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Auditors' Report

To the Shareholders of
Anterra Energy Inc (formerly Anterra Corporation)

We have audited the consolidated balance sheets of Anterra Energy Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
March 31, 2008

Signed
Deloitte and Touche LLP

Chartered Accountants

Anterra Energy Inc. (formerly Anterra Corporation)
Consolidated Balance Sheets

As at December 31	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 4,072	\$ 121,734
Accounts receivable	1,677,668	920,736
Deposits and prepaid expenses	253,523	230,127
Income taxes recoverable	43,077	32,494
	1,978,340	1,305,091
Property and equipment (Note 4)	22,559,643	12,593,525
Intangible assets (Note 5)	289,077	303,505
Goodwill (Note 5)	606,017	606,017
	\$ 25,433,077	\$ 14,808,138

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities	\$ 5,874,251	\$ 2,059,756
Bank loan (Note 6)	421,982	4,250,000
	6,296,233	6,309,756
Asset retirement obligation (Note 7)	1,689,965	1,371,697
Future income taxes (Note 10(b))	1,862,942	1,219,137
	9,849,140	8,900,590
Share capital (Note 8)	15,275,854	5,803,400
Contributed surplus (Note 9)	561,357	330,320
Deficit	(253,274)	(226,172)
	15,583,937	5,907,548
	\$ 25,433,077	\$ 14,808,138

Commitments and Contingencies (Note 13)

Approved on behalf of the Board:

"Signed" _____ Director
Owen Pinnell

"Signed" _____ Director
James Coleman

The accompanying notes are an integral part of these consolidated financial statements.

Anterra Energy Inc. (formerly Anterra Corporation)
Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the years ended December 31	2007	2006
Revenues		
Revenue	\$ 7,186,677	\$ 5,386,297
Royalties	(508,886)	(421,508)
	<u>6,677,791</u>	<u>4,964,789</u>
Expenses		
Operating	2,784,275	2,659,325
Transportation	236,970	151,893
General and administrative	1,595,332	1,176,261
Stock compensation (Note 15)	116,490	116,831
Interest	333,581	220,691
Accretion	133,196	107,782
Depletion, depreciation and amortization	1,926,803	1,334,402
	<u>7,126,647</u>	<u>5,767,185</u>
Loss before income taxes	<u>(448,856)</u>	<u>(802,396)</u>
Income taxes (Note 10)		
Current	-	(29,587)
Future	(421,754)	(201,457)
	<u>(421,754)</u>	<u>(231,044)</u>
Net loss and comprehensive loss for the year	<u>(27,102)</u>	<u>(571,352)</u>
Retained earnings (deficit), beginning of year	<u>(226,172)</u>	<u>345,180</u>
Deficit, end of year	<u>\$ (253,274)</u>	<u>\$ (226,172)</u>
Basic loss per share (Note 12)		
	\$ (0.001)	\$ (0.037)
Diluted loss per share (Note 12)		
	\$ (0.001)	\$ (0.037)

The accompanying notes are an integral part of these consolidated financial statements.

Anterra Energy Inc. (formerly Anterra Corporation)
Consolidated Statements of Cash Flows

For the years ended December 31

2007

2006

Cash flows from operating activities

Loss for the year	\$ (27,102)	\$ (571,352)
Items not involving cash		
Stock compensation	116,490	116,831
Depletion, depreciation and amortization	1,926,803	1,334,402
Accretion	133,196	107,782
Future income taxes	(421,754)	(201,457)
Funds flow from operations	<u>1,727,633</u>	<u>786,206</u>
Change in non-cash working capital balances		
Accounts receivable	(536,370)	(131,892)
Deposits and prepaid expenses	(23,396)	(59,907)
Accounts payable	189,673	91,136
Income taxes recoverable	(10,583)	(256,552)
Cash flow from operating activities	<u>1,346,957</u>	<u>428,991</u>

Financing activities

Issue of common shares and warrants	6,975,914	2,176,300
Share issue costs	(979,504)	(187,533)
Bank loan	(3,828,018)	2,200,000
Payments of long term debt	-	(171,000)
	<u>2,168,392</u>	<u>4,017,767</u>

Investing activities

Cash acquired (paid) on acquisition (Note 3)	4,309,792	(1,269,854)
Additions to property and equipment	(11,347,063)	(3,651,603)
Disposal proceeds, property and equipment	-	-
Change in non-cash working capital	3,404,260	(102,169)
	<u>(3,633,011)</u>	<u>(5,023,626)</u>

Decrease in cash and cash equivalents

(117,662) (576,868)

Cash and cash equivalents, beginning of year

121,734 698,602

Cash and cash equivalents, end of year

\$ 4,072 \$ 121,734

The accompanying notes are an integral part of these consolidated financial statements.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1. Nature of Operations

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

On January 1, 2007, Anterra Corporation and its wholly owned subsidiaries Anterra Resources Inc. and Anterra Midstream Inc. were amalgamated under the name of Anterra Corporation.

