Anterra Energy Inc.
Balance Sheets

As at December 31	2009	2008
Assets		
Current		
Cash	$ 25,839	$ -
Accounts receivable	878,936	1,288,584
Deposits and prepaid expenses	279,456	273,472
	1,184,231	1,562,056
Property and equipment (Note 4)	25,144,168	25,902,617
Intangible assets (Note 5)	10,001	10,001
	$ 26,338,400	$ 27,474,674

Liabilities and Shareholders' Equity

	2009	2008
Current		
Accounts payable and accrued liabilities	$ 2,968,623	$ 3,338,729
Bank loan (Note 6)	3,277,664	5,376,763
	6,246,287	8,715,492
Long term debt (note 7)	483,924	-
Asset retirement obligation (Note 8)	2,110,747	1,859,564
Future income taxes (Note 11(b))	1,822,589	2,331,802
	10,663,547	12,906,858
Share capital (Note 9)	18,785,041	15,677,369
Contributed surplus (Note 10)	1,092,825	1,008,452
Deficit	(4,203,013)	(2,118,005)
	15,674,853	14,567,816
	$ 26,338,400	$ 27,474,674

Commitments and Contingencies (Note 15)
Going Concern (Note 2)
Subsequent Events (Note 18)

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

"Signed" Director
Owen Pinnell

"Signed" Director
Ross O. Drysdale

Anterra Energy Inc.
Statements of Operations, Comprehensive Loss and Deficit

For the years ended December 31	2009	2008
Revenues		
Revenue	$ 4,214,324	$ 8,150,534
Royalties	(159,460)	(580,252)
	4,054,864	7,570,282
Expenses		
Operating	2,649,146	3,541,167
Transportation	186,100	245,051
General and administrative	1,597,847	1,694,419
Stock compensation (Note 9 (c))	84,373	187,095
Interest	335,575	217,759
Accretion	167,260	153,338
Depletion, depreciation and amortization	2,081,772	2,524,968
Creditor restructuring (Note 12)	(345,762)	-
Goodwill, intangible, and property impairment (Note 4 and 5)	233,681	1,413,311
	6,989,992	9,977,108
Loss before income taxes	(2,935,128)	(2,406,826)
Income taxes (Note 11)		
Current	20,323	(39,000)
Future	(870,443)	(503,095)
	(850,120)	(542,095)
Net loss and comprehensive loss for the year	(2,085,008)	(1,864,731)
Deficit, beginning of year	(2,118,005)	(253,274)
Deficit, end of year	$ (4,203,013)	$ (2,118,005)
Basic loss per share (Note 14)	$ (0.044)	$ (0.046)
Diluted loss per share (Note 14)	$ (0.044)	$ (0.046)

The accompanying notes are an integral part of these financial statements

Anterra Energy Inc.
Statement of Cash Flows

For the years ended December 31	2009	2008
Cash flows from operating activities		
Loss for the year	**$ (2,085,008)**	$ (1,864,731)
Items not involving cash		
Stock compensation	**84,373**	187,095
Depletion, depreciation and amortization	**2,081,772**	2,524,968
Accretion	**167,260**	153,338
Goodwill, intangibles and property impairment	**233,681**	1,413,311
Future income taxes	**(870,443)**	(503,095)
	(388,365)	1,910,886
Change in non-cash working capital balances		
Accounts receivable	**92,092**	617,505
Deposits and prepaid expenses	**(5,984)**	(19,949)
Accounts payable	**423,945**	(45,497)
Income taxes recoverable	**-**	43,077
Cash flow from operating activities	**121,688**	2,506,022
Financing activities		
Issue of common shares and warrants	**3,400,011**	1,749,707
Share issue costs	**(293,410)**	(116,237)
Bank loan	**(2,099,099)**	4,954,781
	1,007,502	6,588,251
Investing activities		
Additions to property and equipment	**(1,698,757)**	(6,879,899)
Disposal proceeds, property and equipment	**225,676**	500,000
Change in non-cash working capital	**369,730**	(2,718,446)
	(1,103,351)	(9,098,345)
Increase (decrease) in cash	**25,839**	(4,072)
Cash, beginning of year	**-**	4,072
Cash, end of year	**$ 25,839**	$ -

The accompanying notes are an integral part of these financial statements

1. Nature of Operations

The Company was incorporated under the Alberta Business Corporations Act on March 22, 2000 as Holy Smoke Capital Corp. On November 1, 2002 the Company changed its name to Anterra Corporation.

On January 1, 2007, Anterra Corporation and its wholly owned subsidiaries Anterra Resources Inc. and Anterra Midstream Inc. were amalgamated under the name of Anterra Corporation. On May 1, 2007, Anterra Corporation completed an amalgamation with Resolve Energy Inc. under the name of Anterra Energy Inc.

The principal activities of the Company are the exploration, development and production of oil and gas properties.

In 2008 and continuing through 2009, the global credit market crisis, volatility in the price of oil and natural gas, the recession in Canada and the slowdown of economic growth in the rest of the world created a substantially more volatile business environment. These conditions limited certain of the Company's previously planned business development activities and will continue to provide risk for the Company in the future.

2. Going Concern

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company reported a net loss of $2,085,008 and generated a negative cash flow from operating activities before changes in non cash working capital balances of $388,365 for the year ended December 31, 2009. The Company had a net working capital deficit, including bank debt, of $5,062,055 at December 31, 2009.

