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## **Management Discussion and Analysis**

The following discussion is management's analysis of Anterra Energy Inc.'s (formally Anterra Corporation) ("Anterra" or the "Company") operating and financial data for the three months and year ended December 31, 2007 and prior periods, as well as estimates of future operating and financial performance based on information currently available. It should be read in conjunction with the audited consolidated financial statements and notes for Anterra Energy Inc. for the year ended December 31, 2007. The Management Discussion and Analysis ("MD&A") was prepared as of March 31, 2008.

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. Pursuant to the amalgamation each issued and outstanding share of Anterra Corporation has been converted into (a) 0.5714285 Class A shares of Anterra Energy Inc. and (b) 0.0132 Class B shares of Anterra Energy Inc. Comparative share numbers have been restated to reflect the Class A share conversion factor.

### **Operating Summary**

The Company carries out exploration, development, and production of oil and gas in three core operating areas, Breton, the Judy Creek area and southwest Saskatchewan. During 2007, the Company carried out high impact Devonian reef exploration in north central Alberta, balancing the high risk of these projects with lower risk development drilling at Breton in central Alberta and Frontier in southwestern Saskatchewan. The Company now holds over 30,000 gross acres of land and 20,000 net acres of land in Alberta and Saskatchewan. The Company also offers fee based third party processing services at Breton and Suffield. The following table outlines the operations for these two segments for the three months and year ended December 31, 2007, compared to the same periods in 2006 along with the other costs of the Company for the periods.

	Three Months December 31, 2007	Three Months December 31, 2006	Twelve Months December 31, 2007	Twelve Months December 31, 2006
<b>Oil and Gas Production</b>				
Revenue	1,838,801	904,710	6,114,831	4,687,270
Royalties	(160,339)	(64,320)	(508,886)	(421,508)
Gross overriding royalties	552	904	6,883	8,184
Net revenue	1,679,014	841,294	5,612,828	4,273,946
Operating costs	722,991	637,218	2,393,354	2,125,445
<b>Oil and gas operating margin</b>	<b>956,023</b>	<b>204,076</b>	<b>3,219,474</b>	<b>2,148,501</b>
<b>Midstream Processing</b>				
Revenue	386,701	252,503	1,253,197	894,161
Operating costs	251,733	206,747	816,125	889,091
<b>Midstream operating margin</b>	<b>134,968</b>	<b>45,756</b>	<b>437,072</b>	<b>5,070</b>
Intersegment revenue and cost	(49,137)	(47,577)	(188,234)	(203,318)
<b>Total Net Revenue</b>	<b>2,016,578</b>	<b>1,046,220</b>	<b>6,677,791</b>	<b>4,964,789</b>
Total Operating Costs	925,586	796,388	3,021,245	2,811,218
<b>Total Operating Margin</b>	<b>1,090,992</b>	<b>249,832</b>	<b>3,656,546</b>	<b>2,153,571</b>
<b>Expenses</b>				
General and administration	467,941	244,098	1,595,332	1,176,261
Stock compensation	19,082	60,339	116,490	116,831
Interest	151,104	77,510	333,581	220,691
Depletion, depreciation, accretion	623,434	284,443	2,059,999	1,442,184
<b>Total Expenses</b>	<b>1,261,561</b>	<b>666,390</b>	<b>4,105,402</b>	<b>2,955,967</b>
<b>Net Loss Before Tax</b>	<b>(170,569)</b>	<b>(416,558)</b>	<b>(448,856)</b>	<b>(802,396)</b>
Provision For Taxes	(327,982)	(102,681)	(421,754)	(231,044)
<b>Net Income / (Loss)</b>	<b>157,413</b>	<b>(313,877)</b>	<b>(27,102)</b>	<b>(571,352)</b>
<b>Earnings (loss) per Class A share</b>				
Basic	0.005	(0.020)	(0.001)	(0.037)
Fully Diluted	0.004	(0.020)	(0.001)	(0.037)
Weighted Average Number of Class A Shares In Thousands	28,856	15,910	22,744	15,312
<b>Funds Flow From Operations</b>	<b>471,947</b>	<b>13,517</b>	<b>1,727,633</b>	<b>786,206</b>
Funds Flow Per Class A Share	0.016	0.001	0.076	0.051