On May 1, 2007, Anterra Corporation completed an amalgamation with Resolve Energy Inc. under the name of Anterra Energy Inc. (Note 3). 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. 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.

The principal activities of the Company are the exploration, development and production of oil and gas properties and the development of associated fee based projects in the processing operations.

2. Significant Accounting Policies

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

(a) Basis of consolidation

The consolidated financial statements include those of the Company and its wholly owned subsidiary Anterra Resources Inc. from its date of acquisition October 31, 2002 and Anterra Midstream Inc. from its date of incorporation May 1, 2003. Panterra Energy Corp. was purchased on March 15, 2006 and was immediately amalgamated with Anterra Resources Inc. All material inter-company transactions have been eliminated. 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 an amalgamation was completed between Anterra Corporation and Resolve Energy Inc., under the name of Anterra Energy Inc.

(b) Revenue recognition

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

(c) Stock-based compensation plan

The Company records compensation expense for stock options granted to employees and directors using the fair value method. Fair values are determined using the Black-Scholes option pricing model. If options are forfeited, the compensation expense is not recorded to the extent that the options have not vested.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2. Significant Accounting Policies - continued

(d) Cash and cash equivalents

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

(e) Property and equipment

Petroleum and Natural Gas Properties and Equipment

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

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

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

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

- i. the fair value of proved and probable reserves; and
- ii. the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

Processing Equipment and Furniture and Fixtures

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

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2. Significant Accounting Policies - continued

(f) Intangible assets

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

(g) Asset retirement obligation ("ARO")

Retirement costs equal to the retirement obligation are capitalized as part of the cost of property and equipment and amortized to expense through depletion over the life of the asset. The change in the liability due to the passage of time is measured by applying an interest method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and an expense. The expense is recorded as asset retirement accretion expense in the statement of operations, not as a component of interest expense. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying amount of the associated asset. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized in earnings in the period in which the settlement occurs.

(h) Measurement uncertainty

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

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

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

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

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2. Significant Accounting Policies - continued

- (i) Future income taxes

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

Basic loss per share is computed by dividing earnings by weighted average number of shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted to shares. The treasury stock method is used to determine the dilutive instruments. Comparative per share numbers have been restated to reflect the Class A share conversion factor.
- (k) Flow-through shares

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

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

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

Commodity contracts that do not meet the criteria for the use of hedge accounting are recorded on the balance sheet at fair value and changes in fair value are recognized in income in the period in which the change occurs. The Company had no such contracts in 2007 or 2006.
- (o) Changes in Accounting Policies

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.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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

Comprehensive Income

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

Financial Instruments

The financial instruments standard establishes the recognition and measurements criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurements in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

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

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities and bank loans are designated as "other liabilities". Risk management assets and liabilities are derivative financial instruments classified as "held-for-trading" unless designated for hedge accounting. The Company has no commodity contracts or fixed price physical contracts in place at this time. There were no changes in the designations of these instruments between the date of adoption and December 31, 2007.

Section 1506 – Accounting Changes

Beginning January 1, 2007 the Company adopted Section 1506 "Accounting Changes" the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 "Financial Instruments Disclosures" and Section 3863 "Financial Instruments Presentation" which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

(p) Recent accounting pronouncements

As of January 1, 2008, the Company will be required to adopt new CICA Handbook section 1535 "Capital Disclosures", section 3031 "Inventories" and section 3064 "Goodwill and Intangible assets". Section 1535 will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. Section 3031 provides additional guidance in the measurement and disclosure of inventories. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after Jan. 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

3. Business Acquisition

- a) On May 1, 2007, the Company was formed following the amalgamation of Anterra Corporation with Resolve Energy Inc. ("Resolve"). The combination has been accounted for as an acquisition of Resolve assets by Anterra Corporation as the majority of the Class A shares of the Company were to be held by former shareholders of Anterra Corporation; and Resolve had no significant operations to the date of amalgamation. The acquisition of Resolve can be summarized as follows:

Net Assets Acquired

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

Purchase Consideration

Class A shares and Class B shares issued as consideration	<u>\$ 3,638,292</u>
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- b) On March 15, 2006, the Company acquired all of the issued and outstanding common shares of Panterra Energy Corp. Ltd. ("Panterra"), 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 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.