The Company's ability to continue as a going concern is dependent upon the ability to raise capital, the generation of positive cash flow, the maintenance of its existing reserve and production base, the success of the development and exploration program and the continued support of its lender (see note 6). During 2009 lower production volumes resulted in a reduction in the Company's revenue which was reflected in negative cash flow from operating activities before changes in non cash working capital balances during the year. At December 31, 2009, following an investment of $3,000,000 in shares of the Company during the fourth quarter, the Company was back in compliance with its lender's working capital ratio. However, the Company continues to experience small monthly shortfalls in cash flow from operating activities and is working to increase production levels in order to provide a continuous positive cash flow from operations. The Company received a further investment of $12 million in January (see Subsequent Event, note 18), and will require additional financing in 2010 in order to complete its capital development plans for the year and maintain its financial strength.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Revenue recognition
Revenues associated with the sale of crude oil and natural gas are recorded when the title passes to the customer. Revenues from crude oil and natural gas production from properties in which the Company has an interest with other producers are recognized on the basis of the Company's net working interest. Revenues from midstream processing are recognized when the service is completed.

(b) Stock-based compensation plan
The Company records compensation expense for stock options granted to employees and directors using the fair value method with amounts expensed over the vesting period. Fair values are determined using the Black-Scholes option pricing model. Upon exercise the cash proceeds and the amounts previously recorded in contributed surplus for the fair value of the options are recorded as an increase to share capital. If options are forfeited, the compensation expense is not recorded to the extent that the options have not vested.

(c) Cash and cash equivalents
Cash and cash equivalents consists of cash on hand, bank balances (including temporary bank overdrafts), term deposits and investments with maturities of three months or less.

(d) Property and equipment
Petroleum and Natural Gas Properties and Equipment

The Company follows the full cost method of accounting for oil and natural gas operations whereby all costs relating to the acquisition, exploration and development of oil and natural gas reserves, including asset retirement costs, are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, certain integrated processing facilities, costs of drilling both productive and non-productive wells, related production equipment costs, asset retirement and abandonment costs and overhead charges directly related to acquisition, exploration and development activities.

Capitalized costs, excluding costs related to unproven properties, are depleted and depreciated using the unit-of-production method based on estimated proven oil and natural gas reserves after deduction of royalties as determined by independent petroleum engineers. Petroleum and natural gas reserves and production are converted to equivalent barrels of oil using a ratio of six thousand cubic feet of natural gas to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether

3. Significant Accounting Policies - continued

impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would result in a greater than 20% change in the depletion and depreciation rate. An impairment loss is recognized in net earnings when the carrying amount of a cost centre is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of:

i. the fair value of proved and probable reserves; and

ii. the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

Processing Facilities and Furniture and Fixtures

Certain processing facilities and furniture and fixtures are carried at cost and depreciated net of estimated salvage values on a straight line basis over the estimated service lives of the assets, from 5 to 20 years. These assets are assessed periodically to ascertain whether impairment has occurred. The Company has determined that the processing assets are integral to the Company's petroleum and natural gas operations and the assessment of impairment is performed based on this assertion.

(e) Impairment of long-lived assets
On a periodic basis management assesses the carrying value of long-lived assets, which are not part of the oil and gas operations, for indications of impairment. Indications of impairment include an ongoing lack of profitability and significant changes in technology, processes or the expected economic environment. When an indication of impairment is present, the Company will test for impairment by comparing the carrying value of the asset to its net recoverable amount. If the carrying amount is greater than the net recoverable amount, the asset is written down to its estimated fair value. The Company uses undiscounted future cash flows to determine the net recoverable amount and measures the amount of impairment using discounted cash flows, expected salvage values and other relevant data in the market.

(f) Intangible assets
Intangible assets consist of certain permits, licenses, trademarks and agreements. Amortization is provided for, where applicable, on a straight-line basis over the useful life of the assets, up to twenty years. The Company assesses impairment of the carrying value of intangible assets at least annually. The expected future economic benefit from the underlying assets is compared to the net book values and impairment, if any, is recorded as additional amortization.

(g) Asset retirement obligation ("ARO")
Retirement costs equal to the retirement obligation are capitalized as part of the cost of property and equipment and amortized to expense through depletion and depreciation over the life of the asset. The change in the liability due to the passage of time is measured by applying an interest

3. Significant Accounting Policies - continued

method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and an expense. The expense is recorded as asset retirement accretion expense in the statement of operations, not as a component of interest expense. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying amount of the associated asset. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized in earnings in the period in which the settlement occurs.

(h) Measurement uncertainty

Amounts recorded for depreciation, depletion and amortization, asset retirement costs and obligations and amounts used for ceiling test and impairment calculations are based on estimates of oil and natural gas reserves, future costs required to develop those reserves, production rates, oil and gas prices and other relevant assumptions. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods could be material.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Corporation's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

The capital expenditures classification made with respect to the renouncement of flow-through shares is based on estimates from geological and geophysical information obtained and the classification of the expenditures may be challenged by the taxation authorities and in this regard the assessments may be different from that of management. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes of estimates in future periods could be significant.

The financial statements include accruals based on the terms of existing joint venture agreements. Due to varying interpretations of the definition of terms in these agreements the accruals made by management in this regard may be significantly different from those determined by the Company's joint venture partners. The effect on the financial statements resulting from such adjustments, if any, will be reflected prospectively.

(i) Future income taxes

The Company follows the tax liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying value and the tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change occurs.

(j) Per share information

Basic loss per share is computed by dividing earnings by weighted average number of shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted to shares. The treasury stock method is used to determine the dilutive instruments.

3. Significant Accounting Policies - continued

(k) Flow-through shares

The Company has financed a portion of its planned exploration and development activities through the issue of flow-through shares. Under terms of the flow-through agreements, the income tax deductions attributable to the capital expenditures are renounced to the subscribers. This renunciation increases the company's future tax liability and the cost is charged against the gross proceeds of the share issuance at the time the capital expenditures are renounced to the subscribers on the date of filing the renunciations.

(l) Joint venture operations

Certain of the Company's petroleum and natural gas operations are conducted through the use of joint ventures. These financial statements reflect only the Company's proportionate interest in such operations.

