



Interim Financial Statements

For the six months ended June 30, 2008

Notice

The unaudited interim financial statements for the six months ended June 30, 2008 were not reviewed by the Company's auditor.

Anterra Energy Inc.
Balance Sheets

Unaudited	As at June 30, 2008	As at December 31, 2007
Assets		
Current		
Cash and cash equivalents	\$ 6,617	\$ 4,072
Accounts receivable	1,465,865	1,677,668
Deposits and prepaid expenses	305,283	253,523
Income taxes recoverable	-	43,077
	1,777,765	1,978,340
Property and equipment (Note 5)	25,008,783	22,559,643
Intangible assets (Note 6)	281,347	289,077
Goodwill (Note 6)	606,017	606,017
	\$27,673,912	\$ 25,433,077

Liabilities and Shareholders' Equity

Current		
Bank indebtedness	\$ 277,420	-
Accounts payable and accrued liabilities	3,165,945	\$ 5,874,251
Bank loans (Note 7)	4,950,000	421,982
	8,393,365	6,296,233
Asset retirement obligation (Note 8)	1,783,729	1,689,965
Future income taxes	2,852,904	1,862,942
	13,029,998	9,849,140
Share capital (Note 9)	14,269,609	15,275,854
Contributed surplus (Note 10)	661,350	561,357
Deficit	(287,045)	(253,274)
	14,643,914	15,583,937
	\$ 27,673,912	\$ 25,433,077
Going Concern (Note 3)		
Commitments and Contingencies (Note 13)		

See accompanying notes

Approved on behalf of the Board:

"signed" Director
Owen Pinnell

"signed" Director
James Coleman

Unaudited

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

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Revenues				
Revenue	\$ 2,390,334	\$ 1,646,206	\$ 4,572,006	\$ 3,051,848
Royalties	(185,810)	(113,930)	(310,948)	(213,871)
	<u>2,204,524</u>	<u>1,532,276</u>	<u>4,261,058</u>	<u>2,837,977</u>
Expenses				
Operating	946,086	582,961	1,900,907	1,135,784
Transportation	75,502	58,735	128,948	110,851
General and administrative	407,985	371,585	808,571	690,349
Stock compensation	19,653	76,462	99,993	87,126
Interest	84,929	65,228	114,031	147,496
Asset retirement accretion	38,421	33,147	76,456	64,472
Depletion, depreciation and amortization	606,277	438,211	1,182,206	770,512
	<u>2,178,853</u>	<u>1,626,329</u>	<u>4,311,112</u>	<u>3,006,590</u>
Income (loss) before taxes	25,671	(94,053)	(50,054)	(168,613)
Income taxes				
Current	-	-	-	-
Future	6,677	(5,926)	(16,283)	(32,112)
	<u>6,677</u>	<u>(5,926)</u>	<u>(16,283)</u>	<u>(32,112)</u>
Net Income (loss) and comprehensive income (loss)	18,994	(88,127)	(33,771)	(136,501)
Deficit, beginning of the period	<u>(306,039)</u>	<u>(274,546)</u>	<u>(253,274)</u>	<u>(226,172)</u>
Deficit, end of period	(287,045)	(362,673)	(287,045)	(362,673)
Basic income (loss) per Class A share				
	\$ 0.001	\$ (0.004)	\$ (0.001)	\$ (0.007)
Diluted income (loss) per Class A share				
	\$ 0.001	\$ (0.004)	\$ (0.001)	\$ (0.007)
Weighted average Class A shares outstanding				
	32,169,040	20,552,600	32,169,040	18,244,200

