First Quarter Report
March 31, 2006

Anterra Corporation ("Anterra") is an emerging energy company with a focus on the exploration and exploitation of oil and gas reserves and the development of the associated fee-based energy projects in western Canada. Anterra is publicly traded on the TSX Venture Exchange under the symbol ATR and currently operates through its two wholly owned subsidiaries, Anterra Resources Inc. and Anterra Midstream Inc.

Highlights

- Production volumes were up 19% to 230 boepd in the first quarter of 2006 from 193 boepd in the same period of 2005, while current production is over 300 boepd.
- Before tax funds flow from operations for the first quarter of 2006 were $348,219 but were reduced to $259,685 following an $88,534 provision for cash taxes payable, compared to $260,546 for the same period in 2005.
- Earnings were a negative $73,023 in the first quarter of 2006, compared to a profit of $113,504 for the same period last year. Earnings were reduced by higher depletion and general and administrative costs combined with reduced operating contribution.
- Following recent workovers production at the Matziwin property has increased 67% from 30 boepd at the time of acquisition to 50 boepd at the time of this report.
- The Company closed a $2.2 million equity financing with Haywood Securities on April 7, 2006 and the proceeds were added to working capital.

FINANCIAL REVIEW

Anterra's funds flow from operations, were $259,685 ($0.01 per share) for the first quarter of 2006, compared to $260,546 reported for the same period in 2005. Operating netbacks for oil and gas production were $35.51 per boe compared to $31.88 for the first quarter of 2005. Operating netbacks for midstream operations were a negative $0.70 per m^3 processed compared to a contribution of $0.88 per m^3 in the first quarter of 2005. During the first quarter, midstream operations were adversely affected by high maintenance costs at Suffield, an early spring slowdown at the same location and uninsurable costs associated with the water injection line break at Breton. Midstream netbacks are expected to improve in the second quarter of 2006 while oil and gas netbacks are expected to remain the same. Net earnings for the first quarter of 2006 were a negative $73,023 after deduction for cash taxes owing of $88,534.

Anterra invested $1.50 million of capital in the first quarter of 2006, of which $1.27 million was incurred for the acquisition of Panterra Energy Corp. Ltd. (the Matziwin property) while the balance was spent on workovers at Breton. The capital program was funded by funds flow from operations, working capital and bank debt. During the first quarter, the Company received an increase in its credit facilities to $4.5 million.

	Three Months Ended March 31	
	2006	**2005**
Financial		
Total net revenue	$ 1,304,176	$ 1,034,480
Oil and gas operating margin	$ 738,797	$ 557,295
Net back $/boe for the period	$35.51	$31.88
Funds flow from operations (1)	$ 259,685	$ 260,546
Funds flow per share, basic	$ 0.011	$ 0.012
Net income (loss)	$ (73,023)	$ 113,504
Net income (loss) per share, basic	$ (0.003)	$ 0.005
Operating costs per boe	$19.35	$17.92
G and A per boe	$15.33	$10.67
Total assets	$12,407,015	$8,380,398
Capital Expenditures	$1,500,181	$374,073
Bank debt plus working capital	($4,098,678)	($2,295,224)
Shareholders’ equity	$ 4,274,962	$3,033,801
Weighted average shares o/s	23,865,000	21,930,000
Share Trading		
High	$ 0.66	$ 0.35
Low	$ 0.45	$ 0.25
Close	$ 0.50	$ 0.33
Trading volume	531,595	678,300
Operating (6:1 conversion)		
Production volumes		
Natural gas (mcf/d)	439	273
Oil & NGL (bbls/d)	157	147
Total (boe/d)	230	193
Average sale price		
Natural gas ($/mcf)	$ 9.54	$ 5.94
Liquids ($/boe)	$64.12	$59.64
Barrel of oil equiv. $ per boe)	$61.93	$54.00

(1) Includes provision for cash income taxes payable of $88,534.