(m) Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets received, is not amortized, but is assessed at least annually for impairment. To assess impairment, the fair value of the reporting unit is determined and compared to the book value of the reporting unit. If the fair value is less than the book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impaired amount.

(n) Commodity Contracts

Commodity contracts that do not meet the criteria for the use of hedge accounting are recorded on the balance sheet at fair value and changes in fair value are recognized in income in the period in which the change occurs. The Company had no such contracts in 2009 or 2008.

(o) Comprehensive Income

Comprehensive income consists of net earnings and other comprehensive income ("OCI"). The Company does not have any items that would be reported as OCI. As such, the Company has not presented accumulated other comprehensive income ("AOCI") within shareholders' equity in the balance sheet and has not included a Statement of Accumulated Other Comprehensive Income, which would otherwise provide the continuity of the AOCI balance.

(p) Financial Instruments

All financial instruments are measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurements in subsequent periods depend on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities".

Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments remained unchanged.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts

3. Significant Accounting Policies - continued

receivable and deposits are designated as “loans and receivables”. Accounts payable and accrued liabilities, bank loans and long term debt are designated as “other liabilities”. Risk management assets and liabilities are derivative financial instruments classified as “held-for-trading” unless designated for hedge accounting. The Company has no commodity contracts or fixed price physical contracts in place at this time.

(q) Changes in Accounting Policies

(a) Current Year Accounting Changes

Goodwill and Intangible Assets
Effective January 1, 2009, the Company adopted Section 3064, "Goodwill and Intangible Assets" issued by the Canadian Institute of Chartered Accountants ("CICA"). Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. This new section has no current impact on the Company or its Consolidated Financial Statements.

Financial Instruments - Disclosures
In May 2009, the CICA amended Section 3862, Financial Instruments - Disclosures, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments are effective for the Corporation on December 31, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in IFRS and have been included as incremental disclosure.

(b) Future Accounting Changes

Business Combinations
The CICA issued Handbook Section 1582 "Business Combinations" that replaces the previous business combinations standard. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at acquisition date. Under the current standard, the purchase price used is based on the market price of shares for a reasonable period before and after the date the acquisition is agreed upon and announced. In addition, the guidance generally requires all acquisition costs to be expensed. Current standards allow for the capitalization of these costs as part of the purchase price. This new Section also addresses contingent liabilities, which will be required to be recognized at fair value on acquisition, and subsequently re-measured at each reporting period until settled. Currently, standards require only contingent liabilities that are payable to be recognized. The new guidance requires negative goodwill to be recognized in earnings rather than the current standard of deducting from non-current assets in the purchase price allocation. This standard applies prospectively to business combinations on or after January 1, 2011 with earlier application permitted. The Company is currently assessing the impact of the standard.

Consolidated Financial Statements and Non-controlling Interest.
The CICA issued Handbook Sections 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests", which replaces existing guidance under Section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of Consolidated

3. Significant Accounting Policies - continued

Financial Statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in Consolidated Financial Statements subsequent to a business combination. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be calculated without deducting non-controlling interest and instead net income is allocated between the controlling and non-controlling interests. These standards will be effective for the Company for business combinations occurring on or after January 1, 2011 with early application permitted. The Company is currently assessing the impact of the standard.

(r) Recent accounting pronouncements
The Canadian Accounting Standards Board (AcSB) has confirmed that the use of 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. These include listed companies and other profit oriented 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. The Company is currently evaluating the impact of adopting IFRS.

The Company is assessing the impact on its financial statements of these new standards, but management does not anticipate that this will have a material impact on the Company's financial position or results of operations.

4. Property and Equipment

	2009			2008		
	Cost	**Accumulated depletion, depreciation and amortization**	**Net Book Value**	Cost	Accumulated depletion, depreciation and amortization	Net Book Value
Petroleum and natural gas properties and equipment	**$ 32,522,741**	**$ 8,773,422**	**$ 23,749,319**	$ 30,981,604	$ 6,830,423	$ 24,151,181
Processing facilities and furniture and fixtures	**3,108,945**	**1,714,096**	**1,394,849**	3,093,078	1,341,642	1,751,436
	$ 35,631,686	**$ 10,487,518**	**$ 25,144,168**	$ 34,074,682	$ 8,172,065	$ 25,902,617

Costs aggregating various amounts up to $890,000 (2008 - $Nil) relating to unproved land and seismic work on unproved properties, and a salvage value amounting to $690,000 (2008 - $690,000) on property and equipment were excluded from the depletion and depreciation calculations during 2009 and 2008. At December 31, 2009, an impairment test was performed on the value of unproved lands and, after a write down of $212,000, $678,000 of costs relating to unproved land were excluded from the depletion calculations at year end, (2008 - $Nil). The Company does not capitalize interest or general and administrative costs.

At December 31, 2009, the Company determined to treat certain processing facilities as being an integrated element of the related oil and gas assets and calculate depletion on these assets using the unit-of-production method. The impact of this change does not have a material impact compared to the previous depreciation calculation on these assets.

An impairment test calculation was performed on the Company's petroleum and natural gas properties at December 31, 2009 in which the estimated undiscounted future net cash flows associated with the proved reserves exceeded the carrying amount of the Company's petroleum and natural gas properties.

The following table outlines benchmark prices used in the impairment test at December 31, 2009:

Year	WTI Crude Oil US$/bbl	Exchange Rate US$/CDN$	Edm Light Crude Cdn$/bbl	AECO Natural Gas Net of Transportation CDN$/Mcf
2010	75.00	.95	77.55	5.80
2011	81.60	.95	84.45	6.70
2012	85.85	.95	88.90	7.05
2013	90.20	.95	93.45	7.45
2014	97.40	.95	101.05	7.55
2015	104.90	.95	108.85	7.75
2016	112.60	.95	116.95	7.90
2017	114.85	.95	119.30	8.25
2018	117.15	.95	121.70	8.55
2019	119.50	.95	124.10	8.85
2020	121.90	.95	126.60	9.15
Thereafter	2%/Year		2%/Year	2%/Year

An impairment test was also performed on certain processing facilities. These assets do not currently generate positive cash flow from operating activities and are unlikely to in the prevailing business environment. The fair value of these facilities was calculated by estimating the value of future cash flows from these facilities and comparing to the carrying value of the asset. A write-down of $233,681 was recorded in 2009 (2008 - $543,677).