See accompanying notes

Unaudited

**Anterra Energy Inc.
Statements of Cash Flows**

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Cash flows from operating activities				
Operations				
Net income (loss) for the period	\$ 18,994	\$ (88,127)	\$ (33,771)	\$(136,501)
Items not involving cash				
Stock compensation	19,653	76,462	99,993	87,126
Depletion, depreciation and amortization	606,277	438,211	1,182,206	770,512
Asset retirement accretion	38,421	33,147	76,456	64,472
Future income taxes	6,677	(5,926)	(16,283)	(32,112)
Funds flow from operations	<u>690,022</u>	<u>453,767</u>	<u>1,308,601</u>	<u>753,497</u>
Changes in non-cash working capital balances				
Accounts receivable	473,884	(149,702)	170,228	(254,561)
Deposits and prepaid expenses	(94,718)	(50,577)	(51,760)	(22,340)
Accounts payable	(1,189,516)	851,200	(200,960)	417,678
Income taxes recoverable	-	(13,512)	43,077	(45,580)
Cash flow from operating activities	<u>(120,328)</u>	<u>1,091,176</u>	<u>1,269,186</u>	<u>848,694</u>
Financing activities				
Issue of common shares	-	70,278	-	70,278
Share issue costs	-	(302,263)	-	(302,263)
Bank loan	1,550,000	(1,600,000)	4,528,018	(1,443,440)
Deferred share issue costs	-	60,187	-	-
	<u>1,550,000</u>	<u>(1,771,798)</u>	<u>4,528,018</u>	<u>(1,675,425)</u>
Investing activities				
Cash acquired on acquisition	-	4,309,792	-	4,309,792
Additions to property and equipment	(643,544)	(3,585,238)	(3,606,308)	(3,863,656)
Change in non-cash working capital	(193,260)	-	(2,465,771)	-
	<u>(836,804)</u>	<u>724,554</u>	<u>(6,072,079)</u>	<u>446,136</u>
Increase (decrease) in cash and cash equivalents	592,868	43,932	(274,875)	(380,595)
Cash / (bank indebtedness) and cash equivalents, beginning of the period	<u>(863,671)</u>	<u>(302,793)</u>	<u>4,072</u>	<u>121,734</u>
Cash / (bank indebtedness) and cash equivalents end of the period	\$ (270,803)	\$ (258,861)	\$ (270,803)	\$ (258,861)
Supplementary Disclosures (Note 12)				

See accompanying notes

1. Basis of Presentation

The interim financial statements of the Company have been prepared by management, without audit or review by the Company's auditor, 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 the financial statements and accompanying notes. Actual results could differ from those estimates. The interim financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and are based upon accounting policies consistent with those used and described in Note 2 to the audited financial statements for the year ended December 31, 2007. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2007.

2. Significant Accounting Policies

Changes in accounting policies

On January 1, 2008 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400 "General Standards of Financial Statement Presentation", Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3064 "Goodwill and Intangible assets", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", retrospectively with no restatement of prior periods.

The Company has evaluated the impact of these new standards and determined that the adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company has adopted the amendments to Section 1400 on January 1, 2008 and has included information in Note 3 as required.

Section 1535, "Capital Disclosures", establishes standards for disclosure about the Company's objectives, policies and processes for managing capital. These disclosures include a description of what the Company manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the Company's management of Capital, whether the requirements have been complied with, or consequence of non-compliance and an explanation of how the Company is meeting its objectives for managing capital. In addition, quantitative disclosures regarding capital are required. Refer to Note 11, "Capital Disclosures".

Section 3031, "Inventories" requires inventory to be measured at the lower of cost and net realizable value, and that when inventories are sold, the carrying amount of those inventories be recognized as an expense in the period in which the related sales are recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The adoption of this revised standard had no impact on the Company's financial results as presented in the interim consolidated financial statements.

Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit oriented enterprises. The adoption of this revised standard had no impact on the Company's financial results as presented in the interim consolidated financial statements.

Section 3862, "Financial Instruments – Disclosure" and Handbook Section 3863, "Financial Instruments – Presentation". Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset. The required disclosure and presentation of information pursuant to these standards has been provided in the interim consolidated financial statements for the three months and six months ended June 30, 2008 and the notes thereto.

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.

3. 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 \$33,771 and generated funds flow from operating activities before changes in non cash working capital balances of \$1,308,601, for the six months ended June 30, 2008. The Company had a net working capital deficit of \$6,615,600 with \$1,900,000 available under its revolving demand loan credit facility of \$6,000,000 and \$150,000 available under an additional \$1,000,000 non-revolving acquisition and development demand loan facility in place at June 30, 2008. Following the bank's annual review in May 2008, availability under the revolving demand loan facility was reduced from \$7,000,000 to \$6,000,000, and the non-revolving acquisition and development demand loan facility was reduced from \$1,500,000 to \$1,000,000. The company's ability to continue as a going concern is dependent upon the ability to raise capital, the continued generation of positive cash flow, and the success of the development and exploration program. As at June 30, 2008 the Company was in compliance with its lending covenants.

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.