## Presentation

Funds flow from operations is not a recognized measure under Canadian generally accepted accounting principles (GAAP). However, management believes that funds flow from operations is a useful measure of financial performance. For the purposes of funds flow from operations calculations, funds flow is defined as "Funds flow from operations" before changes in non-cash operating working capital. Anterra's determination of funds flow from operations may not be comparable to that reported by other companies.

In this MD&A, the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of 6,000 cubic feet (mcf) of natural gas for one barrel (bbl) of oil based on an energy equivalency conversion method. Boe's may be misleading particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## Annual Financial Information

	Year Ended December 31		
	2007	2006	2005
<b>Revenues</b>	\$ 7,186,677	\$ 5,386,297	\$ 5,334,928
<b>Net Income (Loss)</b>	(27,102)	(571,352)	448,029
<b>Per Share- Basic</b>	(0.001)	(0.037)	0.020
<b>Per Share- Fully Diluted</b>	(0.001)	(0.037)	0.020
<b>Total Assets</b>	25,433,077	14,808,138	11,094,957
<b>Total Long Term Debt</b>	-	-	-

## Quarterly Financial Information

	4th Quarter 2007	3rd Quarter 2007	2nd Quarter 2007	1st Quarter 2007
<b>Net Revenue</b>	<b>\$ 2,016,578</b>	<b>\$ 1,823,236</b>	<b>\$ 1,532,276</b>	<b>\$ 1,305,701</b>
Oil and gas operating margin	956,023	844,839	835,832	582,780
Processing operating margin	134,968	129,374	54,748	117,982
<b>Net Income / (Loss)</b>	<b>157,413</b>	<b>(48,014)</b>	<b>(88,127)</b>	<b>(48,374)</b>
<b>Income / (Loss) per share</b>				
Basic	0.005	(0.002)	(0.004)	(0.003)
Fully Diluted	0.004	(0.001)	(0.004)	(0.003)
Weighted Average Number of Shares In Thousands	28,856	25,483	20,553	15,910
<b>Funds Flow From Operations</b>	<b>471,947</b>	<b>502,189</b>	<b>453,767</b>	<b>299,730</b>
Funds Flow Per Share	0.016	0.020	0.022	0.019

	4th Quarter 2006	3rd Quarter 2006	2nd Quarter 2006	1st Quarter 2006
<b>Net Revenue</b>	<b>\$ 1,046,220</b>	<b>\$ 1,332,735</b>	<b>\$ 1,281,658</b>	<b>\$ 1,304,176</b>
Oil and gas operating margin	204,076	596,740	608,887	738,797
Processing operating margin	45,756	32,209	(41,131)	(31,763)
<b>Net Loss</b>	<b>(313,877)</b>	<b>(81,891)</b>	<b>(102,561)</b>	<b>(73,023)</b>
<b>Loss per share</b>				
Basic	(0.020)	(0.005)	(0.007)	(0.005)
Fully Diluted	(0.020)	(0.005)	(0.007)	(0.005)
Weighted Average Number of Shares In Thousands	15,910	15,910	14,705	13,637
<b>Funds Flow From Operations</b>	<b>13,517</b>	<b>340,721</b>	<b>172,283</b>	<b>259,685</b>
Funds Flow Per Share	0.001	0.021	0.012	0.019