PRESIDENTS REPORT

During the first quarter of 2006, Anterra acquired the Matziwin oil property for $1.27 million, subject to a hold back to be settled in the third quarter of 2006, and spent $0.23 million on workovers at Breton. An additional $1.05 million of capital scheduled for March 2006 was rescheduled for April 2006 due to weather delays and equipment availability. As a result, the first quarter capital program was completed in early May and oil and gas production has since increased 30% to over 300 boepd compared to the 230 boepd averaged during the first quarter. During the first quarter, midstream operations at Breton have been steady while water disposal operations at Suffield have been impaired by unusually wet weather and an early spring breakup. The Company's midstream volumes averaged 508 m^3 per day for the quarter and unit revenue increased to \$5.04 per m^3 for the quarter compared to \$4.49 per m^3 for the first quarter of 2005.

OPERATIONS REVIEW

As described in our 2005 annual report, the Company's growth over the next 2 years is anticipated to come from small strategic acquisitions and the development of the Breton, Matziwin and Suffield properties. The Company's first quarter operational focus has been on Breton with three existing well recompletions and extensive planning for a three well drilling program scheduled for early June 2006. This drilling program is the first phase in a development plan aimed at exploiting the extensive remaining oil reserves at Breton through development of the nine section property on 40 acre spacing and the re-engineering of the waterflood system. In parallel with these activities, the exploitation program at Matziwin commenced with two wells being recompleted during April, 2006. Although it is too early for management to fully assess the results of the activity at Matziwin, preliminary results are very encouraging with significant production increases, and further field activity including drilling now scheduled for the fall.

Breton, central Alberta

Following completion of the first quarter capital program in early May, production at Breton is 230 boepd. Management is presently planning for the drilling of three wells in the southern portion of the field, commencing in early June. The program contemplates establishing one of the new wells as a water injector to allow implementation of a nine spot waterflood in this portion of the field. Most of the wells in the southern portion of the field have produced less than 100,000 boe while wells in the north eastern portion of the field where there has been a continual waterflood have produced in excess of 500,000 boe per well. Subject to the successful implementation of this first phase development plan, the Company plans to drill an additional three wells on the west side of the pool and again establish a six or nine spot waterflood program. The 2006 exit target for Breton remains at 400 boepd.

Southeast Alberta

Following completion of the first quarter capital program in early May, production from southeast Alberta (Matziwin, Suffield and Scots Lake) is 80 boepd. At Matziwin, the technical team is evaluating 2-D seismic over the property before finalizing the next phase of the development plan. Management contemplates several more workovers including “fracs” on producing wells and the drilling of at least one new well in the fall. The 2006 exit target for southeast Alberta remains at 200 boepd.

At Scots Lake and Suffield, both properties were shut-in during the latter half of the quarter due to downhole pump problems but were returned to production during the first week of May. The technical team has completed its evaluation of the 3-D seismic run in the Suffield area and has a three well drilling program planned for the fall.

OUTLOOK

The capital program planned for the first quarter was completed on May 5, 2006 and oil and gas production is currently over 300 boepd. The Company's technical team remains very optimistic on the remainder of the 2006 capital program with nine wells remaining to be drilled between Breton and southeast Alberta. The three development wells at Breton are expected to “spud” in early June. The year end exit target remains a risked 600 boepd with the potential for further upside from better than anticipated drilling results at Breton, Matziwin and Suffield.

Management would again like to thank the directors for their help and guidance during the quarter.

Investors and investment brokers are directed to the Company's web site at www.anterra.org for a full corporate presentation of the Company's operations and prospects.

Owen Pinnell
President and Chief Executive Officer

The following discussion is management's analysis of Anterra Corporation's ("Anterra" or the "Company") operating and financial data for the three months ended March 31, 2006 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 the year ended December 31, 2005 and the unaudited consolidated financial statements for the three months ended March 31, 2006. The Management Discussion and Analysis ("MD&A") was prepared as of May 16, 2006.

Operating Summary

The Company carries out exploration, development, and production of oil and gas in two core operating areas, Breton and southeast Alberta and also offers fee-based third party processing services in both of these areas. The following table outlines the operations for these two segments for the three months ended March 31, 2006 compared to the same period in 2005 along with the other costs of the Company for the periods.