5. Intangible Assets

	2009			2008		
	Cost	**Accumulated depreciation / impairment**	**Net Book Value**	Cost	Accumulated depreciation/ impairment	Net Book Value
Licenses and permits	**$ 319,177**	**$ 309,176**	**$ 10,001**	$ 319,177	$ 309,176	$ 10,001

As a result of the significant adverse changes in the business environment at December 31, 2008, the Company completed an impairment calculation on the intangible assets and, as a result, reflected an impairment loss of $263,617 at that date.

As a result of significant adverse changes in the business environment, the Company completed a goodwill impairment calculation at December 31, 2008 and, as a result, reflected an impairment loss of $606,017, to write down to $nil, at that date.

6. Bank Loans

At December 31, 2009, the Company had available a $5,250,000 (December 31, 2008 - $6,000,000) revolving demand loan facility with a Canadian chartered bank and $Nil (December 31, 2008 - $1,000,000) on a non-revolving acquisition and development demand loan facility, which was cancelled effective August 31, 2009. The revolving loan bears interest at prime plus 2%, (December 31, 2008 - prime plus 3/4%), an effective rate at year end of 4.25% (December 31, 2008 – 3.75%). At December 31, 2008 the non-revolving loan had an interest rate of prime plus 1% for an effective rate of 4.00%. The loans are secured by a general assignment of book debts and a $10,000,000 first floating charge debenture over all assets of the Company. At the request of the Bank, the Company provided additional security during 2009 by issuing fixed charges, mortgages and security interests over certain of the Company's oil and gas assets. As at December 31, 2009, including bank indebtedness, the Company had drawn $3,277,664 (December 31, 2008 - $5,376,763).

Effective August 1, 2009, the Company was subject to a forbearance agreement with the Bank under which the Company had its revolving demand loan facility reduced from $6,000,000 to $5,250,000; the non-revolving acquisition and development loan facility cancelled; the interest rate on the facility increased to prime + 2%; and was subject to a forbearance fee. Under the agreement the Company committed to eliminate all long-term defaults by October 30, 2009, which was later extended to November 30, 2009. On November 23, 2009, the Company closed on the second tranche of an investment agreement described in the section on Share Capital, which effectively met the conditions of the forbearance agreement and brought the Company back into compliance with the Bank's covenants. At December 31, 2009, the Company was in compliance with its debt covenants. The loans are shown as a current liability due to their demand nature despite the lender having not demanded repayment of the loan.

7. Long Term Debt

	December 31, 2009	December 31, 2008
5% Unsecured subordinated redeemable debentures	**$ 483,924**	$ -

The 5% unsecured subordinated redeemable debentures were issued with an effective date of July 31, 2009 and mature on July 31, 2011. They bear interest at a rate of 5% per annum compounded annually, calculated and paid semi-annually on June 30 and December 31. The debentures are redeemable for cash, in whole or in part, at the option of the Company, at any time during the term on 30 days written notice to the holder.

8. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

	2009	2008
Asset retirement obligation, beginning of year	**$ 1,859,564**	$ 1,689,965
Change in future cash flows	**51,606**	(26,806)
Liabilities incurred	**32,317**	43,067
Accretion expense	**167,260**	153,338
Asset retirement obligation, end of year	**$ 2,110,747**	$ 1,859,564

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $4,842,844 (2008 - $4,541,000). The obligation was calculated using a credit-adjusted risk free discount rate of 9 percent and an inflation rate of 2 percent. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2012 and 2023.

9. Share Capital

(a) Authorized
Unlimited number of Class A Shares
Unlimited number of Class B Shares
Unlimited number of Preferred shares issuable in series, rights and privileges to be determined upon issue.

The Class B shares were convertible into Class A shares, at the option of the Corporation, at any time after October 1, 2009 and before the close of business on September 30, 2011. Effective December 29, 2009, the Company converted all existing Class B shares into Class A shares, the Class B shares were delisted, and the holders of Class B shares received 10 Class A shares for each Class B share held, resulting in an aggregate of 7,530,140 Class A shares being issued.

9. Share Capital - continued

(b) Issued

	Year Ended December 31, 2009			
	Class A Shares	**Class B Shares**	**Warrants**	**Amount**
Balance, beginning of year	**38,001,398**	**753,014**	**-**	**$ 15,677,369**
Tax benefits renounced on flow-through shares	**-**	**-**	**-**	**(463,671)**
Private placement of Units including one flow through Class A share and one Class A share for cash	**5,333,480**	**-**	**-**	**400,011**
Class A Share warrants issued to brokers for private placement		**-**	**133,333**	**6,667**
Class A shares issued in settlement with Creditors	**3,623,014**	**-**		**362,301**
Private placement of Class A shares issued as the first investment under an investment agreement with an international investor	**40,000,000**	**-**		**3,000,000**
Class A share warrants issued to brokers pursuant to first investment under investment agreement		**-**	**933,333**	**86,499**
Share issue costs, net of tax of $102,443	**-**	**-**	**-**	**(284,135)**
Conversion of Class B shares to Class A shares	**7,530,140**	**(753,014)**		**-**
Balance, end of year	**94,488,032**	**-**	**1,066,666**	**$ 18,785,041**

