

Management Discussion and Analysis

The following discussion is management's analysis of Anterra Corporation's ("Anterra" or the "Company") operating and financial data for the year ended December 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, 2006. The Management Discussion and Analysis ("MD&A") was prepared as of April 26, 2007.

Operating Summary

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

	Three Months December 31, 2006	Three Months December 31, 2005	Twelve Months December 31, 2006	Twelve Months December 31, 2005
Oil and Gas Production				
Revenue	\$ 904,710	\$ 1,380,537	\$ 4,687,270	\$ 4,589,724
Royalties	(64,320)	(121,215)	(421,508)	(360,319)
Gross overriding royalties	904	5,020	8,184	13,990
Net revenue	841,294	1,264,342	4,273,946	4,243,395
Operating costs	637,218	447,545	2,125,445	1,512,996
Oil and gas operating margin	204,076	816,797	2,148,501	2,730,399
Processing				
Revenue	252,503	269,705	894,161	963,315
Operating costs	206,747	227,498	889,091	783,762
Processing operating margin	45,756	42,207	5,070	179,553
Other revenue	-	340	-	488
Inter-segment revenue and cost	(47,577)	(66,182)	(203,318)	(232,589)
Total Net Revenue	1,046,220	1,468,205	4,964,789	4,974,609
Total Operating Costs	796,388	608,861	2,811,218	2,064,169
Total Operating Margin	249,832	859,344	2,153,571	2,910,440
Expenses				
General and administration	244,098	268,638	1,176,261	907,382
Stock compensation	60,339	73,262	116,831	201,423
Interest	77,510	31,465	220,691	130,475
Loss on sale of assets	-	-	-	242
Depletion, depreciation, accretion	284,443	403,531	1,442,184	1,127,945
Total Expenses	666,390	776,896	2,955,967	2,367,467
Net Income (Loss) Before Tax	(416,558)	82,448	(802,396)	542,973
Provision For Taxes	(102,681)	(41,459)	(231,044)	94,944
Net Income (Loss)	(313,877)	123,907	(571,352)	448,029
Earnings (Loss) per share				
Basic	(0.011)	0.006	(0.021)	0.020
Fully Diluted	(0.011)	0.006	(0.021)	0.020
Weighted Average Number of Shares In Thousands	27,843	22,191	26,797	22,191
Funds Flow From Operations	13,517	640,120	786,206	1,653,658
Funds Flow Per Share	0.000	0.029	0.029	0.075

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.

Annual Financial Information

	Year Ended December 31		
	2006	2005	2004
Revenues	\$ 5,386,297	\$ 5,334,928	\$ 3,148,256
Net Income (Loss)	(571,352)	448,029	275,473
Per Share- Basic	(0.021)	0.020	0.015
Per Share- Fully Diluted	(0.021)	0.020	0.015
Total Assets	14,808,138	11,094,957	8,229,728
Total Long Term Debt	-	-	-

Quarterly Financial Information

	4th Quarter 2006	3rd Quarter 2006	2nd Quarter 2006	1st Quarter 2006
Net Revenue	\$ 1,046,220	\$ 1,332,735	\$ 1,281,658	\$ 1,304,176
Oil and gas operating margin	204,076	596,740	608,887	738,797
Processing operating margin	45,756	32,209	(41,131)	(31,763)
Net Income (Loss)	(313,877)	(81,891)	(102,561)	(73,023)
Earnings (Loss) per share				
Basic	(0.011)	(0.003)	(0.004)	(0.003)
Fully Diluted	(0.011)	(0.003)	(0.004)	(0.003)
Weighted Average Number of Shares In Thousands	27,843	27,843	25,733	23,865
Funds Flow From Operations	13,517	340,721	172,283	259,685
Funds Flow Per Share	0.000	0.012	0.007	0.011

	4th Quarter 2005	3rd Quarter 2005	2nd Quarter 2005	1st Quarter 2005
Net Revenue	\$ 1,468,205	\$ 1,385,924	\$ 1,086,000	\$ 1,034,480
Oil and gas operating margin	816,797	770,611	585,696	557,295
Processing operating margin	42,207	97,415	(5,177)	45,108
Net Income	123,907	126,492	84,126	113,504
Earnings per share				
Basic	0.006	0.006	0.004	0.005
Fully Diluted	0.006	0.006	0.004	0.005
Weighted Average Number of Shares In Thousands	22,191	21,979	21,930	21,930
Funds Flow From Operations	640,120	485,967	267,025	260,546
Funds Flow Per Share	0.029	0.022	0.012	0.012