	Three Months March 31, 2006	Three Months March 31, 2005
Oil and Gas Production		
Revenue	$ 1,281,938	$ 938,644
Royalties	(146,364)	(73,010)
Gross overriding royalties	3,764	2,890
Net revenue	1,139,338	868,524
Operating costs	400,541	311,229
Oil and gas operating margin	738,797	557,295
Processing		
Revenue	230,290	230,167
Operating costs	262,053	185,059
Processing operating margin	(31,763)	45,108
Other revenue	-	-
Intersegment revenue and cost	(65,452)	(64,211)
Total Net Revenue	**1,304,176**	**1,034,480**
Total Operating Costs	597,142	432,077
Total Operating Margin	**707,034**	**602,403**
Expenses		
General and administration	317,395	185,486
Stock compensation	47,683	3,883
Interest	41,420	30,703
Loss on sale of assets	-	242
Depletion, depreciation, accretion	396,871	209,381
Total Expenses	**803,369**	**429,695**
Net Profit (Loss) Before Tax	**(96,335)**	**172,708**
Provision For Taxes	(23,312)	59,204
Net Profit (Loss)	**(73,023)**	**113,504**
Earnings (loss) per share		
Basic	(0.003)	0.005
Fully Diluted	(0.003)	0.005
Weighted Average Number of Shares	23,865,000	21,930,000
Funds Flow From Operations	**259,685**	**260,546**
Funds Flow Per Share	0.011	0.012

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.

Quarterly Financial Information

	1st Quarter 2006	4th Quarter 2005	3rd Quarter 2005	2nd Quarter 2005
Net Revenue (1)	**$ 1,304,176**	**$ 1,468,205**	**$ 1,385,924**	**$ 1,086,000**
Oil and gas operating margin	738,797	816,797	770,611	585,696
Processing operating margin	(31,763)	42,207	97,415	(5,177)
Net Profit (loss)	**(73,023)**	**123,907**	**126,492**	**84,126**
Earnings (loss) per share				
Basic	(0.003)	0.006	0.006	0.004
Fully Diluted	(0.003)	0.006	0.006	0.004
Weighted Average Number of Shares In Thousands	23,865	22,191	21,979	21,930
Funds Flow From Operations	**259,685**	**640,120**	**485,967**	**267,025**
Funds Flow Per Share	0.011	0.029	0.022	0.012

	1st Quarter 2005	4th Quarter 2004	3rd Quarter 2004	2nd Quarter 2004
Net Revenue (1)	**$ 1,034,480**	**$ 973,465**	**$ 811,099**	**$ 643,379**
Oil and gas operating margin	557,295	358,115	308,113	225,856
Processing operating margin	45,108	148,250	81,505	96,648
Net Profit	**113,504**	**147,586**	**71,254**	**38,654**
Earnings per share				
Basic	0.005	0.008	0.004	0.002
Fully Diluted	0.005	0.008	0.004	0.002
Weighted Average Number of Shares In Thousands	21,930	17,970	17,380	17,380
Funds Flow From Operations	**260,546**	**340,849**	**240,252**	**173,788**
Funds Flow Per Share	0.012	0.018	0.014	0.010

(1) Certain amounts have been restated to reflect the retroactive application of changes in accounting policies as indicated in the notes to the financial statements for the year ended December 31, 2004

Oil & Gas Production

Production in the first quarter of 2006 of 230 boepd was comparable to 230 boepd in the fourth quarter of 2005 and an increase over 193 boepd in the first quarter of 2005. The company’s program of recompletion, reperforating, and stimulation that was begun last year was delayed in the first quarter impacting the production levels. The first quarter 2006 capital program will be complete by May 15, 2006.

Oil & Gas Production

	Three Months March 31, 2006	Three Months March 31, 2005
Oil (bbl/d)	149	144
Natural Gas (mcf/d)	439	273
NGLs (bbl/d)	8	3
Total (boe/d)	230	193

Oil & Gas Revenue and Realized Prices

Commodity prices have remained strong in the first quarter of 2006 but were marginally weaker than the fourth quarter of 2005, although still considerably stronger than the comparable quarter in 2005. The outlook is for commodity prices to remain strong for the balance of 2006.

