	- / -	- / -	1.0 / 1.0	(100) / (100)
- Horseshoe Canyon	11.0 / 8.6	17.0 / 16.5	(35) / (48)	64.0 / 44.6	40.0 / 36.3	60 / 23
Land (000s of net acres)	488	285	71	488	285	71

INCOME AND FUNDS FROM OPERATIONS ⁽¹⁾

Income of \$0.125 million was recorded for the year ended December 31, 2008 compared to income of \$0.044 million for the year ended December 31, 2007. Funds from operations were \$21.5 million in 2008 compared to \$6.1 million for the year ended December 31, 2007.

(\$000s)	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Net income (loss)	(1,800)	1,186	(252)	125	44	184
Add items not involving cash						
Depreciation, depletion & accretion	11,412	2,375	381	21,605	7,243	198
Stock-based compensation	234	501	(53)	700	1,317	(47)
Unrealized (gain) loss on financial instruments	378	-	NA	(160)	-	NA
Future income taxes (recovery)	(643)	(2,510)	(74)	(722)	(2,510)	(71)
Funds from operations ⁽¹⁾	9,581	1,552	517	21,548	6,094	254

(1) See "Non-GAAP Measurements".

NETBACK ANALYSIS

The following tables summarize Ember's operating netback and funds from operations on an Mcf and BOE basis for the three months and the years ended December 31, 2008 and 2007.

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
	\$/Mcf	\$/Mcf		\$/Mcf	\$/Mcf	
Natural gas revenues	6.58	5.89	12	7.35	6.27	17
Royalties	(0.80)	(0.53)	51	(0.82)	(0.44)	86
Realized hedging gain	0.27	-	NA	0.12	-	NA
Operating expense	6.05	5.36	13	6.65	5.83	14
Transportation expense	(1.39)	(1.71)	(19)	(1.55)	(1.33)	17
	(0.19)	(0.19)	0	(0.19)	(0.20)	(5)
Operating netback	4.47	3.46	29	4.91	4.30	14
General and administrative expense	(0.46)	(0.76)	(39)	(0.50)	(1.18)	(58)
Interest expense	(0.41)	(0.36)	14	(0.40)	(0.27)	48
Funds from operations	3.60	2.34	54	4.01	2.85	41

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
	\$/BOE	\$/BOE		\$/BOE	\$/BOE	
Natural gas revenues	39.50	35.35	12	44.07	37.62	17
Royalties	(4.80)	(3.16)	52	(4.94)	(2.58)	91
Realized hedging gain	1.60	-	NA	0.72	-	NA
Operating expense	36.30	32.19	13	39.85	35.04	14
Transportation expense	(8.37)	(10.27)	(19)	(9.32)	(7.96)	17
	(1.11)	(1.12)	(1)	(1.11)	(1.19)	(7)
Operating netback	26.82	20.80	29	29.42	25.89	14
General and administrative expense	(2.79)	(4.54)	(39)	(3.02)	(7.06)	(57)
Interest expense	(2.44)	(2.15)	13	(2.38)	(1.64)	45
Funds from operations	21.59	14.11	53	24.02	17.19	40

PRODUCT PRICING

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
NYMEX average price (US\$/Mcf)	6.47	7.03	(8)	7.91	6.98	13
AECO / NYMEX differential (US\$/Mcf)	(0.94)	(0.75)	25	(1.12)	(0.96)	17
Average foreign exchange rate (Cdn\$/US\$)	0.825	1.019	(19)	0.901	0.935	(4)
AECO average price (Cdn\$/Mcf)	6.70	6.18	8	7.45	6.44	16
Corporate differential (Cdn\$/Mcf)	(0.12)	(0.29)	(59)	(0.10)	(0.17)	(41)
Ember average price (Cdn\$/Mcf)	6.58	5.89	12	7.35	6.27	17
Transportation (Cdn\$/Mcf)	(0.19)	(0.19)	-	(0.19)	(0.20)	(5)
Ember wellhead price (Cdn\$/Mcf)	6.39	5.70	12	7.16	6.07	18

Natural gas prices were stronger in the first half of 2008 as normal winter heating demands reduced supply over hangs. Strong oil prices also contributed to higher natural gas prices as natural gas competes with oil in certain markets. Third and fourth quarter 2008 natural gas prices declined significantly from levels experienced in the second quarter of 2008 as the global economy is gripped by corrections stemming from the financial market liquidity crisis and economic slowdown.. Spot market gas prices which reached figures near a two year high in June 2008 are now experiencing a 50-60% downward correction in 2009. Factors that have an impact on gas prices are: the supply demand balance in North America, imports of LNG, weather patterns, drilling trends in both Canada and the US, emerging technology in drilling and reservoir completion techniques in unconventional reservoirs and overall economic activity.

Ember's natural gas prices are currently approximating the AECO price as heating values have stabilized from new production the Company brought on-stream. In addition, marketing efforts have achieved slightly better pricing.

CBM is in all material respects the same as natural gas. It varies in heating content and other elements contained within the produced gas stream. For example, Ember's CBM contains no harmful H2S and minor amounts of CO2.

REVENUE AND PRODUCTION

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Natural gas revenue (\$000s)	17,521	3,890	350	39,520	13,338	196
Avg natural gas production (Mcf/d)	28,930	7,175	303	14,700	5,829	152
Avg natural gas production (BOE/d)	4,822	1,196	303	2,450	971	152
Total natural gas production (Mcf)	2,661,558	660,128	303	5,380,086	2,127,431	153
Total natural gas production (BOE)	443,593	110,021	303	896,681	354,572	153

Revenue was up by 196% to \$39.5 million for the year ended December 31, 2008 compared to the same period in 2007. Production was up 152%, averaging 14,700 Mcf/d in 2008. The Cordero acquisition, which was effective September 5, 2008, accounted for 109% of the production increase, with the remaining 43% of the growth attributable to incremental volumes from Ember's drilling programs. Prices were stronger in 2008, averaging \$7.35/Mcf, an improvement of 17% over those realized in 2007.

Revenue was up by 350% to \$17.5 million for the three months ended December 31, 2008 compared to the same period in 2007. The fourth quarter of 2008 reflected Ember's first full quarter of results incorporating Cordero. Production volumes were up 303%, averaging 28,930 Mcf/d for the three months ended December 31, 2008. The Cordero acquisition provided 273% of the 303% production increase with the remaining 30% of the increase being attributable to production growth from Ember's 2007 and 2008 drilling programs. Prices were up 12%, averaging \$6.58 for the fourth quarter 2008 compared to the same period in 2007.

Production increases from drilling and completion programs occurred primarily in the third and fourth quarter of 2008 on Horseshoe Canyon properties. During the year the Company participated in the drilling of 64 gross Horseshoe Canyon wells (44.6 net). Included in this amount are 11 gross (8.6 net) wells drilled in the fourth quarter 2008, primarily in the Acme area. All wells drilled and completed during the year were on production by year end.