	<u>Book Value</u>	<u>Fair Value</u>	<u>Difference</u>
Working capital	Nil	Nil	-
Property 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	<u>\$ 975,452</u>	<u>\$ 1,269,854</u>	<u>\$ 294,402</u>

Purchase Consideration

Cash	<u>1,269,854</u>
	<u>\$ 1,269,854</u>

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

4. Property and Equipment

	2007			2006		
	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	\$ 24,689,296	\$ 4,515,355	\$ 20,173,941	\$ 12,845,615	\$ 2,759,155	\$ 10,086,460
Processing equipment and furniture and fixtures	2,989,226	603,524	2,385,702	2,954,415	447,350	2,507,065
	\$ 27,678,522	\$ 5,118,879	\$ 22,559,643	\$ 15,800,030	\$ 3,206,505	\$ 12,593,525

Costs aggregating various amounts up to \$1,605,000 (2006 - \$374,000) relating to seismic work on unproved properties, and a salvage value amounting to \$690,000 (2006 - \$690,000) on property and equipment were excluded from the depletion and depreciation calculations during 2007.

An impairment test calculation was performed on the Company's property, plant and equipment at December 31, 2007 in which the estimated undiscounted future net cash flows associated with the proved reserves exceeded the carrying amount of the Company's property, plant and equipment.

The following table outlines benchmark prices used in the impairment test at December 31, 2007:

Year	WTI Crude Oil US\$/bbl	Exchange Rate US\$/CDN\$	Edm Light Crude Cdn\$/bbl	AECO Natural Gas Net of Transportation CDN\$/Mcf
2008	85.00	.98	85.65	6.90
2009	81.60	.95	84.75	7.75
2010	81.15	.92	87.05	8.10
2011	79.60	.90	87.25	8.50
2012	77.95	.90	85.40	8.65
2013	77.30	.90	84.60	9.10
2014	78.85	.90	86.30	9.30
2015	80.40	.90	88.05	9.50
2016	82.00	.90	89.80	9.65
2017	83.65	.90	91.60	9.85
2018	85.35	.90	93.45	10.05
2019	87.05	.90	95.30	10.25
Thereafter	2%/Year		2%/Year	2%/Year

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

5. Intangible Assets and Goodwill

	2007			2006		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
Licenses and permits	\$ 319,177	\$ 30,100	\$ 289,077	\$ 319,177	\$ 15,672	\$ 303,505
Goodwill	\$ 606,017	\$ -	\$ 606,017	\$ 606,017	\$ -	\$ 606,017

On November 30, 2004, licenses and permits additions of \$302,500 and Goodwill of \$606,017 were added as part of an acquisition.

6. Bank Loans

The Company had available a \$7,000,000 (2006 - \$4,500,000) revolving demand loan facility and an additional \$1,500,000 (2006 - \$1,000,000) 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%, an effective rate at year end of 6.75% in 2007 (2006 - 6.75%), 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 facility is subject to periodic review with the annual review scheduled by May 1, 2008. As at December 31, 2007, including bank indebtedness, the Company had drawn \$421,982 (2006 - \$4,250,000). The loans are shown as a current liability due to their demand nature despite the lender having not demanded repayment of the loan. At December 31, 2007, the Company was in compliance with its debt covenants.

7. 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.

	2007	2006
Asset retirement obligation, beginning of year	\$ 1,371,697	\$ 1,083,540
Liabilities assumed on corporate acquisition (Note 3)	-	169,112
Liabilities incurred	185,072	11,263
Accretion expense	133,196	107,782
Asset retirement obligation, end of year	\$ 1,689,965	\$ 1,371,697

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$4,478,000 (2006 - \$3,636,000). The obligation was calculated using a credit-adjusted risk free discount rate of 9 percent and an inflation rate of 2 percent. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2010 and 2023.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8. Share Capital

(a) Authorized

Unlimited number of Class A Shares

Unlimited number of Class B Shares

Unlimited number of Preferred shares issuable in series, rights and privileges to be determined upon issue.