4. Business Acquisition

On May 1, 2007, the Company was formed following the amalgamation of Anterra Corporation with Resolve Energy Inc. The combination has been accounted for as an acquisition of Resolve assets by Anterra Corporation as the majority of the Class A shares of the Company were to be held by

former shareholders of Anterra Corporation; and Resolve had no significant operations to the date of amalgamation. The acquisition of Resolve assets can be summarized as follows:

Net Assets Acquired

Cash	\$ 4,309,792
Working capital	(7,801)
Property, plant and equipment	354,160
Future income taxes	(1,017,859)
Fair Value of Net assets acquired	<u>\$ 3,638,292</u>

Purchase Consideration

Class A shares and Class B shares issued as consideration	<u>\$ 3,638,292</u>
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5. Property and Equipment

	June 30, 2008			December 31, 2007		
	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	\$ 28,273,253	\$ 5,608,443	\$ 22,664,810	\$ 24,689,296	\$ 4,515,355	\$ 20,173,941
Processing equipment and furniture and fixtures	3,028,886	684,913	2,343,973	2,989,226	603,524	2,385,702
	<u>\$ 31,302,139</u>	<u>\$ 6,293,356</u>	<u>\$ 25,008,783</u>	<u>\$ 27,678,522</u>	<u>\$ 5,118,879</u>	<u>\$ 22,559,643</u>

Costs amounting to \$Nil (2007 - \$374,000) relating to seismic work on unproved properties, and a salvage value amounting to \$690,000 (2007 - \$690,000) on property and equipment were excluded from the depletion and depreciation calculations for 2008.

6. Intangible Assets

	June 30, 2008			December 31, 2007		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
Intangible Assets	\$ 319,177	\$ 37,830	\$ 281,347	\$ 319,177	\$ 30,100	\$ 289,077
Goodwill	\$ 606,017	\$ -	\$ 606,017	\$ 606,017	\$ -	\$ 606,017

Intangible assets, consisting of licenses and permits, and goodwill were added as part of an acquisition in 2004. At December 31, 2007, management performed an annual impairment test in accordance with its accounting policies and determined that fair value exceeded the book value for the reporting unit.

7. Bank Loans

As at June 30, 2008, the Company has available a \$6,000,000 (June 30, 2007 - \$5,750,000) revolving demand loan facility and an additional \$1,000,000 (June 30, 2007 - \$1,500,000) non-revolving acquisition and development demand loan facility with a Canadian chartered bank. The revolving loan

bears interest at prime plus 3/4% and the non-revolving loan at prime plus 1%, and 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. As at June 30, 2008, including bank indebtedness and \$850,000 drawn under the development demand loan facility, the Company had drawn \$5,227,420 (December 31, 2007 - \$421,982). The loans are shown as a current liability due to their demand nature despite the lender having not demanded repayment of the loan. At June 30, 2008, the Company was in compliance with its debt covenants. The availability under the facilities is subject to periodic review with an interim review scheduled for September 1, 2008.

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.

	June 30, 2008	December 31, 2007
Asset retirement obligation, beginning of year	\$ 1,689,965	\$ 1,371,697
Liabilities incurred	17,308	185,072
Accretion expense	76,456	133,196
Asset retirement obligation, end of year	\$ 1,783,729	\$ 1,689,965

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 \$4,552,000 (December 31, 2007 - \$4,478,000). 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 2010 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 are convertible, at the option of the Corporation, at any time after October 1, 2009 and before the close of business on September 30, 2011, into Class A shares upon five days prior notice to the holders of Class B shares. The number of Class A shares obtained upon conversion of each Class B share shall be equal to \$10.00 divided by the greater of \$1.00 and the then current market price of the Class A shares. If the Corporation fails to exercise the conversion option by the close of business on September 30, 2011, then the Class B shares shall be convertible at the option of the shareholder at any time after October 1, 2011 and before November 1, 2011 into Class A shares pursuant to the conversion formula described above. Any Class B shares not converted by the close of business on November 1, 2011 shall be automatically converted into Class A shares pursuant to the conversion formula described above.