Through the acquisition of Cordero, Ember acquired two forward sales contracts and one collar. The forward sales contracts have now matured. The purpose of these financial instruments is to provide natural gas price protection for a portion of the Company's monthly production and revenue base. Ember has not used derivatives in the past, and while the Company discusses the use of derivatives, it has not employed such instruments to date. The Company continues to review the use of derivatives in the future.

Ember currently has the following sales contract:

Contract type	Volume (GJ/d)	Pricing Point	Price (\$/GJ)	Term
Collar	4,000	AECO	9.00 floor / 17.15 ceiling	Nov 08 - Mar 09

The pre-dominant risk associated with this instrument is credit risk, which is the risk that a counterparty will fail to perform an obligation or fail to pay an amount due causing a financial loss. To mitigate this risk, Ember evaluates the credit risk of counterparties and attempts to restrict contracts to those with investment grade credit ratings. This instrument is contracted with the Canadian Imperial Bank of Commerce.

For the year ended December 31, 2008, the Company had reflected realized gains of \$646,000 on all 2008 instruments in the income statement. For the year ended December 31, 2008, the outstanding derivative financial instrument above was classified as a current asset on the consolidated balance sheet at a deferred gain amount of \$1,054,000. An unrealized gain of \$160,000 was recorded on the income statement. Ember does not currently apply hedge accounting for these instruments.

The financial instruments are valued at the end of each month by an external third party expert using applicable valuation techniques and Ember adjusts the carrying value of the instruments in its financial statements to this valuation.

ROYALTIES

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
	\$/Mcf	\$/Mcf		\$/Mcf	\$/Mcf	
Total natural gas royalties (\$000s)	2,130	348	512	4,431	917	383
Crown royalties per unit	0.40	0.38	5	0.45	0.38	18
Freehold royalties per unit	0.40	0.15	167	0.37	0.06	517
Total royalties per unit	0.80	0.53	51	0.82	0.44	86
Crown royalties as a % of revenue	6.1	6.4	(5)	6.2	6.0	3
Freehold royalties as a % of revenue	6.1	2.5	144	5.0	0.9	455
Total royalties as a % of revenue	12.2	8.9	37	11.2	6.9	62

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
	\$/BOE	\$/BOE		\$/BOE	\$/BOE	
Total natural gas royalties (\$000s)	2,130	348	512	4,431	917	383
Crown royalties per unit	2.39	2.28	5	2.72	2.25	21
Freehold royalties per unit	2.41	0.88	174	2.22	0.33	573
Total royalties per unit	4.80	3.16	51	4.94	2.58	91
Crown royalties as a % of revenue	6.1	6.4	(5)	6.2	6.0	3
Freehold royalties as a % of revenue	6.1	2.5	144	5.0	0.9	455
Total royalties as a % of revenue	12.2	8.9	37	11.2	6.9	62

Ember's properties are on a mix of freehold and Crown lands. Crown royalties are calculated and paid based on production and revenue, net of associated transportation cost. Crown royalty rates vary with productivity, with reduced rates for wells that average

less than 700 Mcf/d (117 BOE/d). Freehold royalties as reported by the Company include royalties paid to landholders as well as freehold mineral taxes paid to the Alberta government. Royalties paid to landholders are based upon revenues less allowable deductions. Freehold mineral tax is a tax assessed on revenues generated from production from freehold oil & gas properties.

Crown royalties were significantly higher for both the three and twelve months ended December 31, 2008 as compared to 2007. The increases are a direct result of higher sales from both the acquisition of Cordero and the incremental production brought on through Ember's drilling activity. Crown royalties as a percent of revenues have remained stable, ranging between 6 and 6.5% of revenue for both the three and twelve months ended December 31, 2008 as compared to 2007. Crown royalties on wells acquired through Cordero are similar to those in Ember's Acme area and currently average approximately 8% of sales.

Freehold royalties were also higher for both the three and twelve months ended December 31, 2008 as compared to 2007. The Cordero acquisition, combined with Ember's 2008 drilling activity in the Acme area has resulted in a royalty shift where Ember's royalties are almost equally weighted between crown and freehold obligations. Freehold royalties, as a percent of revenues, averaged 6.1%, or \$1.1 million for the three months ended December 31, 2008 compared with 2.5% or \$0.1 million in 2007. For the twelve months ended December 31, 2008, freehold royalties, as a percent of revenues, averaged 5% or \$2 million compared with 0.9% or \$0.12 million in 2007.

On January 1, 2009 the new royalties proposed by the government of Alberta come into effect. Ember's low productivity CBM wells will benefit under the new royalty framework and are expected to decline by up to 50% of the rates experienced in 2008. Under the new royalty framework, crown rates will be determined by both productivity and natural gas prices. Ember's crown royalty rate will remain below 2008 levels at prices up to \$10.50/Mcf.

Subsequent to December 31, 2008, Ember purchased an 8.5% freehold royalty obligation pertaining to Ember's Acme area. As a result it is expected that Ember's total freehold royalty obligation will decline by approximately 1% in 2009.

Total crown and freehold royalties are expected to average 10% of revenue in 2009. This estimate considers both the new Province of Alberta crown royalty regime and the acquisition of the freehold royalty described above.

OPERATING AND TRANSPORTATION EXPENSE

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Operating expenses (\$000s)	3,712	1,130	228	8,354	2,822	196
\$ per Mcf	1.39	1.71	(19)	1.55	1.33	17
\$ per BOE	8.37	10.27	(19)	9.32	7.96	17
Transportation expense (\$000s)	494	124	298	997	420	137
\$ per Mcf	0.19	0.19	-	0.19	0.20	(5)
\$ per BOE	1.11	1.12	-	1.11	1.19	(5)

Company operating costs per unit averaged \$1.39/Mcf (\$8.37/BOE) for the fourth quarter of 2008 compared with \$1.71/Mcf (\$10.27/BOE) for the fourth quarter 2007. Operating costs on a per unit basis have decreased 19% from Q4 2007 primarily due to the lower operating costs associated with the properties acquired from Cordero. In addition, higher production in Ember's Acme area during the fourth quarter of 2008 has enabled the Company to meet all of its firm gas processing commitments and therefore eliminate any unutilized demand charges. Partially offsetting the lower operating costs associated with the Cordero assets and the benefits of higher production at Acme were higher costs associated with government imposed well testing obligations on Horseshoe Canyon CBM production and administrative overhead fees Ember began allocating to its operated properties on January 1, 2008.

Company operating costs on a per unit basis averaged \$1.55/Mcf (\$9.32/BOE) for the twelve months ended December 31, 2008 compared with \$1.33/Mcf (7.96/BOE) for the same period in 2007. Operating costs were higher in 2008 primarily due to the higher cost operations at Acme; an area that produced for the entire twelve months of 2008 compared with only two months in 2007, government imposed well testing obligations and administrative overhead fees Ember began allocating to its operated properties on January 1, 2008. The lower operating costs associated with the Cordero assets, acquired September 5, 2008, partially offset these increases. In 2009, Ember will focus on optimizing well operating practices at its new and existing areas & expects operating costs to decrease and average approximately \$8.00/BOE.