## Oil & Gas Production

Production during the fourth quarter of 2007 increased to 279 boe/d from 277 boe/d in the third quarter and was 56% higher than the fourth quarter of 2006. During the fourth quarter, the Company focused drilling activity on its high impact Devonian Reef exploration targets and none of these projects will add production in the short term due to the need for further drilling and completion work in 2008. During the year the Company has maintained production levels at Breton in central Alberta and in SE Alberta, while adding production at Frontier and Sakwatamau. The Breton wells are producing in the order of 225 boe/d, comprised of 130 bbls/d and 570 mscf/d of natural gas, while the Company is now producing 35 bbls/d from southeast Alberta and southwest Saskatchewan. The Company is drilling two development wells in

southwest Sakatchewan in the first quarter of 2008, which are expected to increase oil production by the end of the first quarter of 2008. The Company also commenced a waterflood in the south half of the field at Breton in 2007 where low reservoir pressure has limited production. Further development of this waterflood is contemplated for 2008 with one or more water injectors planned to be drilled during the year.

### Oil & Gas Production

	Three Months December 31, 2007	Three Months December 31, 2006	Twelve Months December 31, 2007	Twelve Months December 31, 2006
Oil (bbl/d)	222	145	194	149
Natural Gas (mcf/d)	317	178	377	357
NGLs (bbl/d)	4	4	4	5
Total (boe/d)	279	178	261	214

### Oil & Gas Revenue and Realized Prices

Oil prices have shown increasing strength throughout 2007, while gas prices have remained flat. The Company's view is that commodity prices will remain strong during 2008, although continuing volatility can be expected.

	Three Months December 31, 2007	Three Months December 31, 2006	Twelve Months December 31, 2007	Twelve Months December 31, 2006
<b>Oil</b>				
Revenues	\$1,627,769	\$772,512	\$5,095,331	\$3,633,479
Prices \$/bbl	\$79.77	\$57.79	\$72.09	\$66.79
<b>Natural Gas</b>				
Revenues	\$183,991	\$113,375	\$901,174	\$929,664
Prices \$/mcf	\$6.31	\$6.93	\$6.55	\$7.14
<b>NGL's</b>				
Revenues	\$27,041	\$18,823	\$118,326	\$124,127
Prices \$/bbl	\$71.73	\$57.56	\$73.09	\$62.60
<b>Total</b>				
Revenues	\$1,838,801	\$904,710	\$6,114,831	\$4,687,270
Price \$/bbl	\$71.70	\$55.10	\$64.21	\$60.04

### Gross Overriding Royalty Income

Two farm-in gas wells drilled at Breton generate gross overriding royalties to the Company until payout. These wells have provided gross overriding royalties of \$6,883 for the twelve months ended December 31, 2007, (2006 – \$8,184).

### Oil & Gas Royalties Expense

Total royalties including crown royalties were \$160,339 for the fourth quarter of 2007 as compared to \$134,676 for the third quarter and \$64,320 for the three months ended December 31, 2006. This represented \$6.25 per boe for the fourth quarter of 2007 as compared to \$5.28 per boe for the third quarter and \$3.92 per boe for the three months ended December 31, 2006. For the twelve months ended December 31, 2007 total royalties amounted to \$508,886 compared to \$421,508 in the previous year, resulting in a rate of \$5.34 per boe in 2007 compared to \$5.40 per boe in 2006. Gas revenues, which attract a higher royalty rate than oil, have been lower during 2007 compared to 2006 resulting in the average royalty per boe decreasing against the previous year.

### Oil & Gas Operating Costs

Total operating costs for the fourth quarter of 2007 were \$722,991 or \$28.20 per boe, including \$38,817 for inter-divisional processing charges and \$75,976 for well repairs and maintenance. Operating costs were \$696,660 for the third quarter of 2007 or \$27.31 per boe, including \$38,935 for inter-divisional processing charges and \$90,360 for repairs and maintenance. Operating costs for the fourth quarter of 2006 year were \$637,218 or \$38.81 per boe, including \$34,320 for inter-divisional processing charges and \$188,313 for repairs and maintenance. During the first half of 2007 operating costs declined, in large part due to lower maintenance costs, however during the third quarter maintenance costs increased with significant repairs at