	Year Ended December 31, 2008			
	Class A Shares	Class B Shares	Warrants	Amount
Balance, beginning of year	32,169,040	753,014	2,500,000	$ 15,275,854
Tax benefits renounced on flow-through shares	-	-	-	(1,006,245)
Private Placement of Flow Through Class A shares for cash	5,832,358	-	-	1,749,707
Share issue costs, net of tax of $34,290				(81,947)
Expired warrants			(2,500,000)	(260,000)
Balance, end of year	38,001,398	753,014	-	$ 15,677,369

Pursuant to an investment agreement with an international investor, dated September 10, 2009, on October 6, 2009, the Company closed the first tranche of the investment whereby the investor acquired 4,666,666 Class A Shares at a price of $0.075 per Class A Share for gross proceeds of $350,000. On November 23, 2009, a further 35,333,334 Class A Shares were acquired also at a price of $0.075 per Class A Share for gross proceeds of $2,650,000. In conjunction with the two closings, the Company paid finder's fees to two agents in an aggregate amount of $180,000 and issued an aggregate of 933,334 warrants.

On July 17, 2009 the Company closed a private placement of Units, each Unit being priced at $0.15 and comprising one Class A Share priced at $0.05 per share and one Flow-Through Class

9. Share Capital - continued

A Share priced at $0.10 per share. The closing resulted in the receipt of $400,011 from the sale of 2,666,740 Class A shares and 2,666,740 Flow-Through Class A Shares.

As part of the Company's settlement with trade creditors, the Company authorized the issue up to 5,000,000 Class A Shares at a deemed price of $0.10 in satisfaction of 25% of the outstanding obligation to each creditor which agreed to the settlement terms. At December 31, 2009, 3,623,014 Class A Shares had been issued in satisfaction of creditor settlements, with a deemed value of $362,301.

Between October 7, 2008 and November 4, 2008, the Company issued 5,832,358 Class A shares, in four tranches, under a private placement flow-through financing at a price of $0.30 per share for aggregate gross proceeds of $1,749,707.

Pursuant to the rules of the TSX Venture Exchange, the shares of the previous directors, officers and insiders of Resolve (which were exchanged for shares of the Company) are subject to escrow conditions, whereby 10 percent of Class A shares were released from escrow upon receipt of a listing notice on the TSX Venture Exchange. The remaining 90 percent of the escrowed Class A shares shall be released in equal 15 percent tranches every six months thereafter, for a period of 36 months. As at December 31, 2009, 555,900 (December 31, 2008 – 1,667,700) Class A Shares remained in escrow pursuant to these conditions.

(c) Stock options

The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. At December 31, 2009 Nil Class A shares (December 31, 2008 – 3,113,333 Class A shares) were reserved for issuance under the plan. Options granted under the plan have varying vesting periods and are determined by the Board at the grant date. All outstanding options were cancelled effective April 27, 2009.

A summary of the status of the Company's stock option plan as at December 31, 2009 and December 31, 2008 and changes during the period ending on those dates is presented below.

	Year Ended December 31, 2009		Year Ended December 31, 2008	
Stock Options	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding beginning of year	**3,113,333**	**$0.51**	2,060,000	$0.57
Granted	**-**	**-**	1,355,000	$0.43
Forfeited	**(116,666)**	**$0.53**	(301,667)	$0.58
Cancelled	**(2,996,667)**	**$0.51**	-	-
Outstanding end of period	**-**	**-**	3,113,333	$0.51
Exercisable, end of period	**-**	**-**	2,147,499	$0.53

9. Share Capital - continued

(c) Stock options – continued

There were no options granted in 2009. The fair value of share options granted in 2008 had a weighted average fair value of $0.17 which was estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Dividend yield	**Nil**	Nil
Expected volatility	**-**	70%
Risk free interest rate	**-**	3.2%
Weighted average life	**-**	2 years

d) Warrants

On October 6, 2009 and November 23, 2009, the Company issued an aggregate of 933,334 warrants as finders fees to two agents, each warrant entitling the holder to purchase one Class A Share at a price of $0.15 per share exercisable for two years from the date of the respective closing. The warrants have been fair valued and the value estimated at $77,666 included in share issue costs. The value was estimated using the Black-Scholes option pricing model with a current share price of $0.15 on October 6, 2009 and $0.205 on November 23, 2009; a strike price of $0.15 per warrant; a risk free interest rate of 1.88%; expected volatility of 70%; and a two year average life.

On July 17, 2009, the Company issued 133,333 broker warrants providing the right to purchase units, each unit being comprised of one Class A Share issued at a price of $0.05 per share and one Flow-Through Class A Share issued at a price of $0.10 per share. Each broker warrant is exercisable until July 17, 2010 at an exercise price of $0.15 per warrant; and at $0.20 per warrant until July 17, 2011. The warrants have been fair valued and the value estimated at $6,667 included in share issue costs. The value was estimated using the Black-Scholes option pricing model with a current share price of $0.08; a strike price of $0.175 per warrant; a risk free interest rate of 1.86%; expected volatility of 70%; and an 18 month average life.

The following is a continuity of the warrants outstanding:

	Year Ended December 31, 2009		Year Ended December 31,2008	
	Number of warrants	**Weighted average Class A exercise price**	Number of warrants	Weighted average exercise price
Beginning of year	**-**	**$ -**	2,500,000	$0.93
Broker warrants issued in private placements during year	**1,066,666**	**$0.14**	-	-
Exercised	**-**	**-**	-	-
Expired	**-**	**$ -**	(2,500,000)	$0.93
End of year	**1,066,666**	**$0.14**	-	$ -
Exercisable, end of period	**1,066,666**	**$0.14**	-	$ -

10. Contributed Surplus

	2009	2008
Contributed surplus, beginning of year	**$ 1,008,452**	$ 561,357
Expired warrants	**-**	260,000
Stock compensation expense	**84,373**	187,095
Contributed surplus, end of year	**$ 1,092,825**	$ 1,008,452