Transportation expense relates to costs of transporting Ember's natural gas production on major pipelines. On a per unit basis, these costs have remained constant for the three and twelve month periods ended December 31 2008, ranging between \$0.19/Mcf and \$0.20/Mcf (\$1.11/BOE and \$1.19/BOE) as compared to the same periods in 2007.

DEPLETION, DEPRECIATION AND ACCRETION

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
DD&A expense (\$000s)	11,412	2,375	381	21,605	7,243	198
\$ per Mcf	4.29	3.60	19	4.02	3.40	18
\$ per BOE	25.73	21.60	19	24.10	20.40	18

For the year ended 2008, depletion and depreciation of capital assets and the accretion of the asset retirement obligation ("DD&A") increased by 198% to \$21.6 million from \$7.2 million during the same period in 2007. The increase reflected a 153% production increase and an 18% increase in the per unit DD&A rate from \$20.40 to \$24.10 per BOE. The increase in production is due to the inclusion of four months of production from the Cordero assets acquired in September 2008 and the results of the Company's drilling program. Per unit rate increases were caused by higher reserve asset costs in the Cordero acquisition compared to historic Ember rates prior to the acquisition.

For the three month period ended December 31, 2008, DD&A increased by 381% to \$11.4 million from \$2.4 million during the same period in 2007. The increase reflected a

303% production increase and a 19% increase in the per unit DD&A rate to \$25.73 from \$21.60 per BOE. The increase in total fourth quarter DD&A reflects higher unit reserve asset additions from the Cordero transaction, higher future capital costs assigned to proved reserves and a larger combined asset base.

Ember excluded \$32.7 million of unproved asset costs from the depreciation and depletion calculation for the fourth quarter of 2008 compared to \$22.9 million during the same period in 2007. These costs represent land and drilling costs for unproved properties, some of which are expected to be assigned reserves in the future, at which time these costs will be subject to depletion. The depletion base for the fourth quarter of 2008 included \$78 million of estimated future development costs related to proved undeveloped reserves compared to \$29.3 million in 2007. The increase was primarily the result of the Cordero acquisition in September 2008.

GENERAL AND ADMINISTRATIVE

(\$000s)	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Gross G&A expenses	2,174	875	148	5,099	3,654	40
Indirect capitalized G&A	(410)	(173)	137	(1,106)	(755)	46
Overhead recoveries	(528)	(202)	161	(1,284)	(397)	223
Net G&A expense	1,236	500	147	2,709	2,502	8
\$ per Mcf	0.46	0.76	(39)	0.50	1.18	(58)
\$ per BOE	2.79	4.54	(39)	3.02	7.06	(58)

Net general and administrative expenses (“G&A”) totaled \$2.7 million or \$0.51/Mcf (\$3.02/BOE) for the year ended December 31, 2008 compared with \$2.5 million or \$1.18/Mcf (\$7.06/BOE) for the same period in 2007. Per unit costs decreased in the year primarily due to production increases from drilling activity and the acquisition of Cordero.

Net G&A expenses totaled \$1.2 million or \$0.46/Mcf (\$2.79/BOE) for the three month period ended December 31, 2008 compared with \$0.5 million or \$0.76/Mcf (\$4.54/BOE) for the same period in 2007. Ember expects 2009 G&A costs to continue to decrease to approximately \$2.50 per BOE as a direct result of further production additions, and a full year’s benefit from increased production levels from the Cordero acquisition.

Indirect G&A expenses totaling \$1,106,000 (2007 - \$755,000) were capitalized during the year ending December 31, 2008. Indirect G&A expenses totaling \$410,000 (2007 - \$173,000) were capitalized during the three month period ending December 31, 2008. These costs include general overhead and indirect salaries.

STOCK-BASED COMPENSATION (SBC)

(\$000s)	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Gross SBC costs	382	726	(47)	1,211	2,076	(42)
Capitalized SBC	(148)	(225)	(34)	(511)	(759)	(33)
Net SBC expense	234	501	(53)	700	1,317	(47)
\$ per Mcf	0.09	0.76	(88)	0.13	0.62	(79)
\$ per BOE	0.53	4.55	(88)	0.78	3.71	(79)

Stock-based compensation (“SBC”) expense totaled \$0.7 million for the year ended December 31, 2008 compared to \$1.3 million for the same period in 2007. The reduction in the year over year comparison is due primarily to the timing, number, original fair market value and age of the options. The key factor is that recent issues of options occurred when Ember’s trading price has been lower resulting in an overall lower SBC cost than in previous periods. Age of options is also a factor as a large percentage of Ember’s options are a year or two old meaning a large portion of SBC expense related to these options has already been incurred.

Stock-based compensation expense totaled \$0.2 million for the three month period ended December 31, 2008 compared to \$0.5 million for the same period in 2007.

As a result of these transactions and other new option issuances, as of December 31, 2008, Ember had a total of 2,750,000 stock options issued at an average exercise price of \$4.91 per share and 480,000 performance shares issued.

INTEREST EXPENSE

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Interest expense (\$000s)	1,081	237	356	2,131	583	266
\$ per Mcf	0.41	0.36	14	0.40	0.27	48
\$ per BOE	2.44	2.15	14	2.38	1.64	48
Effective interest rate	3.9%	6.0%	(2.1)	5.2%	6.0%	(0.8)

For the year ended December 31, 2008, interest expense increased by 266% to \$2.1 million from \$0.6 million during the same period in 2007. The increase reflected utilization of debt financing to conclude the Cordero acquisition in September 2008 and higher average debt levels for the year relative to the same period in 2007. Some of this increase has been offset by lower average borrowing rates than in the same period in 2007.

For the three month period ended December 31, 2008, interest expense increased by 356% to \$1.1 million from \$0.2 million during the same period in 2007.

INCOME TAXES

Ember is not currently taxable, and the Company does not anticipate paying current income tax over the next several years. The Company's current tax rate is a combined Canadian federal and Alberta provincial rate of 29.50%.

Ember has deductible tax pools and share issue costs totaling \$319.5 million which are available to shelter future taxable income. The following table outlines carry-forward tax deductible and credit amounts.