	Three Months March 31, 2006	Three Months March 31, 2005
Oil		
Revenues	$862,912	$778,186
Prices $/bbl	$64.31	$59.87
Natural Gas		
Revenues	$376,611	$145,781
Prices $/mcf	$9.54	$5.94
NGL's		
Revenues	$42,415	$14,677
Prices $/bbl	$60.42	$49.73
Total		
Revenues	$1,281,938	$938,644
Price $/bbl	$61.93	$54.00

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 $ 3,764 for the three months ended March 31, 2006 compared to $ 2,890 for the previous year.

Oil & Gas Royalties Expense

Total royalties including crown royalties were $146,364 for the first quarter of 2006 as compared to $121,215 for the fourth quarter of 2005 and $73,010 for the three months ended March 31, 2005. This represented $7.07 per boe for the first quarter of 2006 as compared to $5.72 per boe for the fourth quarter of 2005 and $4.20 per boe for the three months ended March 31, 2005. The royalties per boe have increased as more of the production is from gas which has a higher royalty rate than oil.

Oil & Gas Operating Costs

Total operating costs for the first quarter of 2006 were $400,541 or $19.35 per boe, including $40,725 for inter-company processing charges and $21,852 for well repairs and maintenance. Operating costs were $447,545 or $21.14 per boe in the fourth quarter of 2005 and $311,229 or $17.92 per boe for the three months ended March 31, 2005. A number of the costs are relatively fixed in nature so that increases in production without a corresponding increase in costs has the effect of reducing the cost per boe.

Oil & Gas Operating Net Back

	Three Months March 31, 2006	Three Months March 31, 2005
Average realized price ($/boe)	$61.93	$54.00
Royalties, net of ARTC ($/boe)	7.07	4.20
Operating expenses ($/boe)	19.35	17.92
Operating net back ($/boe)	$35.51	$31.88

Processing

Processing revenue for the first quarter of 2006 was $ 230,290 compared to $230,167 in the first quarter of 2005. Processing revenue in the first quarter was steady at Breton but throughput at the Suffield plant was lower than the last quarter of 2005 due to weather restrictions limiting workover activity in the area.

Processing Operating Costs

The processing operating costs for the first quarter of 2006 were $262,053 compared to $185,059 in the first quarter of 2005. Operating margins were lower during the first quarter of 2006 due to operating losses at Suffield resulting from weather restrictions limiting workover activity and one time maintenance costs. As throughput increases at Suffield in the second quarter the operating margins should improve.

General and Administrative Expenses

General and administrative expenses were $317,395 for the first quarter of 2006 as compared to $268,638 for the fourth quarter of 2005 and $185,486 for the first quarter of 2005. General and administrative costs can be expected to slowly increase as the company grows. Although the rate of increase in general and administrative costs has exceeded the growth in revenue for the period, this reflects increases in staffing during the second half of 2005 to direct the expanded business plan.

Interest Expense

Interest expense for the first quarter of 2006 was $41,420 compared to $30,703 for the first quarter of 2005. The higher interest cost reflects higher interest rates and the higher debt level in the company, resulting from the fourth quarter 2005 capital program and the debt incurred through the acquisition of Panterra Energy Corp. Ltd. in March 2006.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense increased to $396,871 in the first quarter of 2006 compared to $209,381 for the first quarter of 2005. This increase is due to the increase in production volumes, the increase in development expenditures in the fourth quarter of 2005 and the acquisition of Panterra Energy Corp Ltd. in March 2006.

Net Profit and Loss

The loss in the first quarter of 2006 reflected adverse weather conditions which hindered operations and delayed the completion of the first quarter capital program. Earnings were also reduced by higher depletion and general and administrative costs.

Capital Expenditures and Commitments

The Company is continuing its exploitation plan at Breton and southeast Alberta, in particular the Matziwin property, and will be increasing expenditures in the second quarter. It has a program of reperforating and stimulation of existing wells, the exploitation of bypassed gas pay with a focus on those locations which provide the best opportunities for meeting production targets and enhancing cash flow. During the quarter the Company also drilled an exploration well on a new property in southeast Alberta.

Up to March 31, 2006 the Company has spent $230,327 on oil and gas capital expenditures in addition to the $1,269,854 acquisition price for Panterra Energy Corp. Ltd. The Company has budgeted to spend $6 million in capital expenditures in 2006 and intends to drill four oil wells at Breton and complete several workovers on its properties in the second quarter. An additional six wells are planned to be drilled at Breton and in southeast Alberta before year end. The company is also continuing its geological studies in all its core areas.