several of the company's wells at Breton and Matziwin. In addition, the Company incurred high fuel costs at Sakwatamau where gas is purchased for fuel. In the fourth quarter, maintenance costs were reduced but high fuel costs remained. Operating costs for the 2007 year were \$2,393,354, or \$25.13 per boe, including \$149,849 for inter-divisional processing charges and \$257,457 for repairs and maintenance. Operating costs for 2006 were \$2,125,445 or \$27.22 per boe, including \$147,982 for inter-divisional processing charges and \$445,572 for repairs and maintenance. Inter-divisional charges were eliminated for consolidation purposes. Unit oil and gas operating costs are expected to remain high until production rates at the Company's producing properties are substantially increased.

### Oil & Gas Operating Net Back

The operating net back for the fourth quarter of 2007 was \$37.25 per boe compared to \$33.01 per boe for the three months ended September 30, 2007 reflecting higher pricing but offset by higher operating costs in the fourth quarter. For the fourth quarter of 2006 the net back was \$12.37 per boe. The Company incurs high unit operating costs due to the low productivity of most of its wells and this situation is unlikely to change until there are substantial production increases from existing or new properties.

	Three Months December 31, 2007	Three Months December 31, 2006	Twelve Months December 31, 2007	Twelve Months December 31, 2006
Average realized price ( \$/boe)	\$71.70	\$55.10	\$64.21	\$60.04
Royalties, net of ARTC ( \$/boe)	6.25	3.92	5.34	5.40
Operating expenses ( \$/boe)	28.20	38.81	25.13	27.22
Operating net back ( \$/boe)	\$37.25	\$12.37	\$33.74	\$27.42

### Processing

Processing revenue for the fourth quarter of 2007 was \$386,701 and \$1,253,197 for the twelve months ended December 31, 2007 compared to \$252,503 for the fourth quarter of 2006 and \$894,161 for the year ended December 31, 2006. The Company continued to experience stronger third party volumes during the fourth quarter of 2007 compared to the third quarter at \$325,793 and to 2006, as a result of volume increases at Breton and more stable business conditions at Suffield.

### Processing Operating Costs

Processing operating costs for the fourth quarter of 2007 were \$251,733 (including \$10,321 of inter-divisional charges) and \$816,125 (including \$38,386 of inter-divisional charges) for the year ended December 31, 2007 compared to \$206,747 (including \$13,257 of inter-divisional charges) for the three months ended December 31, 2006 and \$889,091 (including \$55,336 of inter-divisional charges) for the year ended December 31, 2006. Although there were higher maintenance costs in the fourth quarter, generally lower operating costs have been achieved throughout 2007 as a result of implementing preventative maintenance programs at both locations. Inter-divisional charges were eliminated for consolidation purposes. Net margin for midstream operations for the fourth quarter of 2007 was \$134,968 and \$437,072 for the twelve months ended December 31, 2007, compared to \$45,756 for the fourth quarter of 2006 and \$5,070 for the year ended December 31, 2006.

### General and Administrative Expenses

General and administrative expenses for the fourth quarter of 2007 totaled \$467,941 and \$1,595,332 for the twelve months ended December 31, 2007, compared to \$244,098 for the three months ended December 31, 2006 and \$1,176,261 for the twelve months ended December 31, 2006. The increase in general and administrative expenses during the quarter and year reflect increased expenses related to consulting and professional fees, payroll and increased business development costs.