(b) Issued

Six Months Ended June 30, 2008

	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Warrants</u>	<u>Amount</u>
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)
Balance, end of period	32,169,040	753,014	2,500,000	\$ 14,269,609

Year ended December 31, 2007

Share Capital Pre Amalgamation

	<u>Number of Shares (1)</u>	<u>Amount</u>
Balance, beginning of year	27,842,833	\$ 5,803,400
Shares issued on option exercise	375,000	81,240
Tax benefits renounced on flow-through shares	-	(361,125)
Expired warrants	-	(23,389)
Balance, May 1, 2007	28,217,833	\$ 5,500,126

(1) Before giving impact to exchange ratio for the amalgamation

Share Capital Post Amalgamation

	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Warrants</u>	<u>Amount</u>
May 1, 2007, (date of business combination)	16,124,474	372,476	1,052,000	\$ 5,500,126
Issued to acquire Resolve (Note 3)	6,710,000	380,538	871,790	3,638,292
Private placement of Flow Through Class A shares for cash	3,518,332	-	-	2,110,999
Private placement of Class A shares units for Cash	4,000,000	-	-	3,140,000
Class A share warrants issued as part of units above	-	-	2,000,000	260,000
Private placement of Flow Through Class A shares for cash	1,444,444	-	-	1,300,000
Warrants exercised	371,790	-	(371,790)	96,665
Share issue costs, net of tax of \$313,424	-	-	-	(666,080)
Expired warrants	-	-	(1,052,000)	(104,148)
Balance, December 31, 2007	32,169,040	753,014	2,500,000	\$ 15,275,854

On December 24, 2007, the Company issued 1,444,444 Class A shares under a private placement flow-through financing at a price of \$0.90 per share for aggregate gross proceeds of \$1,300,000.

On November 9, 2007, the Company completed a financing for \$3,400,000 issuing 4,000,000 units at a price of \$0.85 per unit. Each unit consisted of one Class A common share and one-half of a Class A common share purchase warrant. Each whole warrant is exercisable into one Class A common share at an exercise price of \$1.10 until November 9, 2008. A value of \$260,000 was attributed to the 2,000,000 warrants.

On July 23, 2007, the Company issued 3,444,999 Class A shares; and on August 7, 2007, pursuant to an over-allotment option, issued a further 73,333 Class A shares under a bought deal private placement flow-through financing at a price of \$0.60 per share for aggregate gross proceeds of \$2,110,999.

On May 1, 2007, as a result of the amalgamation of Anterra Corporation with Resolve Energy Inc., 28,217,833 common shares of Anterra Corporation were exchanged for 16,124,475 Class A shares and 372,476 Class B shares in the Company. On the same date, Resolve Energy Inc. shareholders exchanged their shares for 6,710,000 Class A shares and 380,538 Class B shares in the Company; and 871,890 warrants were assumed by the Company.

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 June 30, 2008, 2,223,600 Class A Shares remained in escrow pursuant to these conditions. In addition, pursuant to an agreement among Resolve, certain Resolve shareholders and the agent, all Class A shares of Resolve issued prior to its initial public offering (4,156,000 shares) are subject to a hold period which expired on December 31, 2007.

(c) Stock options

The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. At June 30, 2008 2,685,000 Class A shares (December 31, 2007 – 2,060,000 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.

A summary of the status of the Company's stock option plan as at June 30, 2008 and December 31, 2007 and changes during the periods ending on those dates is presented below.

Stock Options	Six months Ended June 30, 2008		Year Ended December 31, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding beginning of year	2,060,000	\$0.57	1,825,000	\$0.38
Exercised prior to amalgamation	-	-	(375,000)	\$0.18
Cancelled on amalgamation	-	-	(1,450,000)	\$0.43
Granted after amalgamation	665,000	\$0.52	2,060,000	\$0.57
Cancelled	(40,000)	\$0.71	-	-
Outstanding end of period	2,685,000	\$0.55	2,060,000	\$0.57
Exercisable, end of period	1,984,167	\$0.56	1,286,667	\$0.57

d) Warrants

On November 9, 2007, the Company issued 2,000,000 warrants as part of a financing for 4,000,000 units at a price of \$0.85 per unit. Each unit consisted of one Class A common share and one-half of a Class A common share purchase warrant. Each whole warrant is exercisable into one Class A common share at an exercise price of \$1.10 until November 9, 2008.

On May 1, 2007, the Company assumed 871,790 warrants on the amalgamation with Resolve Energy Inc. Each warrant entitles the warrant holder to acquire one Class A share of the Company at the exercise price of \$0.26. 371,790 warrants were exercised prior to their expiry date of December 29, 2007. The remaining 500,000 warrants have an expiry date of December 29, 2008. The warrants had been fair valued and their value of \$65,000 was included in share issue costs.