Liquidity and Capital Resources

The Company continues to generate positive funds flow from operations. In the first quarter funds flow of $259,685 was reduced by the provision for taxes payable of $88,534. If commodity prices remain firm and production targets are met the Company expects positive funds flows from operations to continue throughout 2006. As indicated in the above comments on capital expenditures and commitments, the Company will be expending funds on recompletion and drilling in its core areas. As these plans are developed, and depending on success, the Company may need to raise additional capital to fund these initiatives in addition to the funds flow and the available bank debt as noted below.

On March 31, 2006, the Company repaid the remaining $171,000 on the 5% subordinated debentures.

Subsequent to March 31, 2006 the Company raised gross proceeds of $2,176,300, issuing 1,873,833 common shares on a flow through basis at $0.60 per share and 2,104,000 units at $0.50 per unit. Each unit consisted of a common share and one half common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of $0.75 until October 7, 2007.

Bank Debt

The Company has available a $4,000,000 (2005 - $2,400,000) revolving demand loan facility and an additional $500,000 non-revolving acquisition demand loan 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 is secured by a general assignment of book debts and a $ 10,000,000 first floating charge debenture over all assets of the Company. The availability under the facility is subject to periodic review. The loan is shown as a current liability due to its demand nature despite the lender having not demanded repayment of the loan. At March 31, 2006 there was a balance outstanding on the loans of $3,600,000 (2005 - $1,850,000). The increase in the balance outstanding from $2,050,000 at December 31, 2005 was mainly due to the acquisition of Panterra Energy Corp. Ltd, and this balance has since been reduced with the proceeds of the $2,176,300 equity financing referred to in the comments on liquidity and capital resources.

Share Capital

At March 31, 2006 there were 23,865,000 common shares outstanding. At March 31, 2006 there were 2,310,000 stock options outstanding at a weighted average exercise price of $0.40.

In February 2006 stock options were granted for 100,000 common shares exercisable at $0.50. The options vested immediately.

Related Party Transactions

For the three months ended March 31, 2006 a corporation owned by an officer and director of the Company charged $17,400 (2005 -$ 13,500) to the Company for office space and related services. A legal firm of which a director is a partner charged the Company $20,033 (2005-$ Nil) for fees and services.

At the end of March, 2004, the Company entered into a lease whereby it leased its office space and related services from the director's corporation. The lease, which is subject to review, currently requires a monthly payment of $5,800 and is for a period of three years expiring on March 31, 2007.

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.

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.

Anterra Corporation
Consolidated Balance Sheets

Unaudited	As at March 31, 2006	As at December 31, 2005
Assets		
Current		
Cash and cash equivalents	$ -	$ 698,602
Accounts receivable	1,232,477	788,844
Deposits and prepaid expenses	141,382	170,219
	1,373,859	1,657,665
Property and equipment (Note 4)	10,125,901	8,528,573
Intangible assets	301,238	302,702
Goodwill	606,017	606,017
	$ 12,407,015	$ 11,094,957
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness	$ 67,998	$ -
Accounts payable and accrued liabilities	1,496,895	2,070,789
Bank loan (Note 5)	3,600,000	2,050,000
Income taxes payable	307,644	224,058
Current portion of long term debt	-	171,000
	5,472,537	4,515,847
Long-term debt	-	-
Asset retirement obligation (Note 6)	1,277,768	1,083,540
Future income taxes	1,381,748	1,195,268
	8,132,053	6,794,655
Share capital (Note 7)	3,741,633	3,741,633
Contributed surplus (Note 8)	261,172	213,489
Retained Earnings	272,157	345,180
	4,274,962	4,300,302
	$ 12,407,015	$ 11,094,957

See accompanying notes

Approved on behalf of the Board:

“signed” Director
Owen Pinnell

“signed” Director
James Coleman

Anterra Corporation

Unaudited **Consolidated Statements of Operations and Retained Earnings (Deficit)**

