



# Second Quarter Report

## June 30, 2006

**Anterra Corporation** ("Anterra") is a unique energy company with a focus on the exploitation of oil and gas reserves and the development of 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**

- Average production volumes were up 19% to 229 boepd in the second quarter of 2006 from 193 boepd in the same period of 2005.
- Funds flow from operations for the second quarter of 2006 was \$172,283, compared to \$267,025 for the same period in 2005. For the six month period, funds flow was \$431,968, compared to \$527,571 for the same period in 2005.
- For the quarter, the Company experienced a loss of \$102,561, compared to a profit of \$84,126 for the same period last year. For the six month period, the Company experienced a loss of \$175,584 compared to a profit of \$197,630 for the same period last year. Earnings were reduced by higher depletion and general and administrative costs combined with a reduced operating contribution.
- 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 \$431,968 (\$0.017 per share) for the six months ended June 30, 2006, compared to \$527,571 (\$0.024 per share) reported for the same period in 2005. Operating netbacks for oil and gas production were \$29.17 per boe compared to \$33.08 for the second quarter of 2005. Operating netbacks for midstream operations were a negative \$1.19 per m<sup>3</sup> processed compared to a negative contribution of \$0.10 per m<sup>3</sup> in the second quarter of 2005. During the second quarter, midstream operations were adversely affected by high maintenance costs at Suffield, an early spring slowdown at the same location and costs associated with the water injection line break at Breton. Midstream netbacks are expected to improve in the third quarter of 2006 while oil and gas netbacks are expected to remain the same. Net earnings for the second quarter of 2006 were a negative \$102,561 after deduction for cash taxes owing of \$7,182.

Anterra invested \$1.69 million of capital in the second quarter of 2006, of which \$0.80 million was incurred at the Matziwin property, \$0.66 million was spent on workovers at Breton and the balance was spent on miscellaneous projects in southeast Alberta. The capital program was funded by the proceeds of the equity financing, funds flow from operations, working capital and bank debt.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
<b>Financial</b>				
Total net revenue	\$ 1,281,658	\$1,086,000	\$2,585,834	\$ 2,120,480
Oil and gas operating margin	\$ 608,887	\$ 585,696	\$1,347,685	\$1,142,991
Net back \$/boe for the period	\$29.17	\$33.08	\$32.33	\$32.48
Funds flow from operations (1)	\$ 172,283	\$267,025	\$431,968	\$527,571
Funds flow per share, basic	\$ 0.007	\$0.012	\$0.017	\$ 0.024
Net income (loss)	\$ (102,561)	\$84,126	\$(175,584)	\$197,630
Net income (loss) per share, basic	\$ (0.004)	\$0.004	\$ (0.007)	\$ 0.009
Operating costs per boe	\$26.57	\$20.03	22.97	\$18.98
G and A per boe	\$16.67	\$8.45	\$16.00	\$9.55
Total assets	\$13,637,578	\$8,783,890	13,637,578	\$8,783,890
Capital Expenditures	\$1,687,609	\$607,877	3,187,790	\$983,050
Bank debt plus working capital	(\$3,625,237)	(\$2,636,075)	(\$3,625,237)	(\$2,636,075)
Shareholders' equity	\$ 5,780,786	\$3,141,741	5,780,786	\$3,141,741
Weighted average shares o/s	25,733,000	21,930,000	25,733,000	21,930,000
<b>Share Trading</b>				
High	\$0.58	\$0.35	\$0.66	\$0.35
Low	\$0.33	\$0.23	\$0.33	\$0.23
Close	\$0.35	\$0.31	\$0.35	\$0.31
Trading volume	1,826,850	576,950	2,358,445	1,255,250
<b>Operating (6:1 conversion)</b>				
Production volumes				
Natural gas (mcf/d)	445	272	442	272
Oil & NGL (bbls/d)	155	148	156	148
Total (boe/d)	229	193	229	193
Average sale price				
Natural gas (\$/mcf)	\$ 6.47	\$6.14	\$7.99	\$6.04
Liquids (\$/boe)	\$71.66	\$63.41	\$67.91	\$61.54
Barrel of oil equiv. \$ per boe)	\$61.07	\$57.17	\$61.50	\$55.59

(1) Includes provision for cash income taxes payable of \$92,810.

## PRESIDENTS REPORT

As mentioned in the Financial Review, Anterra spent \$0.8 million on workovers at Matziwin, and a further \$0.66 million on workovers at Breton during the second quarter. The workovers at Matziwin added 30 bopd of production at a cost of \$26,667 per flowing barrel per day, while the workovers at Breton were unsuccessful. Water disposal operations at Suffield were slow during the second quarter due to the combination of unusually wet weather and the slow down in activity in the area due to low gas prices. Late in July 2006, volumes returned to more normal levels. The Company's midstream volumes averaged 379 m<sup>3</sup> per day for the second quarter and unit revenue was \$4.89 per m<sup>3</sup> for the quarter compared to \$3.71 per m<sup>3</sup> for the second quarter of 2005.