Oil & Gas Production

Production during 2006 increased only marginally over 2005 as production declines exceeded production additions at Breton in the first half of the year and unscheduled workovers at Breton and Matziwin took production off stream in the last quarter. However in November, the Company announced the drilling of a successful oil and gas well at Breton, which was dual completed and the oil zone was placed on production at a rate of 30 boepd in early December 2006. The well was also completed for gas which was placed on production in late January 2007 at restricted rates of 450 mscf/d. During the year production levels were maintained as a result of continuing exploitation activities on the Company's core oil and gas properties at Breton in central Alberta and Scots Lake and Suffield in southeast Alberta. The Breton wells are now producing in the order of 250 boepd, comprised of 150 barrels of oil per day and 600 mscf/d of natural gas, while 40 bbls/d are being produced in southeast Alberta. The Company is planning four development wells and a waterflood implementation at Breton in 2007 to increase oil production in the south half of the field, which is limited by low reservoir pressure.

Oil & Gas Production

	Three Months December 31, 2006	Three Months December 31, 2005	Twelve Months December 31, 2006	Twelve Months December 31, 2005
Oil (bbl/d)	145	162	149	152
Natural Gas (mcf/d)	178	378	357	297
NGLs (bbl/d)	4	5	5	4
Total (boe/d)	178	230	214	206

Oil & Gas Revenue and Realized Prices

Oil prices maintained strength throughout 2006 while gas prices experienced some weakness compared to the fourth quarter of 2005. The outlook is for commodity prices at current levels in 2007, although some volatility could be expected.

	Three Months December 31, 2006	Three Months December 31, 2005	Twelve Months December 31, 2006	Twelve Months December 31, 2005
Oil				
Revenues	\$772,512	\$1,014,364	\$3,633,479	\$3,706,489
Prices \$/bbl	\$57.79	\$67.91	\$66.79	\$66.59
Natural Gas				
Revenues	\$113,375	\$338,979	\$929,664	\$795,991
Prices \$/mcf	\$6.93	\$9.74	\$7.14	\$7.34
NGL's				
Revenues	\$18,823	\$27,194	\$124,127	\$87,244
Prices \$/bbl	\$57.56	\$62.18	\$62.60	\$55.97
Total				
Revenues	\$904,710	\$1,380,537	\$4,687,270	\$4,589,724
Price \$/bbl	\$55.10	\$65.20	\$60.04	\$60.96

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 \$8,184 for the twelve months ended December 31, 2006, (2005 – \$13,990).

Oil & Gas Royalties Expense

Total royalties including crown royalties were \$64,320 for the fourth quarter of 2006 and \$421,508 for the twelve months ended December 31, 2006 as compared to \$121,215 for the fourth quarter of 2005 and \$360,319 for the twelve months ended December 31, 2005. This represented \$3.92 per boe for the fourth quarter of 2006 and \$5.40 per boe for the twelve months ended December 31, 2006 as compared to \$5.72 per boe for the fourth quarter of 2005 and \$4.79 per boe for the twelve months ended December 31, 2005. Higher gas volumes, which attract a higher royalty rate than oil, in the first half of 2006 resulted in the average royalty per boe increasing over the previous year. Gas volumes were lower in the fourth quarter

due to operating problems resulting in a lower rate in the fourth quarter.

Oil & Gas Operating Costs

Total operating costs for the fourth quarter of 2006 were \$637,218 or \$38.81 per boe, including \$34,320 for inter-company processing charges and \$188,313 for repairs and maintenance. Unscheduled workovers at Breton and Matziwin in October and November resulted in a significant increase in maintenance costs in those months. Operating costs for the 2006 year were \$2,125,445 or \$27.22 per boe, including \$147,982 for inter-company processing charges and \$445,572 for repairs and maintenance. Operating costs were \$447,545 or \$21.14 per boe in the fourth quarter of 2005 and \$1,512,996 or \$20.10 per boe for the 2005 year. Inter-company charges were eliminated for consolidation purposes. Unit oil and gas operating costs will remain high until production rates are substantially increased.