(\$000s)	Year ended December 31 2008	Year ended December 31 2007
COGPE	106,555	50,124
CEE	21,601	104
CDE	65,289	19,100
SRED	2,301	17,168
CCA classes	59,523	16,620
Share issue costs and other	2,469	1,664
Non capital loss carry-forwards	61,796	24,458
Total tax deductions	319,534	129,238
Total tax credits	460	3,434

CAPITAL EXPENDITURES

(\$000s)	Three months ended December 31, 2008	Three months ended December 31, 2007	Percent Change	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Land	406	150	171	756	337	124
Drilling & completions	4,791	5,784	(17)	14,832	14,940	(1)
Equipment & facilities	3,254	800	307	5,845	3,906	50
Capitalized costs	1,435	444	223	2,986	1,825	64
Asset additions for cash (incl aband exp)	9,886	7,178	38	24,419	21,008	16
Corporate acquisition for cash	(31)	-	NA	73,790	-	NA
Property acquisitions for cash	-	(173)	100	-	8,633	(100)
Property dispositions for cash	(1,750)	-	NA	(1,750)	-	NA
Non cash asset additions						
Abandonment assets	209	(280)	175	730	330	121
Corporate acquisition	(2,372)	-	NA	197,232	-	NA
Capitalized stock-based compensation	191	965	(80)	681	1,499	(55)
Total asset additions	6,133	7,690	(20)	295,102	31,470	838

Ember's major transaction during 2008 was the acquisition of Cordero for cash and transaction costs totaling \$73.8 million and share consideration totaling \$114.2 million. Total property and equipment additions of the transaction were \$271.0 million. The transaction added approximately 3,500 BOE/d of production and 400 gross wells.

During 2008, drilling completion and equipping costs totaled \$24.4 million, all of which were funded through working capital, bank borrowings and cash flow. During 2008, dispositions of non core assets totaled \$1.7 million.

During 2008, the Company drilled a total of 64.0 gross (44.6 net) wells, compared to 41.0 gross (37.3 net) wells during the same period in 2007.

Ember's total 2009 capital budget is currently estimated at \$25 million and is expected to yield 35-45 net Horseshoe Canyon wells. Funding will come from internally generated cash flow. Should natural gas prices deteriorate further, Ember will adjust its capital expenditure program to match available cash flow.

QUARTERLY RESULTS

Ember's quarterly summaries for the most recent two-year period to date are as follows:

(\$000s except per share amounts and volumes)	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Year ended December 31, 2008
Sales gas (MMcf/d)	28,930	13,715	8,045	7,963	14,700
Average natural gas price (\$/Mcf)	6.58	7.26	10.05	7.56	7.35
Gross revenue	17,521	9,166	7,358	5,475	39,520
Royalty expense	2,130	1,135	589	577	4,431
Operating & transportation expense	4,206	2,227	1,475	1,443	9,351
General & administrative expense	1,236	513	472	488	2,709
Stock-based compensation expense	234	170	140	156	700
Interest expense	1,081	480	254	316	2,131
Depletion, depreciation & accretion expense	11,412	5,184	2,547	2,462	21,605
Net earnings (loss)	(1,800)	(85)	1,942	68	125
- per share basic & diluted	(0.04)	(-)	0.13	-	-
Funds from operations ⁽¹⁾	9,581	4,748	4,568	2,651	21,548
- per share basic	0.19	0.19	0.32	0.18	0.82
Total assets	387,368	393,483	109,235	111,372	387,368
Net debt ⁽¹⁾	103,016	104,866	17,949	20,082	103,016
Property & equipment additions	9,886	9,046	2,435	3,052	24,419
Property & equipment dispositions	1,750	-	-	-	1,750
Corporate acquisitions	(31)	187,999	-	-	187,968
Property acquisitions	-	-	-	-	-
Shares outstanding (000s) (restated)	51,367	51,367	14,441	14,441	51,367

(\$000s except per share amounts and volumes)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Year ended December 31, 2007
Sales gas (MMcf/d)	7,175	5,174	5,068	5,890	5,829
Average natural gas price (\$/Mcf)	5.89	5.07	6.98	7.21	6.27
Gross revenue	3,890	2,411	3,217	3,820	13,338
Royalty expense	348	90	119	360	917
Operating & transportation expense	1,253	604	630	755	3,242
General & administrative expense	500	527	808	667	2,502
Stock-based compensation expense	501	275	243	298	1,317
Interest expense	237	136	101	109	583
Depletion, depreciation & accretion expense	2,375	1,546	1,584	1,738	7,243
Net earnings (loss)	1,186	(767)	(268)	(107)	44
- per share basic & diluted	0.08	(0.05)	(0.02)	(0.01)	0.00
Funds from operations ⁽¹⁾	1,552	1,054	1,559	1,929	6,094
- per share basic	0.11	0.07	0.11	0.15	0.43
Total assets	108,315	100,047	93,901	93,251	108,315
Net debt ⁽¹⁾	19,681	14,228	8,405	7,582	19,681
Property & equipment additions	7,178	6,856	2,382	4,571	20,987
Corporate acquisitions	-	-	-	-	-
Property acquisitions	(173)	-	-	8,806	8,633
Shares outstanding (000s)	14,441	14,441	14,430	14,430	14,441

(1) See "Non-GAAP Measurements".

LIQUIDITY AND CAPITAL RESOURCES

Ember's strategy under the global financial crisis

The financial crisis that has spread around the world has created an economic downturn that is difficult to predict both in severity and duration. However, one thing is certain; access to capital, whether equity or debt, will be expensive and limited in the near term. It will be critical for companies to maintain a low cost structure and a strong balance sheet during this period of uncertainty. Ember's strategy is threefold: limit spending to existing cash flows, focus on cost reductions, and strengthen the balance sheet, mainly through debt reduction from the sale of non-core assets. For 2009, Ember's capital spending is currently estimated at \$25 million which can be achieved mainly through the use of cash flow from operations. Ember feels that by reducing costs as well as debt levels and utilizing only cash flow from operations the Company will be in a positive financial and operational position when the global and North American economic recovery occurs.

The current economic environment has also impacted Ember through reduced commodity price realizations and higher interest costs on borrowings. These factors have continued to cause Ember to periodically revise downward its capital program to achieve an overall objective of financing capital programs from cash flow. The Company has the benefit of having a flexible capital program. Ember operates the majority of its properties with larger working interests and can control the pace of development. The asset types are low cost Horseshoe Canyon CBM wells that average approximately \$400,000 per well drilled, completed, equipped and on-stream. During this period of constrained capital Ember focuses on projects that do not require major pipeline and facility additions. Capital expenditures overall can be controlled by the Company and can be revised upward or downward in small increments on short notice.

Bank Facility

As at December 31, 2008, the Company has a \$120.0 million operating and development credit facility with a syndicate of two Canadian chartered banks. The facility is available in three components: a revolving \$15.0 million working capital facility, a revolving \$85.0 million production facility, and a \$20.0 million revolving subordinated development facility.

This borrowing base facility is determined based on, among other things, the Company's then current reserve report, results of operations, current and forecasted commodity prices and the current economic environment. The applicable margin charged by the bank is dependent upon the Company's debt to trailing cash flow ratio. The Banker's Acceptances for the facility bear interest at the applicable Banker's Acceptance rate plus an explicit stamping fee based upon the Company's debt to trailing cash flow ratio. The subordinated development facility bears interest at the rate of the first two component facilities plus 150 basis points.