### Interest Expense

Interest expense for the fourth quarter of 2007 was \$151,104 compared to \$34,981 in the third quarter of 2007 and \$77,510 for the fourth quarter of 2006. Interest expense for the 2007 year was \$333,581 compared to \$220,691 in 2006. Although capital spending has increased in 2007, in particular during the

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third and fourth quarters, the amount drawn under the bank loan was reduced following the amalgamation with Resolve Energy Inc. on May 1, 2007, and again following private placements of equity at the end of July, in November and in December, which raised a total of \$5,831,000 (net of costs), resulting in the reduced interest costs. However, the interest expense in the fourth quarter includes \$114,000, which was incurred under the Part XII.6 tax calculation for 2007 spending of flow-through commitments renounced in 2006. Additional capital spending in the fourth quarter and into the first quarter of 2008 will likely result in increases in monthly interest costs in 2008.

### **Depletion, Depreciation and Accretion**

Depletion, depreciation and accretion expense was \$623,434 in the fourth quarter of 2007 compared to \$601,581 in the third quarter and \$284,443 for the fourth quarter of 2006. The expense for the year ended December 31, 2007 was \$2,059,999 compared to \$1,442,184 during the 2006 year. The increase in depletion, depreciation and accretion reflects the significant increase in capital spending during 2007.

### **Net Income and Loss**

Net income in the fourth quarter of 2007 was \$157,413, reflected a future tax recovery of \$327,982, and a loss before tax of \$170,569. This compared to a net loss of \$48,014, and loss before tax of \$109,674, in the third quarter of 2007; and a loss of \$313,877, and loss before tax of \$416,558, in the fourth quarter of 2006. The operating margin for the fourth quarter of 2007 was \$1,090,992 compared to \$974,212 in the third quarter of 2007 and \$249,832 in the fourth quarter of 2006. Overall, the net loss for 2007 was \$27,102, after a future tax recovery for the year of \$421,754, compared to a net loss of \$571,352 in 2006. Improvements in operating margin have continued throughout 2007 but they have been offset by higher administrative expenses and higher depletion, depreciation and accretion costs as the Company expands its business operations. The key components of the future tax recovery was \$111,722 attributable to the reduction in future tax rate and \$220,650 attributable to a change in valuation allowance triggered when the amalgamation of the companies allowed the Company to realize on the benefits of tax assets that were previously considered uncertain.

The improvement in financial results has continued throughout the year. Higher oil prices and production increases from Breton and Frontier, together with a stronger contribution from the processing operations have led to a significant increase in revenues compared to 2006, which has been partially offset by cost increases in all areas. This trend is expected to continue in 2008, as the Company continues with the development of its oil and gas exploration and development projects.

### **Capital Expenditures, Commitments and Contingencies**

The Company spent \$11,347,063 on capital expenditures during the year, including \$35,000 on processing and office assets. The balance was spent on oil and gas exploration and development expenditures which included a combination of lower risk development wells and high impact exploration wells. The Company drilled two development wells at Breton and three wells at Frontier, which proved to be successful. In addition, a waterflood implementation was commenced at Breton, where oil production in the south half of the field is limited by low reservoir pressure. In April, 2007 the Company also acquired a producing oil property at Sakwatamau, in central Alberta for \$176,000.

During the fourth quarter of the year, the Company drilled four high impact exploration wells, two in Judy Creek, one at McLeod. and one farmed out well at Sakwatamau. Further work is required on these projects to move them forward and the Company intends to work with partners on Judy Creek and Sakwatamau to drill additional development prospects and tie-in infrastructure. At McLeod, this critically sour well appears to be productive in the Bluesky formation and the Company is reviewing its options regarding completion and tie-in to the infrastructure in the area.

As a result of the 2007 drilling program, the Company now has an inventory of over twenty development wells to drill and the focus for 2008 will be on development of the Company's core properties, while pursuing joint ventures to fund future exploration. The Company has budgeted approximately \$3 million in the first quarter of 2008 to progress these projects.

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Pursuant to flow-through financings completed by the Company during 2007, at December 31, 2007 the Company had an outstanding commitment of approximately \$1,500,000 to spend on qualified exploration expenditures by December 31, 2008.