	Three Months Ended March 31 **2006**	2005
Revenues		
Revenue	**$ 1,450,540**	$ 1,107,490
Royalties	**(146,364)**	(73,010)
	1,304,176	1,034,480
Expenses		
Operating	**572,471**	410,121
Transportation	**24,671**	21,956
General and administrative	**317,395**	185,486
Stock compensation	**47,683**	3,883
Loss on sale of assets	**-**	242
Interest	**41,420**	30,703
Accretion and site restoration	**25,115**	21,210
Depletion, depreciation and amortization	**371,756**	188,171
	1,400,511	861,772
Income (loss) before taxes	**(96,335)**	172,708
Income taxes		
Current	**88,534**	125,668
Future	**(111,846)**	(66,464)
	(23,312)	59,204
Net Income (loss)	**(73,023)**	113,504
Retained earnings (deficit), beginning of the period	**345,180**	(102,849)
Retained earnings, end of period	**272,157**	10,655
Basic income (loss) per share	**$ (0.003)**	$ 0.005
Diluted income (loss) per share	**$ (0.003)**	$ 0.005
Weighted average shares outstanding	**23,865,000**	21,930,000

See accompanying notes

Unaudited

Anterra Corporation
Consolidated Statements of Cash Flows

	Three Months Ended March 31	
	2006	2005
Cash flows from operating activities		
Operations		
Net income (loss) for the period	**$ (73,023)**	$ 113,504
Items not involving cash		
Stock compensation	**47,683**	3,883
Depletion, depreciation and amortization	**371,756**	188,171
Loss on sale of assets	**-**	242
Accretion	**25,115**	21,210
Future income taxes	**(111,846)**	(66,464)
Funds flow from operations	**259,685**	260,546
Change in non-cash working capital balances		
Accounts receivable	**(443,633)**	(50,708)
Deposits and prepaid expenses	**28,837**	32,211
Accounts payable	**(573,894)**	(130,533)
Income taxes payable	**83,586**	125,668
	(645,419)	237,184
Financing activity		
Bank loan	**1,550,000**	75,000
Payments of long term debt	**(171,000)**	-
Payments on capital lease	**-**	(1,599)
	1,379,000	73,401
Investing activity		
Cash paid on acquisition	**(1,269,854)**	-
Additions to property and equipment	**(230,327)**	(375,173)
Disposal proceeds, property and equipment	**-**	1,100
	(1,500,181)	(374,073)
Increase (decrease) in cash	**(766,600)**	(63,488)
Cash beginning of the period	**698,602**	125,635
Cash/bank indebtedness, end of the period	**$ (67,998)**	$ 62,147

See accompanying notes

1. Basis of Presentation

The interim consolidated 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 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 judgment with reasonable limits of materiality. 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, 2005

2. Business Acquisition

On March 15, 2006, the Company acquired all of the issued and outstanding common shares of Panterra Energy Corp. Ltd., a private Alberta based energy company. The acquisition was accounted for using the purchase method with the results of operations included from March 15, 2006 the effective date of acquisition. An independent reserve evaluation was prepared on the Matziwin properties owned by Panterra, which valued proved and probable reserves (discounted at 10%) in excess of the fair value reflected by the purchase price below.

	Book Value	Fair Value	Difference
Working capital	Nil	Nil	-
Property, plant and equipment	975,452	1,737,291	761,839
Asset retirement obligation	-	(169,113)	(169,113)
Future income taxes	-	(298,324)	(298,324)
Net assets acquired	$ 975,452	$ 1,269,854	$ 294,402
Purchase price			
-Cash		1,269,854	
		$ 1,269,854	

3. Related Party Transactions

During the period a corporation owned by an officer and director of the Company charged $17,400 (2005 -$13,500) to the Company for office space and related services. A legal firm of which a director is a partner charged the Company $20,033 (2005- $Nil) for fees and services.

At the end of March, 2004, the Company entered into a lease whereby it leased its office space and related services from the director's corporation. The lease, which is subject to review, currently requires a monthly payment of $5,800 and is for a period of three years expiring on March 31, 2007.

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.