The credit facility was reviewed at December 31, 2008 and resulted in increases in rates of approximately 1.0% per annum based on currently applied debt to cash flow ratios. The facility was also amended to provide for a March 31, 2009 review (based on new reserve information) and installed additional conditions on Ember's ability to draw on the \$20 MM subordinated facility over \$10MM.

Presently in 2009, Ember is borrowing by way of Banker's Acceptances which provide

for total borrowing rates of slightly more than 3% on working capital and production facility borrowings, and 4.5% on subordinated development facility borrowings. These rates will increase in 2009 by at least 0.5% to 1.0% as cash flows become negatively impacted by declining commodity prices and borrowing rates are determined by Ember's debt to annualized cash flow ratio. A further increase in rates is expected at the next facility review scheduled for March 31, 2009.

Scheduled reviews focus on the borrowing base supporting lending limits and are influenced by the lenders' willingness to lend in general, commodity price forecasts used to determine lending bases, lenders' interest in a particular sector such as energy and the relative strengths of the borrower. Ember currently has a banking syndicate consisting of Bank of Montreal and CIBC sharing equally. Ember may expand the syndicate to include a third institution.

There is no assurance that Ember will be able to sustain its current borrowing base and may be required to reduce its outstanding loans. Ember has a number of options to deal with outstanding loan amounts including divestiture of assets and dedication of cashflows.

The disposition of any non-core assets is not expected to have a significant impact on Ember's borrowing base as targeted dispositions are comprised of a sizeable component of undeveloped land and non-producing assets, which does not contribute to the borrowing base. The current market for asset dispositions is not robust in terms of interested parties or prices offered which may limit asset dispositions.

At the date of this report, March 19, 2009 Ember had drawn approximately \$99 million on this facility.

Capital Resources

At December 31, 2008, the Company had a working capital deficiency of \$5.30 million (which includes the current portion of drawn credit facilities totaling \$4 million). The Company had drawn on an additional \$95.4 million of its credit facility (this amount is reflected as long term). Ember has at present total available credit facilities of \$120 million as described above.

Subject to a significant change in Ember's borrowing base, the Company believes it has adequate credit facilities to finance its current planned operations, particularly since it is Ember's intention to limit capital spending to internally generated cash flows. The Company can and will adjust its capital program to react to changing market conditions. The Company may reduce debt levels in 2009, through application of some internally generated cash flow and proceeds from potential divestiture of non core assets.

Current available resources and working capital

(\$000s)

Capital resources	
Working capital deficiency December 31, 2008	(5,296)
Credit facility drawn (long term portion)	(95,432)
Total credit facility available	120,000
Total capital resources available	19,272

Ember's current capital budget for 2009 is estimated at \$25 million. This budget is expected to result in drilling of a total of 35-45 net Horseshoe Canyon wells. Funding will come predominately from internally generated cash flow. Ember continually monitors its cash flow and available sources of financing. The Company's annual budget is modified frequently throughout the course of the year as circumstances change.

As is typical in the energy industry, Ember generates working capital deficiencies in times of capital expansion which are then reduced in subsequent periods through the utilization of credit facilities and the application of internally generated cash flows during periods of slower capital activity. In the fourth quarter of 2008, Ember concluded a capital program causing a year end working capital deficiency of \$5.30 million. The Company has been reducing this deficiency through proceeds from the sale of certain non-core assets, use of capacity on credit facilities and internally generated cash flow.

The Company will continue to monitor its counterparty credit positions to mitigate any potential credit losses. All revenues are subject to normal collection risk. For activities conducted with joint venture partners, Ember collects its partners' share of capital and operating expenses on a monthly basis. At December 31, 2008, Ember had a total of \$920,000 of receivables greater than 90 days out of total receivables of \$8,797,000. Of this 90 day receivable amount a \$100,000 has been provided as a doubtful allowance. In addition, the Company wrote off a further \$173,000 of receivables.

Accounts payable and accrued liabilities consist of amounts payable to suppliers relating to head office, field operating activities and capital spending activities. These invoices are processed within the Company's normal payment period.

Ember continuously manages the pace of its capital spending program by monitoring forecasted production and commodity prices and resulting cash flows. Due to the relatively low capital cost to drill Horseshoe Canyon CBM wells Ember is able to adjust quickly to changes in cash flows for both an increase or decrease in capital spending.

Capitalization and Capital Resources

Share Capital

<i>(000s)</i>	December 31, 2008
Outstanding Common Shares	
Weighted average outstanding Common Shares ⁽¹⁾	
- Basic	26,246
- Diluted	26,246
Outstanding securities at December 31, 2008	
- Common shares	51,367
- Common Share options	2,750
- Performance shares ⁽²⁾	480
Outstanding securities at March 19, 2009	
- Common Shares	51,367
- Common Share options	2,773
- Performance Shares ⁽²⁾	480

⁽¹⁾ *Per share information is calculated on the basis of the weighted average number of Common Shares outstanding during the fiscal year. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised*

or converted to Common Shares. Diluted per share information is calculated using the treasury stock method which assumes that any proceeds received by the Company upon exercise of in-the-money stock options, plus the unamortized stock-based compensation expense would be used to buy back Common Shares at the average market price for the period. Performance Shares (contingently issuable shares) are calculated based on the shares that would be issuable, if the end of the reporting period were the end of the contingency period, and the result would be dilutive.

(2) All of the Performance Shares have vested and are due to expire on July 6, 2009.

Equity Issue

On September 5, 2008, the Company issued 10,731,707 Common Shares by way of private placement, at \$5.125 per share for cash consideration of \$55 million before transaction costs. Proceeds of the issue were used as partial consideration for the acquisition of Cordero.

On September 3, 2008 the Company consolidated its share capital, issuing one share in exchange for each 2.5 shares held.

Total Market Capitalization

The Company's market capitalization at December 31, 2008 was \$32 million.

<i>(\$000s, except per share amount)</i>	Dec 31, 2008
Common Shares outstanding	51,367
Share price ⁽¹⁾	\$ 0.63
Total market capitalization	\$ 32,361

⁽¹⁾ Represents the closing price on the TSX on December 31, 2008.

Commitments

The Company has entered into firm service transportation agreements for approximately 17.4 MMcfd of gas sales in Alberta for various terms expiring up to 2019. Committed payments are outlined in the table below.

	Minimum Monthly Volume Commitment (MMcfd)	Minimum Annual Fee (\$000s)
2009	17.4	1,130
2010	15.3	989
2011	13.5	886
2012	4.3	244
2013	2.7	133
Total	53.2	3,382

In May 2007 (amended January 2008), the Company entered into an agreement with AltaGas Operating Partnership ("AltaGas") for the processing of natural gas from Ember's Horseshoe Canyon production located at Acme, Alberta. The agreement

required AltaGas to construct gathering and processing facilities to enable the delivery and sale of natural gas by Ember and other third parties, in exchange for a commitment from Ember to pay the greater of, a fee calculated as monthly volumes at an established rate per Mcf, or an established minimum monthly processing fee. The minimum monthly fee is based on an estimate of gas throughput ranging from 5 to 9 MMcf/d. The commitment ends on the earlier of November 1, 2013 or the delivery of a total of 16.8 Bcf. Committed payments are outlined in the table below.