The Company has been undergoing an audit by Canada Revenue Agency ("CRA") of its flow-through agreements for 2004 and 2005 taxation years. At this time, discussions with the CRA have not been concluded and, accordingly, the ultimate outcome is not determinable.

### **Liquidity , Capital Resources and Subsequent Events**

The Company continued to generate positive funds flow from operations in the fourth quarter of 2007 and expects improving positive funds flow from operations to continue throughout 2008. Funds flow from operations for the fourth quarter of 2007 totaled \$471,947 compared to \$502,189 for the third quarter and \$13,517 for the fourth quarter of 2006. For the year ended December 31, 2007 funds flow from operations totaled \$1,727,633 compared to \$786,206 for the same period in 2006. As noted below the Company has available a revolving demand loan facility of \$7 million and at December 31, 2007 the outstanding amount is \$422,000. After meeting the commitments of the winter drilling program, the Company's use of the facility will be nearing capacity at the end of the first quarter of 2008. The Company expects to fund the remainder of the year's development projects largely from funds flow from operations.

The Company completed three equity financings during 2007. The first, a private placement of 3,518,332 flow-through Class A common shares at a price of \$0.60 per share for gross proceeds of \$2,110,999 closed on August 7, 2007. On November 9, 2007, the Company completed a further private placement of 4,000,000 units, at a price of \$0.85 per unit for aggregate gross proceeds of \$3,400,000. Each unit consists of one Class A share ("Share") and one-half of one purchase warrant ("Warrant") of Anterra. Each whole Warrant will entitle the holder to purchase one Share at an exercise price of \$1.10 per Share expiring on November 9, 2008. On December 24, 2007, the Company completed a further private placement of 1,444,444 flow-through Class A common shares at a price of \$0.90 per share for gross proceeds of \$1,300,000. As the project plans for 2008 become more certain, the Company may raise additional capital to fund these initiatives in addition to the funds flow and available bank debt.

### **Bank Debt**

At December 31, 2007, the Company had available a \$7,000,000 revolving demand loan facility and an additional \$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. At December 31, 2007, including bank indebtedness, there was a balance outstanding on the loans of \$422,000 (2006 - \$4,250,000). These facilities are subject to an annual review by May 1, 2008. The loans are shown as a current liability due to their demand nature despite the lender not having demanded repayment of the loan.

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## Share Capital

At December 31, 2007, there were 32,169,040 Class A Shares and 753,014 Class B Shares outstanding. At December 31, 2007 there were 2,060,000 stock options outstanding at a weighted average exercise price of \$0.57. At December 31, 2007, there were 2,500,000 warrants outstanding, 2,000,000 of which were issued as part of the private placement of units on November 9, 2007 with an exercise price of \$1.10 and an expiry date of November 9, 2008. The balance of 500,000 were assumed under the amalgamation with Resolve, entitling the warrant holder to acquire one class A share at an exercise price of \$0.26, with an expiry date of December 31, 2008. 371,990 broker warrants also assumed under the amalgamation with Resolve were exercised at a price of \$0.26 per share during the year. 1,052,000 warrants, each entitling the holder to acquire 0.5714285 of a Class A share and 0.0132 of a Class B share, at an exercise price of \$0.75 each, expired on October 7, 2007. 238,670 Broker's warrants outstanding to purchase common shares of Anterra Corporation at an exercise price of \$0.60 per share, expired on April 7, 2007.

Pursuant to the rules of the TSXV, 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, 2007 2,779,500 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) were subject to a hold period which expired on December 31, 2007.

The Company has not paid dividends on its common shares to date.

At a special meeting of Anterra Corporation's shareholders on April 26, 2007, the shareholders approved the amalgamation of Anterra Corporation with Resolve Energy Inc. ("Resolve"). Pursuant to the amalgamation each issued and outstanding share of Anterra Corporation was converted into (a) 0.5714285 Class A shares of Anterra Energy Inc. (the company formed by the amalgamation of Anterra and Resolve); and (b) 0.0132 Class B shares of Anterra Energy Inc.