11. Income Taxes

(a) The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to income (loss) before income taxes. The major components of these differences are explained as follows:

	2009	2008
Loss before taxes	**$ (2,935,128)**	$ (2,406,826)
Corporate income tax rate	**29.50%**	29.50%
Expected tax recovery	**$ (865,863)**	$ (710,014)
Increase (decrease) in future income taxes resulting from:		
Future tax rate changes	**85,454**	(122,969)
Goodwill impairment	**-**	178,775
Stock compensation expense	**24,890**	55,193
Non-deductible expenses	**673**	1,071
Change in previously estimated tax pools	**(77,163)**	113,451
Other	**(38,434)**	(57,602)
Future income tax recovery	**$ (870,443)**	$ (542,095)
Current income taxes	**$ 20,323**	-
Income tax recovery	**$ (850,120)**	$ (542,095)

(b) Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's future income tax assets and liabilities are as follows:

Nature of temporary differences	2009	2008
Property, plant and equipment	**$ (3,791,759)**	$ (3,764,242)
Asset retirement obligations	**559,348**	492,784
Non-capital losses	**1,084,332**	626,427
Share issue costs and finance fees	**325,490**	313,229
Future income tax liability	**$ (1,822,589)**	$ (2,331,802)

(c) The Company has non-capital losses available for income tax purposes of approximately $4,092,000 (December 31, 2008 - $2,365,000) which are available to reduce taxable income in future years. The losses expire after 2013.

12. Capital Disclosures

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company's objectives in managing the capital structure are to maintain a flexible financial structure to preserve the Company's access to capital markets, and to finance the Company's growth and continue to meet its financial obligations. The capital structure of the Company consists of bank credit facilities (Note 6), working capital and Shareholder's equity comprised of issued share capital, contributed surplus and deficit. The Company's ability to meet these objectives for managing the Company's capital has been severely challenged by the current economic conditions, and in particular by the pace at which oil and gas prices have declined and the availability of new sources of capital has diminished.
The capital structure is as follows:

	2009	2008
Current assets	**$ 1,184,231**	$ 1,562,056
Accounts payable	**(2,968,623)**	(3,338,729)
Current portion of bank loans	**(3,277,664)**	(5,376,763)
Net debt and working capital deficiency	**$ (5,062,056)**	$ (7,153,436)
Long term debt	**$ 483,924**	$ -
Shareholder's equity	**$ 15,674,853**	$ 14,567,816
Bank Facilities		
Revolving demand loan facility	**$5,250,000**	$6,000,000
Non-revolving acquisition and demand loan facility	**$ -**	$1,000,000

In a normal economic environment, the Company is able to manage its capital structure and makes adjustments to it in light of market and economic conditions as well as the risk characteristics of the Company's underlying assets. The Company monitors capital and its financing requirements through the annual budget process and monthly updates to the budget forecast and working capital projections. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, the use of bank credit facilities, adjusting capital spending, or by undertaking other strategies as deemed appropriate under the specific circumstances.

However, as a result of the current economic environment during 2009, the Company worked on alternative strategies to deal with the working capital deficit, including the disposition of non-core assets and considering alternative financing opportunities, including an approach to its unsecured trade creditors proposing to settle all debts with an element of cash, a two year debenture and an equity component.

Under its credit facility agreement, the Company is required to maintain a working capital ratio, after adding the unused portion of the revolving demand loan and after excluding outstanding bank debt under the facility, of not less than 1:1. The Company was in compliance with this covenant at December 31, 2009 but was not in compliance either at December 31, 2008, or at any of the subsequent quarter ends including September 30, 2009. Effective August 1, 2009, the Company was subject to a forbearance agreement with the Bank under which the Company had its revolving demand loan facility reduced from $6,000,000 to $5,250,000; the non-revolving acquisition and development loan facility cancelled; the interest rate on the facility increased to prime + 2%; and was subject to a forbearance fee. Under the agreement the Company committed to eliminate all long-term defaults by October 30, 2009, which was later extended to November 30, 2009. On November 23, 2009, the Company closed on the second tranche of an investment agreement described in note 8 Share Capital, which effectively met the conditions of the forbearance agreement and brought the Company back into compliance with the Bank's covenants. (see Bank Loans, note 6) Furthermore, the Company completed its arrangements with existing creditors; provided funding for workovers and recompletions aimed at increasing production levels; and allowed the Company to continue with its development plans.

At December 31, 2009, the Company has allowed liens with respect to debts, which amount to $Nil, to be registered against certain assets.

On July 20, 2009 the Company closed the first tranche of a private placement of Units, each Unit being priced at $0.15 and comprising one Class A Share priced at $0.05 per share and one Flow-Through Class A Share priced at $0.10 per share. The initial closing resulted in the receipt of $400,011 from the sale of 2,666,740 Class A shares and 2,666,740 Flow-Through Class A Shares. Following completion of the private placement, the Company commenced the settlement process with creditors. The Company was authorized to issue up to 5,000,000 Class A Shares at a deemed price of $0.10 in satisfaction of 25% of the outstanding obligation to each creditor. The Company also authorized issuance of up to $600,000 of debentures, paying an interest rate of 5%, which can be fully redeemed at the option of the Company at any time up to the twenty four month anniversary of the issuance and will, in any event, be fully redeemed on the twenty four month anniversary of the issuance of the debentures. At December 31, 2009, the Company had settled an aggregate $1,511,327 in outstanding creditor balances as follows:

Cash payments			$319,340
Debenture	(note 7)	5% unsecured subordinated debenture	$483,924
Equity	(note 8)	3,623,014 Class A shares	$362,301
Write down of balance			$345,762

The Company entered into an investment agreement with an international investor, dated September 10, 2009, under which the investor agreed to invest, subject to the satisfaction of certain conditions, up to $15 million in the Company. On October 6, 2009, the Company closed the first tranche of the investment whereby the investor acquired 4,666,666 Class A Shares for gross proceeds of $350,000. On November 23, 2009, a further 35,333,334 Class A Shares were acquired for gross proceeds of $2,650,000. Also, under the terms of the agreement, on or before December 31, 2009, which date was subsequently extended to January 15, 2010, the investor agreed, subject to the satisfaction of further conditions precedent, to purchase a further 150,000,000 Class A Shares for gross proceeds of $12 million (see Subsequent Event note 18).