	Minimum Monthly Volume Commitment (MMcf/d)	Minimum Annual Fee (\$000s)
2009	7	2,697
2010	9	3,419
2011	9	3,449
2012	9	3,388
2013	7	2,483
Total		15,436

At the date of this report, Ember and its partners are delivering the minimum gross gas volumes required under the contract. The Company expects to continue to meet these obligations throughout 2009 and the remainder of the contract term.

Ember has commitments for abandonment liability expenditures in the normal course of drilling and placing wells on production. The abandonment liability represents the cost to remediate well bores at the conclusion of the life of individual wells and to reclaim surface land. It also includes estimates to reclaim facilities.

Ember estimates abandonment liability costs on a property by property basis utilizing averages experienced in the industry and estimates derived from reserve reports. The total future asset retirement obligation was estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities, and the estimated timing of the cost to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the retirement obligation, including assets acquired through the Cordero acquisition is approximately \$24.4 million (2007 - \$7.0 million) which will be incurred over the next 16 years with the majority of costs incurred between 2015 and 2020. A credit adjusted risk-free rate of 8.5% and an inflation rate of 2.0% were used to calculate the present value of the asset retirement obligation which is estimated at \$11.2 million.

Ember routinely manages its environmental obligations through programs aimed at mitigating risks before problems occur. These include environmental, health and safety programs, with policies and plans in place, in the event of an unexpected situation. The Company employs a program of minimal environmental disturbance in its development programs whenever possible. As described above, the Company accounts for estimated costs to recover properties in which it has an ownership interest, and believes it has the resources necessary to carry out recovery programs. In the event of unforeseen problems, the Company carries insurance coverage for both blowout and pollution perils.

The impact of these programs on Ember are some increased costs and dedication of resources to planning and prevention activities, however, the Company is committed to meeting and exceeding its environmental and safety responsibilities

2008 Guidance Summary

2008 Outlook	Updated 2008 Guidance Released Q3 2008	Actual 2008 Results
Capital budget (\$ millions)	25	24.4
2008 net wells to be drilled	45	44.6
Production average (MMcf/d)	14.7	14.7
Net debt end of year (\$ millions) ¹	104.0	103.0
Cash flow from operations (\$ millions) ¹	22.0	21.5
Cash flow from operations per share (\$) ¹	0.85	0.82
2008 natural gas pricing assumption (\$/Mcf)	7.65	7.45

Actual 2008 results were not materially different from the latest company guidance. Cash flows were slightly reduced as gas prices weakened late in the 4th quarter 2008.

2009 Guidance

The following is Ember's Guidance for 2009:

	January 21 2009 Guidance	March 19 2009 Guidance
Capital budget (\$ millions)	35	25.0
Net wells to be drilled	60-70	35-45
Production average (MMcf/d)	28	26-27
Net debt end of year (\$ millions) ¹	101	101
Cash flow from operations (\$ millions) ¹	41.0	25.0
Cash flow from operations per share (\$) ¹	0.80	0.49
2009 natural gas pricing assumption (\$/Mcf)	6.76	5.25

(1) See "Non-GAAP Measurements".

Ember's 2009 guidance has been revised to adjust for changes in the natural gas price market. The Company intends to finance its capital expenditure program out of existing cash flows and has revised both its cash flows and planned capital expenditures as a result of dropping natural gas prices.

ACCOUNTING POLICIES & ESTIMATES AND BUSINESS RISKS

Recent Accounting Pronouncements

Management is assessing the following new and revised accounting pronouncements which have been issued but are not yet effective:

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed.

The Company has completed the diagnostic assessment phase of IFRS by performing comparisons of the differences between Canadian GAAP and IFRS and is currently assessing the effects of adoption and finalizing its conversion plan. The Company has determined that accounting for property, plant and equipment will be impacted by the conversion to IFRS. The Company currently follows full cost accounting as prescribed in Accounting Guideline ("AcG") 16, "Oil and Gas Accounting - Full Cost." Conversion from Canadian GAAP to IFRS may have an impact on how the Company accounts for costs pertaining to oil and gas activities, in particular those related to the pre-exploration and development phases. The conversion to IFRS will also result in other impacts, some of which may be significant in nature and these continue to be assessed by the Company. At this time, the impact on Ember's financial position and results of operations is not reasonably determinable or estimatable for any of the IFRS conversion impacts identified. The Company will continue to monitor any changes in the adoption of IFRS and will update its plan as necessary.

Business Combinations

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued section 1582 "Business Combinations," which will replace CICA section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. Section 1582 will be effective for Ember on January 1, 2011 with prospective application.

Fair value of Financial Assets and Liabilities

On January 20, 2009 the CICA issued EIC-173 Credit risk and the fair value of financial assets and financial liabilities. Under EIC-173, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. Ember will adopt the requirements of EIC-173 effective January 1, 2009. The impact of this EIC upon the Corporation's financial statements is currently being assessed.

Estimates

In the preparation of the financial statements, it was necessary for Ember to make certain estimates that were critical to determining assets, liabilities and net income. None of these estimates affect the determination of cash flow, but do have a significant impact in the determination of net income. The following are some of those critical measures.

Natural Gas Reserves

All of Ember's natural gas reserves are evaluated and reported on by an independent qualified reserve evaluators. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery based on cash flow forecasts.

Depletion and Depreciation Expense

The Company follows the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized cost, net of certain costs related to unproved properties and estimated future development costs, is amortized using the unit-of-production method based on estimated proved reserves. Changes in estimated proved reserves or future development costs have a direct impact on depletion and depreciation expense. Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment, for which any write-down would be charged to depletion and depreciation expense.

Full Cost Accounting Ceiling Test

Natural gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. Costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the natural gas assets. If the carrying value of the natural gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using future product prices and costs and are discounted using the risk-free rate. By their nature, these estimates are subject

to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion and depreciation expense.

Asset Retirement Obligations

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost. The total future asset retirement obligation is an estimate based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is an estimate that is subject to measurement uncertainty and any change would impact the liability.

Stock-based Compensation

The Company follows the fair value method of valuing stock option grants and Performance Share issues. Under this method, compensation cost, attributable to share options granted and Performance Shares issued to employees, contractors, officers and directors of Ember, is measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options and the conversion of Performance Shares, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Stock-based Compensation is an estimate that is subject to measurement uncertainty and any change would impact the expense recorded and the corresponding charge to shareholders' equity.

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

BUSINESS RISKS

Ember is engaged in the exploration, development and production of coalbed methane based natural gas. The natural gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services. The following are key risk areas for the Company.