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

(b) Issued

<u>Share Capital Pre Amalgamation</u>	2007		2006	
	Number of Shares (1)	Amount	Number of Shares (1)	Amount
Balance, beginning of year	27,842,833	\$ 5,803,400	23,865,000	\$ 3,741,633
Shares issued on option exercise	375,000	81,240	-	-
Private placement of flow-through shares for cash	-	-	1,873,833	1,124,300
Private placement of common shares for cash	-	-	2,104,000	947,852
Common share warrants issued as part of units above, and broker warrants in Private Placement	-	-	-	127,537
Share issue costs, net of \$73,000 future tax benefit.	-	-	-	(137,922)
Tax benefits renounced on flow-through shares	-	(361,125)	-	-
Expired warrants		(23,389)		
Balance, May 1, 2007	28,217,833	\$ 5,500,126	27,842,833	\$ 5,803,400

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

Share Capital Post Amalgamation

	Class A Shares	Class B Shares	Warrants	Amount
May 1, 2007, (date of business combination)	16,124,474	372,476	1,052,000	\$ 5,500,126
Issued to acquire Resolve (Note 3)	6,710,000	380,538	871,790	3,638,292
Private placement of Flow Through Class A shares for cash	3,518,332			2,110,999
Private placement of Class A shares units for Cash	4,000,000			3,140,000
Class A share warrants issued as part of units above	-		2,000,000	260,000
Private placement of Flow Through Class A shares for	1,444,444			1,300,000

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

cash			
Warrants exercised	371,790	(371,790)	96,665
Share issue costs, net of tax of \$313,424			(666,080)
Expired warrants		(1,052,000)	(104,148)
Balance, December 31, 2007	32,169,040	753,014	2,500,000 \$ 15,275,854

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

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

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

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

On April 7, 2006 the Company completed a private placement of \$2,176,300, issuing 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, on which date they all expired. Each unit entitled the holder to acquire 0.5714285 of a Class A share and 0.0132 of a class B share. In addition, broker's warrants were granted to acquire an aggregate 238,670 common shares at \$0.60 per share, all of which expired on April 7, 2007.

Pursuant to the rules of the TSX Venture Exchange, the shares of the previous directors, officers and insiders of Resolve (which were exchanged for shares of the Company) are subject to escrow conditions, whereby 10 percent of Class A shares were released from escrow upon receipt of a listing notice on the TSX Venture Exchange. The remaining 90 percent of the escrowed Class A shares shall be released in equal 15 percent tranches every six months thereafter, for a period of 36 months. As at December 31, 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) are subject to a hold period which expired on December 31, 2007.

(c) Stock options

The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. At December 31, 2007 2,060,000 Class A shares (2006 - 1,825,000 Anterra Corporation 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.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8. Share Capital - continued

Stock Options	Year Ended December 31, 2007		Year Ended December 31, 2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Pre Amalgamation				
Outstanding beginning of year	1,825,000	\$0.38	2,210,000	\$0.37
Granted	-	-	640,000	\$0.43
Exercised	(375,000)	\$0.18	-	-
Cancelled	(1,450,000)	\$0.43	(1,025,000)	\$0.44
May 1, 2007	-	\$ -		
Post Amalgamation				
Granted	2,060,000	\$0.57		
Outstanding end of year	2,060,000	\$0.57	1,825,000	\$0.38
Exercisable, end of year	1,286,667	\$0.57	1,505,000	\$0.38

Date of Grant	Number Outstanding	Weighted Average Exercise Price	Date of Expiry	Number Exercisable December 31, 2007
May 29, 2007	2,000,000 ⁽¹⁾	\$0.56	May 29, 2012	1,266,667
October 31, 2007	60,000 ⁽²⁾	\$0.87	October 31, 2012	20,000
	2,060,000			1,286,667

⁽¹⁾ 1,266,667 of the options vested immediately with 733,333 vesting equally on the first and second anniversary of the grant date.

⁽²⁾ 20,000 of the options vested immediately with 40,000 vesting equally on the first and second anniversary of the grant date.

d) Warrants

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

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

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8. Share Capital - continued

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

The following is a continuity of the warrants outstanding:

<u>Pre Amalgamation</u>	Year Ended December 31, 2007		Year Ended December 31, 2006	
	Number of warrants	Weighted average Class A exercise price	Number of warrants	Weighted average exercise price
Beginning of year	1,290,670	\$0.72	-	-
Issued	-	-	1,290,670	\$0.72
Exercised	-	-	-	-
Expired	(238,670)	\$0.60	-	-
May 1, 2007	1,052,000	\$0.75	1,290,670	\$0.72
<u>Post Amalgamation</u>				
Warrants assumed on acquisition of Resolve	871,790	\$0.26		
Issued	2,000,000	\$1.10		
Exercised	(371,790)	\$0.26		
Expired	(1,052,000)	\$0.75		
End of year	2,500,000	\$0.93		
Exercisable, end of period	2,500,000	\$0.93	1,290,670	\$0.72