13. Supplementary Information – Statement of Cash Flows

During the year ended December 31, 2009, the Company paid $335,575 in interest including $110,000 for a forbearance fee to the Company's lender, (2008 - $217,759,) and $20,323 in income taxes (2008 - $Nil).

The change in non-cash working capital is allocated between operating and investing activities as follows:

	2009	2008
Accounts receivable	**409,647**	389,084
Deposits and prepaid expenses	**(5,984)**	(19,949)
Income tax recoverable	**-**	43,077
Accounts payable and accrued liabilities	**(370,106)**	(2,535,522)
Non-cash financing transactions (see note below)	**846,225**	-
Net change in accounts receivable and accounts payable	**879,782**	(2,123,310)
Net change in operating activities	**510,052**	595,136
Net change in investing activities	**369,730**	(2,718,446)
	879,782	(2,123,310)

Non-cash financing transactions relate to Class A shares and long term debt issued to trade creditors in settlement of outstanding amounts due (note 12).

14. Loss per share

	2009	2008
Net loss available to common share shareholders	**(2,085,008)**	(1,864,731)
Weighted-average number of Class A shares outstanding	**46,912,090**	33,399,428
Class B shares [1]	**-**	7,530,140
Weighted-average number of common shares outstanding – basic and diluted	**46,912,090**	40,929,568
Net loss per share ($/share) - Basic and diluted	**$(0.044)**	$(0.046)

[1] Excluded from the above dilutive stock options and warrants are nil options and 1,066,666 warrants respectively at December 31, 2009 (December 31, 2008 – 2,940,000 options and nil warrants). All options and warrants are not dilutive as the Company suffered a loss.

15. Commitments and Contingencies

The Company is involved in various claims arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour, the Company does not currently believe that the outcome of adverse decisions in any proceedings related to these matters or any amount which it may be required to pay would have a material adverse impact on its financial position, results of operations or liquidity.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. As disclosed in note 8, the Company has recognized a liability at December 31, 2008 of $2,110,747 (2008 - $1,859,564) related to the retirement of its long-lived petroleum assets based on current legislation and estimated costs. Any changes in these estimates will affect future earnings. Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities.

The operations of the Company are complex, and regulations and legislation affecting the Company are continually changing. Although the ultimate impact of these matters on net earnings cannot be determined at this time, it could be material for any one quarter or year.

The Company entered into a lease arrangement for office space and related services for five years commencing January 1, 2008. As at December 31, 2009, the remaining minimum lease payments total $558,720 will be expended equally over the remaining three years ending December 31, 2012.

Pursuant to a flow-through financing completed by the Company during 2008, at December 31, 2009 the Company had incurred the necessary qualified exploration expenditures to meet its commitment by December 31, 2009.

Pursuant to a flow-through financing completed by the Company on July 17, 2009, at December 31, 2009, the Company has a further outstanding commitment of approximately $150,000 to spend on qualified exploration expenditures by December 31, 2010.

15. Commitments and Contingencies - continued

The Company has entered into employment agreements with certain senior management. In addition to defining the terms of employment, the agreement entitles the employees to payments ranging from 6 months to 18 months of compensation for termination without cause or in the event of a change of control.

16. Related Party Transactions

Except as disclosed elsewhere the Company had the following related party transactions:

(a) In July 2009, the Company completed a private placement of Units, each Unit comprising one Class A Share and one flow-through Class A Share, for a total of 2,666,740 Class A Shares and 2,666,740 flow-through Class A Shares, at a price of $0.15 per Unit. Directors and officers of the Company subscribed for an aggregate of 1,000,040 Class A Shares and 1,000,040 flow-through Class A Shares.

(b) The Company completed a private placement of 5,832,358 flow-through Class A Shares in October and November 2008, at a price of $0.30 per share. Directors and officers of the Company subscribed for an aggregate of 636,358 Class A Shares.

The above transactions were completed on the same terms as to other arms length participants in the private placements.

(c) During the period, a legal firm, of which a director is a partner, charged the Company $72,830 (2008 - $62,702) for legal fees and services. The firm also agreed to settlement of amounts owing by the Company of $34,819, which included a write down of the amount owing by $8,704, the issuance of 87,050 Class A Shares, and the issuance of 10,446 5% unsecured subordinated debentures.

(d) During the year, another legal firm, of which another director is Counsel, charged the Company $31,144 (2008 - $nil) for legal fees and services.

(e) At December 31, 2009, the Company has a receivable for $21,399 due from Alliance Success Holding Group Limited ("Alliance"), which owns 42% of the Company's shares at December 31, 2009, for services paid for by the Company on behalf of Alliance, relating to Alliance's investment in the Company.

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

17. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to fair value, commodity price, foreign currency, interest rate, industry credit and liquidity risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Fair value of financial assets and liabilities
The carrying value of cash, accounts receivable, deposits, accounts payable and accrued liabilities, and the bank loan approximates their fair value due to the relatively short period to maturity. The carrying value of the bank debt and long term debt approximates fair value as the amount bears interest at a rate that is based on current bank prime rates and short-term maturity. The Company's cash and cash equivalents are transacted in active markets and have been assessed using the following fair value hierarchy and are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(b) Commodity price risk
Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Company is subject to commodity price risk for the delivery of natural gas and crude oil, the price of which is subject to world economic events that dictate the levels of supply and demand. As at December 31, 2009, the increase or decrease in net earnings before taxes, based on annualized volumes, for each $1 change in oil prices amounts to approximately $42,000 (2008 - $58,000); and for each $0.10 change in gas prices amounts to approximately $11,000 (2008 - $14,000). The Company had no financial derivative contracts in place as at or during the year ended December 31, 2009 and has not entered into any forward physical delivery contracts.