Operational Risks

Natural gas exploration operations are subject to all of the risks and hazards typically associated with such operations, including premature decline of reservoirs, hazards such as fire, explosion, blowouts, cratering and spills, each of which could result in substantial damage to natural gas wells, producing facilities, other property and the environment or in personal injury. In accordance with industry practice, Ember is not fully insured against all of these risks, nor are all such risks insurable. Although Ember maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Ember could incur significant costs that could have a materially adverse effect upon its financial condition.

Natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Ember and may delay exploration and development activities. To the extent that Ember is not the operator of its gas properties, the Company is dependent on such operators for the timing of activities related to such properties and is largely unable to direct or control the activities of the operators. The Company attempts to mitigate this risk by developing strong relationships with suppliers and contractors.

Coalbed Methane (CBM) Operations

The Horseshoe Canyon trend in Alberta has seen in excess of 14,000 wells drilled since 2001 and currently produces an estimated 700 MMcf/d. The industry drills 1,500 to 2,000 wells per year resulting in a growing production base, as well as a de-risking of the estimated 36 Tcf of resource potential. The Horseshoe Canyon coals cover a trend area in Alberta of about 32,000 sections, or about 20 million acres. ⁽¹⁾ Technologies used to exploit this resource continue to improve, while total costs have declined over this time. In 2009, the Alberta government further enhanced the economics of this play with a reduction in royalties for low productivity wells, typical of Horseshoe Canyon producers. Operators, including Ember, estimate the breakeven cost for a typical Horseshoe Canyon well at \$3 to \$4 per Mcf which includes both capital and operating costs, making it one of the lowest cost natural gas plays in North America.

Over the past two years Ember has made significant strides in solidifying its strategy as a major Horseshoe Canyon player:

- In 2007, Ember acquired its Acme property for \$8.75 million and has since put in place the necessary infrastructure and drilled 75 CBM wells (65 net) resulting in a year end 3P reserve booking of 54 Bcf with current production of 5.2 MMcf/d.
- On September 5, 2008 Ember acquired Cordero for \$253 million adding 104 Bcf of 3P reserves and production of 20 MMcf/d. Ninety three percent of the Cordero asset base is concentrated on the Horseshoe Canyon trend in the Bashaw area.

Ember is now ranked among the top five operators currently developing this significant resource play, which has been dominated by major North American independents. With in excess of 400 drilling locations in inventory and an operational footprint over 161,000 gross acres, Ember is positioned to significantly increase its producing asset base well into the future.

Ember's business is subject to all of the operating risks associated with drilling for and producing natural gas, including fires, explosions, blow-outs and surface cratering,

uncontrollable flows of underground natural gas, formation water, natural disasters, pipe or cement failures, casing collapses, embedded oilfield drilling and service tools, abnormally pressured formations and environmental hazards, such as natural gas leaks, pipeline ruptures and discharges of toxic gases. Ember has in excess of 450 producing wells and as such a catastrophic event at a single well facility would help to mitigate the severity of the individual loss.

In addition, the exploration for, and production of CBM, differs from conventional oil and gas and can pose additional operating risks.

CBM can require higher capital commitments than similar depth conventional gas developments due to such factors as the type of drilling and completion techniques required, which can entail the complexity of development of multiple coal seams. In some instances, more wells per section are required to effectively develop the resource in place. Lower wellhead pressures are typical with CBM production which can require additional compression or larger flow lines.

As CBM is relatively new in Canada, there is additional regulatory complexity. This includes testing requirement imposed by regulators for offset water wells, collection of core and pressure data from drilling and production operations. With the recent introduction of CBM development in Canada, operators drilling or producing CBM wells are subject to public scrutiny. Any problems experienced by other operators might adversely impact Ember, through additional regulations or greater difficulty in acquiring leases, permits or regulatory approvals.

In addition, Ember could incur substantial losses as a result of loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of the Corporation's operations and repairs to resume operations.

⁽¹⁾ Resource potential and areal extent based on Canadian Energy Research Institute & Canadian Society for Unconventional Gas Study dated November 2006.

Industry and Environmental Matters

The petroleum industry is competitive in all its phases. Ember will compete with numerous other participants in the search for and the acquisition of natural gas properties and in the marketing of natural gas. Its competitors will include companies which have greater financial resources, staff and facilities than those of Ember. Ember's ability to increase reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling.

The marketability of natural gas acquired or discovered will be affected by numerous factors beyond the control of Ember. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of natural gas pipelines and processing equipment and government regulation. Natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. Ember's natural gas operations may also be subject to compliance with federal and provincial environmental regulations which restricts or prohibit releases or emissions of various substances including greenhouse gases.

Volatility of Gas Prices and Markets

Natural gas prices are volatile and subject to fluctuation. Any material decline in prices could reduce the Company's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Ember's reserves. Ember might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Ember's net production revenue causing a reduction in its gas acquisition and development activities. In addition, bank borrowings available to Ember are, in part, determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce the Company's borrowing base and thus, bank credit available and could require repayment of a portion of the Company's bank debt.

From time to time, Ember may enter into agreements to receive fixed prices on its natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Ember will not benefit from such increases.

Technology Risk

The Company relies on information technology to manage its day to day operations and perform reporting obligations including the preparation of financial statements, reporting to joint partners, and various governments in relation to payment of royalties and taxes. While the Company takes precautions to safeguard data, there is a risk that information systems could be corrupted or fail resulting in damage and cost to the Company.

Permits and Licences

Many of Ember's operations require licences and permits from various governmental authorities. There can be no assurance that Ember will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its projects in a timely manner or at all.

Foreign Currency Exposure

From time to time Ember may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared with the United States dollar, or the risk of increased repayments on United States dollar denominated debt if the Canadian dollar declines in value compared to the United States dollar.

Title to Properties

Although title reviews are completed according to industry standards prior to the purchase of most natural gas producing properties, or the commencement of drilling wells as determined appropriate by management, these reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat a claim of Ember, which could result in a reduction of the revenue received by the Company.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors beyond the control of Ember. The

reserve and cash flow information set forth herein represent estimates only. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions and subject to change and are beyond the control of Ember. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Reserve Replacement

Ember's future natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Ember may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in reserves will depend on Ember's ability to develop any properties it may have from time to time, and on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Ember's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of natural gas.

To mitigate this risk, Ember has assembled a team of experienced technical professionals who have expertise in operating and exploring areas which the Company has identified as being the most prospective for increasing Ember's reserves on an economic basis.