On April 7, 2006, the Company issued 1,052,000 warrants as part of the private placement of 2,104,000 units. Each whole warrant was exercisable at \$0.75, entitling the holder to acquire 0.5714285 of a Class A share and 0.0132 of a class B share. The warrants expired on October 7, 2007. Also, on April 7, 2006, 238,670 broker's warrants were issued providing the right to purchase one common share, at an exercise price of \$0.60 per warrant. These warrants expired on April 7, 2007.

The following is a continuity of the warrants outstanding:

	Six Months Ended June 30, 2008		Year Ended December 31, 2007	
	Number of warrants	Weighted average Class A exercise price	Number of warrants	Wghtd avg exercise price
Beginning of year	2,500,000	\$0.93	1,290,670	\$0.72
Warrants assumed on amalgamation with Resolve	-	-	871,790	\$0.26
Issued	-	-	2,000,000	\$1.10
Exercised	-	-	(371,790)	\$0.26
Expired	-	-	(1,290,670)	\$0.72
End of period	2,500,000	\$0.93	2,500,000	\$0.93
Exercisable, end of period	2,500,000	\$0.93	2,500,000	\$0.93

10. Contributed Surplus

The following table presents the reconciliation of the beginning and ending balance of the contributed surplus:

	Six Months ended June 30, 2008	Year ended December 31, 2007
Contributed surplus, beginning of year	\$ 561,357	\$ 330,320
Exercised stock options	-	(12,990)
Expired warrants	-	127,537
Stock compensation expense	99,993	116,490
Contributed surplus, end of year	\$ 661,350	\$ 561,357

11. 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 7), working capital and Shareholder's equity comprised of issued share capital, contributed surplus and deficit.

The capital structure is as follows:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Current assets	\$ 1,777,765	\$ 1,978,340
Accounts payable	(3,165,945)	(5,874,251)
Current portion of bank loans	(5,227,420)	(421,982)
Net debt and working capital deficiency	<u>\$(6,615,600)</u>	<u>\$(4,317,893)</u>
Shareholder's equity	<u>\$14,643,914</u>	<u>\$15,583,937</u>
 <u>Bank Facilities</u>		
Revolving demand loan facility	<u>\$6,000,000</u>	<u>\$7,000,000</u>
Non-revolving acquisition and demand loan facility	<u>\$1,000,000</u>	<u>\$1,500,000</u>

The Company manages 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, 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.

The Company monitors capital and its financing requirements through the annual budget process and monthly updates to the budget forecast and working capital projections.

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 June 30, 2008.

12. Supplementary Information – Statement of Cash Flows

During the six months ended June 30, 2008, the Company paid \$114,031 in interest, (2007 - \$147,496) and \$Nil in income taxes (2007 - \$Nil). Cash and cash equivalents at June 30, 2008 and at December 31, 2007 include only nominal cash equivalents.

13. Commitments and Contingencies

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 June 30, 2008 of \$1,783,729 (December 31, 2007 - \$1,689,965) 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 has entered into a lease arrangement for office space and related services for five years commencing January 1, 2008. The future minimum lease payments for the five year period total \$931,166, equally in each year (2007- \$111,900).

Pursuant to flow-through financings completed by the Company during 2007, at June 30, 2008 the Company had an outstanding commitment of approximately \$750,000 to spend on qualified exploration expenditures by December 31, 2008.

14. Related Party Transactions

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

- (a) During the period ended June 30, 2008 a legal firm, of which a director is a partner, charged the Company \$35,314 (2007 - \$113,033) for fees and services. A legal firm of which another director is a partner, charged the Company \$Nil (2007 - \$29,967). As of January 1, 2008, the Company assumed direct responsibility for the office lease and related services and \$nil was paid for these services to a company owned by a director during the six months ended June 30, 2008 (2007 - \$45,910).
- (b) An officer of the Company has an agreement with the Company whereby a company controlled by the officer has a 2% gross overriding royalty on all revenues from the earning well drilled on the Judy Creek property and also with respect to future revenues arising from the area of mutual interest for the Judy Creek area.
- (c) Under an agreement dated October 11, 2007, a company owned by a director farmed in on a property owned by the Company paying 30% of the costs of a test well for a 30% interest before payout and a 15% interest after payout in the scheduled farmout lands.

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.