(c) Foreign currency risk
Foreign currency exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. Although all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company had no financial instruments denominated in foreign currencies and no forward exchange contracts in place at or during the year ended December 31, 2009.

(d) Credit risk
Credit risk represents the risk that a counterparty to a financial asset will default, resulting in the Company incurring a financial loss. Substantially all the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Approximately 85% of the Company's monthly revenue is receivable from the marketing arm of a major energy company. The Company also attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure or through cash calling a partner in advance of completion of work. Additionally the Company has the ability to withhold production or net payables from joint venture partners in the event on non-payment. Maximum credit risk is calculated as the total recorded value of accounts receivable.

During the year ended December 31, 2009, $145,150 of receivables were written off (2008 - $nil). The aging of accounts receivable, including cash call receivables is as follows:

17. Financial Instruments - continued

Aging	December 31, 2009 $,000
Current (0-30 days)	$ 474
31 – 60 days	191
61 – 90 days	59
More than 90 days	155
Total	$879

When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Company considers all amounts greater than 90 days to be past due. As at December 31, 2009 $155,000 (2008 – $388,000) of accounts receivable are past due, excluding amounts described above, all of which are considered to be collectible.

(e) Interest rate risk management
Interest rate risk is the risk that fair values or future cash flows will fluctuate as a result of changes in market interest rates. The Company's borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at December 31, 2009, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $32,800 (2008 - $53,800). The related disclosures regarding the debt instruments are included in Note 7 of these financial statements. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2009.

(f) Liquidity risk
Liquidity risk represents the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company monitors its financial obligations and its ability to meet those obligations through an annual budget process and monthly updates to the budget forecast and working capital projections. In addition, the Company requires authorizations for expenditures on its capital projects and defers timing of capital expenditures as necessary.

17. Financial Instruments - continued

During 2009, the Company's liquidity risk increased with the volatile economic conditions. However, as a result of the investment funds received late in the year, at December 31, 2009, the Company was in a position to pay its outstanding accounts payable in a timely manner. At December 31, 2009, the aging of accounts payable and accrued liabilities was as follows:

Aging	December 31, 2009 $,000
Current (0-30 days)	$ 1,544
31 – 60 days	362
61 – 90 days	137
More than 90 days	926
Total	$ 2,969

18. Subsequent Events

The Company entered into an investment agreement with an international investor, dated September 10, 2009, under which the investor agreed to invest, subject to the satisfaction of certain conditions, up to $15 million in the Company. The Company closed the final investment tranche with the investor on January 15, 2010, issuing 150,000,000 Class A Shares at a price of $0.08 per Class A Share for gross proceeds of $12,000,000. In conjunction with the closing, the Company paid finder's fees to two agents in an aggregate amount of $480,000 and issued an aggregate of 1,599,999 warrants, each warrant entitling the holder to purchase one Class A Share at a price of $0.15 per share exercisable for two years from the date of the closing. Following the closing of the final installment of this investment, the investor held 77.7% of the outstanding Class A Shares. Accordingly, the closing triggered a change of control under the provisions of employment agreements with certain senior management and, under these agreements, the employees would have the option to elect to terminate their agreements, which could result in aggregate payments up to $470,000. Also, subsequent to the closing, proceeds from the investment were used to pay down the Bank credit facility, the balance of which was $3,277,664 at year end; and to acquire lands in Alberta and Saskatchewan in an aggregate amount of $3,900,000.

On January 4, 2010, the bank renewed its agreement with the Company providing a $5,000,000 revolving demand loan facility, which bears interest at prime plus 1.25%, for a current effective rate of 3.5%.

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December 31, 2009 and 2008

CORPORATE INFORMATION

Directors

Gary Chang (2,3)
James H. Coleman (3)
Ross O. Drysdale (1,2)
Hong Lei (3)
Owen C. Pinnell (2)
J. Ronald Woods (1)
Zhen Xiang Huo (1)

Notes: (1) Audit and Reserves Committee; (2) Environment and Safety Committee; (3) Compensation Committee
Committee memberships for new board members will be ratified at the next directors meeting.

Officers

Owen Pinnell – Executive Chairman and CEO
William Johnson -- President and COO
Giles Parker – Vice President, Finance and CFO
Bob McCuaig – Executive Vice President and General Manager
Marlene Stewart – Assistant Corporate Secretary

Head Office

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2300, 125 Ninth Avenue S.E.
Calgary, Alberta T2G 0P6

Web Site

www.anterraenergy.com

Stock Exchange

TSXV Venture Exchange
Trading Symbol: A Shares: AE.A

Auditors

Deloitte & Touche LLP

Bankers

National Bank of Canada

Legal Counsel

Macleod Dixon LLP

Abbreviations

ARTC Alberta Royalty Tax Credit
bbls/d barrels per day
boe barrels of oil equivalent
mbbl thousand barrels
mmboe million barrels of oil equivalent
mcf/d thousand cubic feet per day
WTI West Texas Intermediate
bbl barrel
bcf billion cubic feet
boe/d barrels of oil equivalent per day
mboe thousand barrels of oil equivalent
mcf thousand cubic feet
NGLs natural gas liquids
TSX TSX Venture Exchange

Conversion of Units

1.0 bbl = 0.159 cubic meters
1.0 mcf = 28.2 cubic meters
Natural gas is equated to oil on the basis of 6mcf = 1 boe
6.29 bbls = 1.0 cubic meter
0.035 mcf = 1.0 cubic meter