9. Contributed Surplus

	2007	2006
Contributed surplus, beginning of year	\$ 330,320	\$ 213,489
Exercised stock options	(12,990)	-
Expired warrants	127,537	-
Stock compensation expense	116,490	116,831
Contributed surplus, end of year	\$ 561,357	\$ 330,320

Anterra Energy Inc. (formerly Anterra Corporation)
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December 31, 2007 and 2006

10. Income Taxes

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

	2007	2006
Income (loss) before taxes	\$ (448,856)	\$ (802,396)
Corporate income tax rate	32.12%	32.12%
Expected tax recovery	\$ (144,172)	\$ (257,730)
Increase (decrease) in future income taxes resulting from:		
Non-deductible crown charges	-	35,470
Tax resource allowance	-	(42,088)
Future tax rate reductions	(111,722)	(135,865)
Stock compensation expense	37,417	37,526
Non-deductible expenses	1,605	1,947
Change in valuation allowance	(220,650)	129,696
Other	15,768	-
Income tax recovery	\$ (421,754)	\$ (231,044)

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

	2007	2006
Nature of temporary differences		
Property, plant and equipment	\$ (2,982,794)	\$ (1,732,726)
Asset retirement obligations	498,540	440,589
Non-capital losses	192,171	220,650
Share issue costs and finance fees	429,141	73,000
	(1,862,942)	(998,487)
Valuation allowance	-	(220,650)
Future income tax liability	\$ (1,862,942)	\$ (1,219,137)

- (c) The Company has non-capital losses available for income tax purposes of approximately \$651,428 (2006 - \$686,954) which are available to reduce taxable income in future years. The losses expire after 2013.

11. Supplementary Information – Statement of Cash Flows

During the year ended December 31, 2007, the Company paid \$333,581 in interest, including \$114,480 in Part XII.6 tax on "look-back" flow-through expenditures (2006 - \$220,691, including \$nil Part XII.6) and \$Nil in income taxes (2006 - \$222,016). Cash and cash equivalents at December 31, 2007 and at December 31, 2006 include only nominal cash equivalents.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

12. Loss per share

	2007	2006
Net income (loss) available to common shareholders	<u>(27,102)</u>	(571,352)
Weighted-average number of common shares outstanding - basic	22,743,624	15,312,346
Dilutive effect of stock options and warrants ⁽¹⁾	7,799,123	171,998
Weighted-average number of commons shares outstanding—diluted	<u>30,542,747</u>	<u>15,484,344</u>
Net loss per share (\$/share)		
Basic and diluted	<u>\$(0.001)</u>	<u>\$(0.037)</u>

⁽¹⁾ Excluded from the above dilutive stock options and warrants are 2,060,000 options and 2,000,000 warrants respectively at December 31, 2007 (2006 – 1,215,000 options and 1,290,670 warrants).

⁽²⁾ Comparative share and per share numbers restated to reflect the Class A share conversion factor.

13. Commitments and Contingencies

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. As disclosed in note 7, the Company has recognized a liability at December 31, 2007 of \$1,689,965 (2006 - \$1,371,697) related to the retirement of its long-lived petroleum assets based on current legislation and estimated costs. Any changes in these estimates will affect future earnings. Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities.

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

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

Pursuant to flow-through financings completed by the Company during 2007, at 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 entered into employment agreements with certain senior management. In addition to defining the terms of employment, the agreement entitles the employees to payment ranging from 3 months to 1 year of compensation for termination without cause or in the event of a change of control.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

14. Related Party Transactions

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

- (a) The Company completed a private placement of 3,518,332 flow-through Class A common shares in July 2007, 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.
- (b) The private placement of 1,873,833 flow-through common shares and 2,104,000 units, comprised of a common share and a warrant to purchase one half of a common share, on April 7, 2006 included 254,999 flow through shares and 50,000 units issued to directors and officers of the company

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

- (c) 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 for the last quarter. 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).
- (d) 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.
- (e) Under an agreement dated October 11, 2007, a company owned by a director farmed in on a property owned by the Company paying 30% of the costs of a test well for a 30% interest before payout and a 15% interest after payout in the scheduled farmout lands.