As a consequence of the amalgamation, all options of Anterra Corporation were required to be exercised or terminated prior to May 1, 2007, the effective date of the amalgamation. Accordingly, 375,000 options (200,000 options at an exercise price of \$0.15; 100,000 options at an exercise price of \$0.21; and 75,000 options with an exercise price of \$0.23) with an exercise value of \$68,250 were exercised and the remaining 1,450,000 options were terminated.

On May 29, 2007, the Company granted 2,000,000 stock options to purchase Class A shares at an exercise price of \$0.56. 1,266,666 of the shares vested immediately, with the balance vesting equally on the first and second anniversary of the grant date. On October 31, 2007, the Company granted a further 60,000 options to purchase Class A shares at an exercise price of \$0.87. 20,000 of the shares vested immediately, with the balance vesting equally on the first and second anniversary of the grant date.

## Related Party Transactions

During the period a company owned by a director charged \$127,840 (2006 - \$69,600) to the Company for office space and related services. On June 1, 2007 the Company assumed all financial obligations with respect to the office lease with a monthly payment of \$13,196, which was adjusted for a change to operating costs to \$12,594 per month for the last quarter of 2007. Prior to this date the monthly lease payment was \$10,557 (2006 - \$5,800). A legal firm, of which a director is a partner, charged the Company \$239,081 (2006 - \$87,195) for fees and services. A legal firm, of which another director is a partner, charged the Company \$34,610 (2006 - nil).

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 to be 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.

Under an agreement dated October 11, 2007, a company owned by a director farmed in on a property

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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.

In July 2007, the Company completed a private placement of 3,518,332 flow-through Class A common shares at a price of \$0.60 per share. Directors and officers of the Company subscribed for an aggregate of 364,999 Class A common shares.

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.

### **Changes in Accounting Policies including initial adoption**

On January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530 “Comprehensive Income”, Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement”, Section 3861 “Financial Instruments – Disclosure and Presentation”, and Section 3865 “Hedges”, retrospectively with no restatement of prior periods. See note 2 to the annual financial statements.

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) section 1535 “Capital Disclosures”, section 3031 “Inventories” and section 3064 “Goodwill and Intangible assets”. See note 2 to the annual financial statements.

### **Business Risks**

Crude oil and natural gas exploration, development, production and processing involve a number of business risks, some of which are beyond the Company’s control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing government law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance is also maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company’s control. The Company sells all of its production on the spot market and does not currently have a hedge program in place.

The Company relies on access to capital markets for new equity to supplement internally generated cash flow and debt to finance its growth plans. Periodically, these markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placement or public offerings. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. Periodic fluctuations in energy prices may also affect lending policies of the Company’s bankers, whether for existing loans or new borrowings. This in turn could limit growth prospects over the short run or may even require the Company to dedicate cash flow, dispose of properties or raise new equity to reduce bank borrowings under circumstances of declining energy prices or disappointing drilling results.

The Company is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner’s willingness to participate in the Company’s ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

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Regulatory risks include changes to Canadian federal and provincial laws, which are beyond the Company's control. The Government of Alberta has completed a comprehensive review of the province's oil and natural gas royalty structure. Anterra is currently evaluating how the potential changes may impact the Company's operations.

### **Forward Looking Statements**

Information contained in this MD&A that is not historical fact may be considered "forward looking statements". These forward looking statements some times include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to any number of factors, including such variables as new information regarding recoverable reserves, changes in demand for and commodity prices of crude oil and natural gas, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates and other factors discussed herein.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost effective basis, commodity and marketing risk and seasonality. The Company is subject to significant drilling risk and uncertainties including the ability to find oil and gas reserves on an economic basis. The Company is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operational risks. Financial risks that Anterra is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.anterraenergy.com](http://www.anterraenergy.com).

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