Substantial Capital Requirements and Liquidity

Ember may have to make substantial capital expenditures for the acquisition, exploration, development and production of natural gas reserves in the future. If revenues or reserves decline, Ember may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require Ember to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Issuance of Debt

From time to time Ember may enter into transactions to acquire assets or shares of other corporations. These transactions may be financed partially or wholly through debt, which may increase debt levels above industry standards. Ember's articles and by-laws do not limit the amount of indebtedness it may incur. The level of Ember's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Environmental Regulation

Canada has ratified the Kyoto Protocol which calls for Canada to reduce its emissions of greenhouse gases (collectively, "GHGs") to 6 percent below 1990 "business as usual" levels between 2008 and 2012. On April 26, 2007, the Canadian Federal Government announced a Regulatory Framework for Air Emissions and Other Measures to Reduce Air Emissions (the "Framework"). The Framework proposed new requirements governing the emission of GHGs and other industrial air pollutants in accordance with the Canadian Federal Government's Notice of Intent to Develop and Implement Regulations and Other Measures to Reduce Air Emissions released on October 19, 2006. On March 10, 2008, the Canadian Federal Government further elaborated on the regulatory framework in *Turning the Corner: Taking Action to Fight Climate Change* ("Turning the Corner"). Turning the Corner sets a target of a 20 percent reduction in GHG emissions from 2006 levels by 2020 and a 60 to 70 percent reduction from 2006 levels by 2050. The reductions will be achieved by regulating specified industrial sectors including the oil and gas sector. The upstream oil and gas sector will be required to reduce GHG emissions intensity by 18 percent from 2006 levels by 2010 and by an additional 2 percent annually after 2010 for existing facilities and for new facilities (built between 2004 and 2011) reduce GHG emissions 2 percent from the third year intensity levels. for the new facility. Such requirements apply to companies that produce at least 10,000 BOE/day and facilities that emit at least 3,000 tonnes of carbon dioxide. It is contemplated that new regulations will take effect January 1, 2010. Draft regulations were expected to be available for public comment in the Fall of 2008 but are now expected in mid 2009.

The proposed compliance mechanisms include an emissions credit trading system for GHGs and certain industrial air pollutants, and several options for companies to choose among to meet GHG emission intensity reduction targets and encourage the development of new emission reduction technologies, including the option of making payments into a technology fund, an emissions and offset trading system, limited credits for emission reductions created between 1992 and 2006, and international emission credits under the clean development mechanism under the Kyoto Protocol for up to 10 percent of each firm's regulatory obligation.

The Government of Alberta passed the *Climate Change and Emissions Management Amendment Act* and the *Specified Gas Emitters Regulation* which came into effect on July 1, 2007 and require that facilities that emit more than 100,000 tonnes of carbon dioxide equivalent annually to reduce their emission intensity by 12 percent. These obligations may be met through actual reductions in GHG emissions, the purchase of emission reduction or offset credits, or contributions to the Climate Change and Emissions Management Fund. On January 24, 2008, the Government of Alberta released its 2008 Climate Change Strategy. The goal of the strategy is to reduce GHG emissions in Alberta by 50 percent or 200 megatonnes below business as usual levels by 2050. Reductions in GHG emissions from energy production will account for 37 megatonnes or 18 percent of the proposed reductions. The Government of Alberta proposes to use funds from the provincial technology fund to support the testing, demonstration and implementation of new technologies to reduce GHG emissions from energy production.

GHG and industrial air pollutant emission reduction targets and emission intensity targets, or emission reduction requirements in future regulatory approvals, may require the reduction of emissions or emissions intensity from Ember's operations and facilities. The reductions may not be technically or economically feasible for Ember and the failure to meet such emission reduction requirements may materially adversely affect the

Ember's business and result in fines, penalties and the suspension of operations. As well, equipment from suppliers which can meet future emission standards may not be available on an economic basis and other methods of reducing emissions or emission intensity to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation which would tax such emissions or require, directly or indirectly, reductions in such emissions or emission intensity produced by energy industry participants for which Ember may be unable to mitigate. Mitigation of the risk of future legislative or regulatory limits on the emission of GHGs may include the acquisition of emission reduction or off-set credits from third parties. However, emission reduction or off set-credits may not be available for acquisition by Ember or may not be available on an economic basis and may not be recognized or qualify under future legislative or regulatory regimes as mitigation for the emission of GHGs by Ember.

Abandonment and Reclamation Costs

Ember will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding abandonment and reclamation in respect of its properties, which abandonment and reclamation costs may be substantial. A breach of such legislation or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to resources and various properties in western Canada. Such claims, in relation to any of Ember's lands, if successful, could have an adverse effect on its operations.

Corporate Matters

To date, Ember has not paid any dividends on its outstanding Common Shares. Certain of the directors and officers of Ember are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of Ember, as the case may be, and as officers and directors of such other companies.

Possible Failure to Realize Anticipated Benefits of Acquisitions

Ember may complete acquisitions to strengthen its position in the natural gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Ember's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Ember's ability to achieve the anticipated benefits of these and future acquisitions.

Reliance on Key Personnel

The success of Ember is largely dependent upon the performance of its management and key employees. Ember does not have any key man insurance policies and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse affect on the Company. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of the business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of Ember's management.

ADVISORIES

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure timely and accurate preparation of financial and other reports. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to the appropriate members of management and properly reflected in the Company's filings. The Chief Executive Officer and the Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are adequate and effective in ensuring that the information required to be disclosed by the Company in reports filed with the Canadian Securities Administrators is accurate and complete and filed within the time periods required. The Chief Executive Officer and Chief Financial Officer have individually signed certifications to this effect.

On September 5, 2008, Ember acquired the business and assets of Cordero and began consolidating the operations of Cordero into the consolidated financial statements. Management excluded this business from its evaluation of the effectiveness of the disclosure controls and procedures and internal controls over financial reporting as at December 31, 2008. The revenues attributable to this business represents approximately 40% of the consolidated revenues, the net income attributable to this business represents approximately 474% of the consolidated net income in 2008, and its aggregate total assets represented approximately 69% of consolidated total assets as at December 31, 2008.

Internal Control over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the design and effectiveness of the internal control over financial reporting as at December 31, 2008. Based on their assessment Management determined that the internal controls over financial reporting were effective as at December 31, 2008. Management excluded the consolidated operations of the Cordero acquisition from its evaluation of the effectiveness of internal

controls over financial reporting as at December 31, 2008.

There is no change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. Management, including the Chief Executive Officer and the Chief Financial Officer, do not expect that the Company's disclosure controls or the Company's internal controls over financial reporting will prevent or detect all error or fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. However, none of the segregation of duty deficiencies resulted in a misstatement to the financial statements as the Company relies on certain compensating controls, including substantive periodic review of the financial statements and other information by the Chief Executive Officer and Audit Committee. This weakness is considered to be a common area of deficiency for many smaller listed companies in Canada.

ADDITIONAL INFORMATION

Additional information relating to Ember is filed on SEDAR and can be viewed at www.sedar.com. This information includes the Company's Annual Information Form. Information can also be obtained by contacting the Company at Ember Resources Inc., Suite 800, 521 – 3rd Avenue, SW, Calgary, Alberta, Canada T2P 3T3. Information is also accessible on the Company's website at www.emberresources.com.