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

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December 31, 2007 and 2006

15. Stock Compensation

The fair value of share options granted in 2007 had a weighted average fair value of \$0.26 (2006 - \$0.22) which was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2007</u>	<u>2006</u>
Dividend yield	Nil	Nil
Expected volatility	70%	70%
Risk free rate of return	4.3%	4.1%
Weighted average life	2 years	3 years

16. Financial Instruments

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

(a) Fair value of financial assets and liabilities

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

(b) Commodity price risk

The Company is subject to commodity price risk for the delivery of natural gas and crude oil.

(c) Credit risk

Substantially all the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. A significant proportion of the Company's monthly revenue is receivable from the marketing arm of a major energy company.

(d) Interest rate risk management

The Company's borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

As at December 31, 2007, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$4,200 (2006 - \$42,500). The related disclosures regarding the debt instruments are included in Note 6 of these consolidated financial statements.

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

17. Segmented Information

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

For the year ended December 31, 2007.	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 6,120,981	\$ 1,253,197	\$ -	\$ (188,234)	\$ 7,185,944
Other revenue	733	-	-	-	733
Total Revenue	6,121,714	1,253,197	-	(188,234)	7,186,677
Royalties	(508,886)	-	-	-	(508,886)
Net Revenue	5,612,828	1,253,197	-	(188,234)	6,677,791
Operating & transportation	2,393,354	816,125	-	(188,234)	3,021,245
Depletion, depreciation	1,776,158	150,645	-	-	1,926,803
Asset retirement accretion	118,093	15,103	-	-	133,196
Income (loss) before corporate items	1,325,223	271,324	-	-	1,596,547
General and administrative	1,226,894	251,192	117,246	-	1,595,332
Stock compensation	-	-	116,490	-	116,490
Interest	296,346	37,235	-	-	333,581
Income taxes	(178,514)	(22,590)	(220,650)	-	(421,754)
Net loss for the year	\$ (19,503)	\$ 5,487	\$ (13,086)	\$ -	\$ (27,102)
Capital expenditures, net	\$ 11,843,681	\$ 34,811	\$ -	\$ -	\$ 11,878,492
Total Assets	\$ 21,722,965	\$3,672,820	\$37,292	-	\$25,433,077

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

17. Segmented Information - Continued

For the year ended December 31, 2006	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 4,695,454	\$ 894,161	\$ -	\$ (203,318)	\$ 5,386,297
Other revenue	-	-	-	-	-
Total Revenue	4,695,454	894,161	-	(203,318)	5,386,297
Royalties	(421,508)	-	-	-	(421,508)
Net Revenue	4,273,946	894,161	-	(203,318)	4,964,789
Operating & transportation	2,125,445	889,091	-	(203,318)	2,811,218
Depletion, depreciation	1,193,499	140,903	-	-	1,334,402
Asset retirement accretion	93,925	13,857	-	-	107,782
Income before corporate items	861,077	(149,690)	-	-	711,387
General and administrative	1,086,393	40,750	49,118	-	1,176,261
Stock compensation	-	-	116,831	-	116,831
Interest	120,968	99,723	-	-	220,691
Income taxes	(138,452)	(31,565)	(61,027)	-	(231,044)
Net profit for the year	\$ (207,832)	\$ (258,598)	\$ (104,922)	\$ -	\$ (571,352)
Capital expenditures, net	\$ 5,361,476	\$ 98,138	\$ -	\$ -	\$ 5,459,614

Anterra Energy Inc. (formerly Anterra Corporation)
Notes to Consolidated Financial Statements

December 31, 2007 and 2006

CORPORATE INFORMATION

Directors

James H. Coleman
Ross O. Drysdale
Jacob T. Halldorson
John McGilvary
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
Doug Wine	– Vice President, Exploration
Gordon Marsden	– Vice President, Production and Engineering
Alastair Robertson	– Treasurer and Corporate Secretary
Marlene Stewart	– Assistant Corporate Secretary

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Stock Exchange

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

Auditors

Deloitte & Touche LLP

Bankers

National Bank of Canada

Legal Counsel

Macleod Dixon LLP

Abbreviations

ARTC Alberta Royalty Tax Credit
bbls/d barrels per day
boe barrels of oil equivalent
mbbl thousand barrels
mboe million barrels of oil equivalent
mcf/d thousand cubic feet per day
WTI West Texas Intermediate

Conversion of Units

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

bbl barrel
bcf billion cubic feet
boe/d barrels of oil equivalent per day
mboe thousand barrels of oil equivalent
mcf thousand cubic feet
NGLs natural gas liquids
TSX TSX Venture Exchange

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