15. Financial Instruments and Risk Management

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 and accounts payable approximates their fair value due to the relatively short period to maturity. The carrying value of the bank debt approximates fair value as the amount bears interest at a rate that is based on current bank prime rates.

(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. The Company had no financial derivative contracts in place as at or during the six months ended June 30, 2008.

(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 six months ended June 30, 2008.

(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. A significant proportion 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.

During the six months ended June 30, 2008, there were no receivables written off and the carrying amount of accounts receivable represents the maximum exposure. The aging of accounts receivable, including cash call receivables is as follows:

<u>Aging</u>	<u>June 30, 2008</u>
	<u>\$,000</u>
Current (0-30 days)	\$1,152
31 – 60 days	117
61 – 90 days	54
More than 90 days	143
Total	<u>\$1,466</u>

(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. The Company had no interest rate swap or financial contracts in place as at or during the six months ended June 30, 2008.

(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.

16. Segmented Information

The Company has two reportable segments. The Oil and Gas Production segment explores for, develops and produces oil and gas. The Midstream Processing segment provides processing and disposal services in the oil and gas industry.

For the six months ended June 30, 2008	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 3,917,978	\$ 744,156	\$ -	\$ (93,612)	\$ 4,568,522
Other revenue	3,484	-	-	-	3,484
Total Revenue	3,921,462	744,156	-	(93,612)	4,572,006
Royalties	(310,948)	-	-	-	(310,948)
Net Revenue	3,610,514	744,156	-	(93,612)	4,261,058
Operating expenses	1,616,005	507,462	-	(93,612)	2,029,855
Depletion, depreciation	1,104,213	77,993	-	-	1,182,206
Asset retirement accretion	68,224	8,232	-	-	76,456
Income before corporate items	822,072	150,469	-	-	972,541
General and administrative	618,608	117,494	72,469	-	808,571
Stock compensation	-	-	99,993	-	99,993
Interest	97,745	16,286	-	-	114,031
Income taxes	(14,556)	(1,727)	-	-	(16,283)
Net profit (loss)	\$ 120,275	\$ 18,416	\$ (172,462)	\$ -	\$ (33,771)
Capital expenditures, net	\$ 3,623,617	\$ -	\$ -	\$ -	\$ 3,623,617

For the six months ended June 30, 2007	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 2,602,687	\$ 540,703	\$ -	\$ (95,041)	\$ 3,048,349
Other revenue	3,499	-	-	-	3,499
Total Revenue	2,606,186	540,703	-	(95,041)	3,051,848
Royalties	(213,871)	-	-	-	(213,871)
Net Revenue	2,392,315	540,703	-	(95,041)	2,837,977
Operating expenses	973,703	367,973	-	(95,041)	1,246,635
Depletion, depreciation	696,343	74,169	-	-	770,512
Asset retirement accretion	56,920	7,552	-	-	64,472
Income before corporate items	665,349	91,009	-	-	756,358
General and administrative	523,951	108,704	57,694	-	690,349
Stock compensation	-	-	87,126	-	87,126
Interest	122,153	25,343	-	-	147,496
Income taxes	(28,163)	(3,949)	-	-	(32,112)
Net Profit (loss)	\$ 47,408	\$ (39,089)	\$ (144,820)	\$ -	\$ (136,501)
Capital expenditures, net	\$ 4,300,938	\$ 18,279	\$ -	\$ -	\$ 4,319,217

17. Subsequent Events

On August 12, 2008, the Company entered into a joint venture agreement with a third party, under the terms of which the other party will invest \$3.5 million on the Company's property at Frontier in southwest Saskatchewan and, once the earning obligations are fulfilled, will earn 50% of the Company's interest in all available mineral rights, including existing production.

**ANTERRA ENERGY INC
CORPORATE INFORMATION**

Directors

James H. Coleman
Ross O. Drysdale
William E. Johnson
Jacob T. Haldorson
John McGilvary
Owen C. Pinnell
J. Ronald Woods

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
Doug Wine	– Vice President, Exploration
Gordon Marsden	– Vice President, Production and Engineering
Alastair Robertson	– Treasurer and Corporate Secretary
Marlene Stewart	– Assistant Corporate Secretary

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Stock Exchange

TSXV Venture Exchange
Trading Symbols: A Shares: AE.A
B Shares: AE.B

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

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

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

6.29 bbls = 1.0 cubic meter
0.035 mcf = 1.0 cubic meter