4. Property and Equipment

	March 31, 2006			December 31, 2005		
	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	**$ 9,480,240**	**$ 1,912,290**	**$ 7,567,950**	$ 7,484,139	$ 1,512,158	$ 5,971,981
Processing equipment and furniture and fixtures	**2,893,928**	**335,977**	**2,557,951**	2,856,277	299,685	2,556,592
	$ 12,374,168	**$ 2,248,267**	**$ 10,125,901**	$ 10,340,416	$ 1,811,843	$ 8,528,573

5. Bank Loan

The Company has available a $ 4,000,000 (2005 $2,400,000) revolving demand loan facility and an additional $500,000 non-revolving acquisition demand loan 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. The availability under the facilities is subject to periodic review. The loans are shown as a current liability due to their demand nature despite the lender having not demanded repayment of the loan. At March 31, 2006 there was a balance outstanding on the loans of $3,600,000 (2005 - $1,850,000). Subsequent to March 31, 2006, the balance outstanding was reduced by the proceeds of an equity financing in the amount of $2,176,300.

6. 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.

	March 31 2006	**December 31 2005**
Asset retirement obligation, beginning of period	**$ 1,083,540**	$ 994,073
Liabilities assumed on acquisition (note 2)	**169,113**	-
Liabilities incurred	**-**	-
Accretion expense	**25,115**	89,467
Asset retirement obligation, end of period	**$ 1,277,768**	$ 1,083,540

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 $ 3,591,000. The obligation was calculated using a credit-adjusted risk free discount rate of 9 percent and an inflation rate of 2 percent.

7. Share Capital

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

(b) Issued

	Period Ended March 31, 2006		Year Ended December 31, 2005	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of year	**23,865,000**	**$ 3,741,633**	21,930,000	$ 2,994,697
Shares issued on option exercise	**-**	**-**	655,000	110,750
Private placement of common shares for cash	**-**	**-**	1,280,000	640,000
Share issue costs	**-**	**-**	-	(3,814)
Balance, end of period	**23,865,000**	**$ 3,741,633**	23,865,000	$ 3,741,633

(c) Stock options
The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. At March 31, 2006 2,310,000 common 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.

On February 13th, 2006, the Company granted 100,000 options exercisable at $0.50. The options vested immediately.

A summary of the status of the Corporation's stock option plan as at March 31, 2006 and December 31, 2005 and changes during the periods ending on those dates is presented below.

	Three Months Ended March 31, 2006		Year Ended December 31, 2005	
Stock Options	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
Beginning of period	**2,210,000**	**$0.39**	1,285,000	$0.15
Granted	**100,000**	**$0.50**	1,700,000	$0.47
Exercised			(655,000)	$0.15
Cancelled			(120,000)	$0.24
End of period	**2,310,000**	**$0.40**	2,210,000	$0.39
Exercisable, end of period	**1,431,667**	**$0.37**	1,186,667	$0.37

8. Contributed Surplus

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

	Three months ended March 31 2006	Year Ended December 31, 2005
Contributed surplus, beginning of year	**$ 213,489**	$ 24,566
Exercised stock options	**-**	(12,500)
Stock compensation expense	**47,683**	201,423
Contributed surplus, end of year	**$ 261,172**	$ 213,489

9. Subsequent Events

On April 7, 2006, Anterra raised gross proceeds of $2,176,300, issuing 1,873,833 common shares on a flow-through basis at $0.60 per share and 2,104,000 units at $0.50 per unit. Each unit consisted of a common share and one half of a common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of $0.75 until October 7, 2007.

CORPORATE INFORMATION

Directors

James H. Coleman
Jacob T. Halldorson
Owen C. Pinnell
John K. Read
J. Ronald Woods

Officers

Owen Pinnell – Executive Chairman and CEO
Giles Parker – Vice President, Finance and CFO
Bob McCuaig – Executive Vice President and General Manager
Hugh Stewart -- Vice President, Oil & Gas
Gerry Cartmell -- Vice President, Engineering and Production
Steve Brown -- Vice President, Land
Sheila McKinley – Vice President Administration and Controller of the Company's subsidiaries
Marlene Stewart -- Corporate Secretary

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Stock Exchange

TSX Venture Exchange
Trading Symbol: ATR

Auditors
Deloitte & Touche LLP

Bankers
National Bank of Canada

Web Site
www.anterra.org

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