Oil & Gas Operating Net Back

The operating net back of \$12.37 per boe for the three months ended December 31, 2006 is not reflective of ongoing operations and is the result of the increase in operating costs described above. The operating netback has now returned to more normal levels.

	Three Months December 31, 2006	Three Months December 31, 2005	Twelve Months December 31, 2006	Twelve Months December 31, 2005
Average realized price (\$/boe)	\$55.10	\$65.20	\$60.04	\$60.96
Royalties, net of ARTC (\$/boe)	3.92	5.72	5.40	4.79
Operating expenses (\$/boe)	38.81	21.14	27.22	20.10
Operating net back (\$/boe)	\$12.37	\$38.34	\$27.42	\$36.07

Processing

Processing revenue for the fourth quarter of 2006 was \$252,503 compared to \$242,968 in the third quarter of 2006 and \$269,705 in the fourth quarter of 2005, reflecting a decrease in inter-company processing charges. Processing revenue for the year was \$894,161 compared to \$963,315 in 2005. Business conditions returned to more normal levels in the third and fourth quarter after the first half of the year when Breton experienced oil losses and there was a general slow down of activity at Suffield.

Processing Operating Costs

Processing operating costs for the fourth quarter of 2006 were \$206,747 (including \$13,257 of inter-company charges) and \$889,091 (including \$55,336 of inter-company charges) for the twelve months ended December 31, 2006 compared to \$227,498 in the fourth quarter of 2005 and \$783,762 for the twelve months ended December 31, 2005. Higher costs during the year resulted from higher maintenance and utility costs. Inter-company charges were eliminated for consolidation purposes.

General and Administrative Expenses

General and administrative expenses for the fourth quarter of 2006 were \$244,098 and \$1,176,261 for the twelve months ended December 31, 2006 as compared to \$268,638 for the fourth quarter of 2005 and \$907,382 for the twelve months ended December 31, 2005. The increase in general and administrative expenses during 2006 reflected increases in staffing to direct the expanded business plan during the second half of 2005 and the first half of 2006, together with increases in consulting and professional fees.

Interest Expense

Interest expense for the year was \$220,691 and for the fourth quarter was \$77,510 compared to \$130,475 for the year and \$31,465 for the fourth quarter of 2005, reflecting the higher debt level in the company. This was the result of lower funds flow than expected while financing the shortfall on capital programs through bank facilities.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense was \$284,443 in the fourth quarter of 2006 and \$1,442,184 for the twelve months ended December 31, 2006 compared to \$403,531 for the fourth quarter of 2005 and \$1,127,945 for the twelve months ended December 31, 2005. The decrease in the fourth quarter reflected the impact of the year end reserves report. The increase in the twelve month expense is due to the increase in capital spending during the last quarter of 2005 and during 2006.

Net Income and Loss

The Company has not been profitable in 2006 primarily due to difficult business conditions during the first half of the year and unscheduled maintenance shutdowns at producing wells during the last quarter. The net loss for the fourth quarter of 2006 was \$(313,877), compared to net income of \$123,907 for the fourth quarter of 2005, was due to lower production levels and higher maintenance costs from the shutdowns. Overall, the net loss for 2006 was \$(571,352) compared to net income of \$448,029 in 2005. The loss is due to a reduced contribution from operations combined with higher general and administrative costs and higher depreciation, depletion and accretion costs.

In 2007 results are expected to improve due to additional production volumes from the Breton LSD 11-23 well and as a result of the financial benefits of the Company's proposed amalgamation with Resolve Energy Inc. At current commodity prices and with growing production volumes, financial results are expected to improve in 2007.

Capital Expenditures and Commitments

The Company spent \$4,921,457 on capital expenditures during the year. Of this \$1,269,854 was spent on the acquisition of Panterra Energy Corp, a further \$2,856,833 was spent on oil and gas development expenditures, \$685,101 was spent on exploration, land and seismic, and \$109,669 was spent on the purchase of processing and other assets.

Pursuant to a flow-through financing completed April 7, 2006, the Company is committed to spending \$1,124,299.80 on qualified exploration and development expenditures by December 31, 2007. As at December 31, 2006, the Company had expended \$999,300 on qualified expenditures related to the financing.

The Company has budgeted to spend \$5.8 million in capital expenditures in 2007, subject to quarterly review and capital availability. The first half of the year is expected to be active with two development wells planned at Breton and four exploration wells planned on new properties; Frontier, Suffield and Judy Creek. Management is also planning a waterflood implementation at Breton, where oil production in the south half of the field is limited by low reservoir pressure.

Liquidity and Capital Resources

The Company maintained positive cash flow from operations during 2006 in spite of a number of operating challenges and expects increasingly positive cash flow from operations to continue throughout 2007. The Company has available bank debt as noted below. As indicated in the above Capital Expenditures and Commitments, the Company plans to continue the exploitation of its core properties and facilities and combine it with the selective pursuit of higher risk, high impact exploration prospects. As these plans are developed the Company intends to raise additional capital to fund these initiatives in addition to the funds flow and available bank debt.

On March 31, 2006 the Company repaid the final balance of \$171,000 on the 5% subordinated debentures. During 2005, the Company had repaid \$209,000 on these debentures.

Bank Debt

At year end the Company had available a \$4,500,000 revolving demand loan facility with a Canadian chartered bank. The loan bears interest at prime plus 3/4 % 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. At December 31, 2006 there was a balance outstanding on the loan of \$4,250,000. On January 10, 2007 the facility was increased to \$5,000,000 and a further \$500,000 non-revolving acquisition demand loan provided bearing an interest rate of prime plus 1%, and with repayments of interest only until the annual review. These facilities are subject to an annual review by May 1, 2007. The Company is required to meet a working capital ratio under its covenants to the bank. At December 31, 2006 the Company was not in compliance with this ratio; however, the bank has provided a waiver with respect to the non-compliance.

Share Capital

At December 31, 2006 there were 27,842,833 common shares outstanding. At December 31, 2006 there were 1,825,000 stock options outstanding at a weighted average exercise price of \$0.38.

On April 7, 2006 the Company completed a private placement of 1,873,833 common shares issued on a flow-through basis at a price of \$0.60 per share and 2,104,000 units at a price of \$0.50 per unit. Each unit consisted of one 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.

In February 2006 stock options were granted for 100,000 common shares exercisable at \$0.50. The options vested immediately. In May 2006 stock options were granted for 265,000 common shares exercisable at \$0.50 per share. Of the 265,000 options granted 148,333 shares vested immediately with the remaining options vesting at various times up to the second anniversary of the grant date. Also, in May stock options were granted for a further 100,000 common shares exercisable at \$0.40 per share. These options vested immediately. During the year, 1,025,000 options, which had been granted to employees who have since left the Company, were cancelled.

Related Party Transactions

On April 7, 2006, the Company completed a private placement of 1,873,833 common shares issued on a flow-through basis at a price of \$0.60 per share and 2,104,000 units at a price of \$0.50 per unit. Directors and officers of the Company subscribed for an aggregate of 254,999 common shares and 50,000 units.

For the twelve months ended December 31, 2006, a corporation owned by an officer and director charged \$69,600 (2005 - \$57,900) to the Company for office space and related services. A legal firm of which a director is a partner charged the Company \$87,195 (2005 - \$30,437) 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 and expires on March 31, 2007. The lease has been extended to December 31, 2007 at a rate of \$10,500.

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.

Disclosure Controls and Procedures

As at December 31, 2006, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2006 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be known to them by others within those entities.

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The design of the Corporation's internal control over financial reporting was assessed as of the date of this Management's Discussion and Analysis.

The weakness in the Corporation's internal controls over financial reporting, discussed below, results in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

The Corporation has only six full time employees and one part time employee. Control deficiencies have been identified within the Corporation's accounting and financial function and its financial information systems over segregation of duties and user access respectively. Specifically, the majority of duties are not properly segregated due to the small number of individuals employed in this area. Management is of the opinion that none of the segregation of duty or access control deficiencies has resulted in a misstatement to the financial statements. However, these deficiencies may be considered a material weakness resulting in a more-than remote likelihood that a material misstatement of the Corporation's annual or interim financial statements would not be prevented or detected. As the Corporation grows, the Corporation plans to expand the number of individuals involved in the accounting function. At the present time, the CEO and CFO oversee all material transactions and related accounting records. In addition, the Audit Committee reviews on a quarterly basis the financial statements and key risks of the Corporation and queries management about significant transactions.

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.

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.