## **OPERATIONS REVIEW**

An accumulation of short term operating issues including pump failures on good producers, poor results from workovers at Breton, unbudgeted expenditures on the cleanup from a water injection line break, and unexpectedly high midstream operating costs prevented the Company from achieving its goals during the second quarter. The technical team has now completed the repairs and clean-up and second quarter exit production was 270 boepd, down 30 boepd from the 300 boepd reported at the end of the first quarter. Average production for the quarter was 229 boepd.

### ***Breton, central Alberta***

Due to unsuccessful workovers on two producing wells, production at Breton dropped 25 boepd during the quarter and pump failures kept two of the better Breton oil wells out of service for several weeks. Management now intends to focus more on the drilling of new wells as opposed to the workover and conversion of old wells. The first Breton development well is scheduled to be drilled during the third quarter and subject to capital availability several more development wells will be drilled on the property during the fourth quarter. There have been delays in the drilling of wells at Breton due to the time taken to acquire surface leases from the local landowners. The Company has now acquired four surface leases and is awaiting its well license from regulators, prior to “spudding” the first well. Following the completion of the first development well, a decision will be made on the schedule for completing a full reservoir and water flood simulation study. This study is required prior to finalizing a multi well, multi million dollar development plan for the Breton pool. Production at Breton is presently 210 boepd.

During the second quarter, midstream operations at Breton were subject to unaccountable oil losses and as a result of customer response to the resulting shrinkage, business volumes dropped considerably. These unaccountable losses have since stopped, however it is taking some time for business volumes to return to pre-loss levels. Management contemplates a return to more normal operations during the third quarter as a result of improvements to operating procedures and piping improvements at the plant.

### ***Southeast Alberta***

At Matziwin, a four well workover program is nearing completion with results from the final workover expected by late August. During the quarter, the Company purchased and interpreted several 2-D seismic lines over the property and has identified two drilling locations. Surface leases are being acquired and the Company anticipates drilling one or both locations later in the year. Production at Matziwin is presently 50 bopd.

At Suffield, the Company was successful at a recent Crown land sale and acquired three quarter sections of land over a prospective channel identified from the fall 2005 seismic program. The Company also acquired one additional quarter section over a Devonian reef prospect which was also identified from seismic. As a result of these purchases, Anterra has a four well drilling program scheduled for this winter and may seek a joint venture partner to drill the wells. Production at Suffield is presently zero as the one producing well has been shut-in due to downhole pump problems. Also at Suffield, the Class 1(b) water disposal operation has returned to profitability as a result of dry weather and the increased drilling and completion activity in the area.

At Scots Lake the Company continues to produce 25 bopd from one well, with one additional location to be drilled.

## OUTLOOK

We did not achieve our targets for the first six months of 2006 and now the challenge is to ensure that our initiatives in the second half of the year are focused in those areas where we know we can deliver results. The drilling of development wells at Breton is a low risk activity that is most likely to deliver quick positive results and subject to capital availability, this activity will be a focus in the fall.

There are also seven drilling locations in southeast Alberta on lands 100% owned by the Company, and success on several of these wells could have a significant impact on Anterra. The target formations are Pekisko and Sunburst with one high impact Suffield location targeting a potential Devonian reef. Some of these wells will be drilled in the fourth quarter however the drilling schedule has yet to be finalized.

Further to the north, the Company's geological team is working on a Devonian reef edge prospect and once land has been tied up a large 3-D seismic program is contemplated. This is a high impact, high risk play which has the potential to add several million barrels of reserves when drilled. At least one well re-entry is planned for the fourth quarter while drilling is contemplated for early 2007.

Management would like to thank shareholders for their patience and again 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](http://www.anterra.org) for a full corporate presentation of the Company's operations and prospects.



Owen Pinnell  
President and Chief Executive Officer



## Management Discussion and Analysis Second Quarter June 30, 2006

The following discussion is management's analysis of Anterra Corporation's ("Anterra" or the "Company") operating and financial data for the three months and six months ended June 30, 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 six months ended June 30, 2006. The Management Discussion and Analysis ("MD&A") was prepared as of August 10, 2006.

### Operating Summary

The Company's business is the exploration, development and production of oil and gas and the provision of associated midstream services. The following table outlines the operations for the three months ended June 30, 2006, and the six months ended June 30, 2006 compared to the same periods in 2005.

	Three Months June 30, 2006	Three Months June 30, 2005	Six Months June 30, 2006	Six Months June 30, 2005
<b>Oil and Gas Production</b>				
Revenue	1,271,574	1,003,426	2,553,514	1,942,070
Royalties	(111,061)	(71,261)	(257,425)	(144,271)
Gross overriding royalties	1,517	4,959	5,281	7,849
Net revenue	<u>1,162,030</u>	<u>937,124</u>	<u>2,301,370</u>	<u>1,805,648</u>
Operating costs	553,143	351,428	953,685	662,657
<b>Oil and gas operating margin</b>	<u>608,887</u>	<u>585,696</u>	<u>1,347,685</u>	<u>1,142,991</u>
<b>Midstream Processing</b>				
Revenue	168,401	194,456	398,690	424,623
Operating costs	209,532	199,633	471,585	384,692
<b>Midstream operating margin</b>	<u>(41,131)</u>	<u>(5,177)</u>	<u>(72,895)</u>	<u>39,931</u>
Other revenue	-	112	-	112
Intersegment revenue and cost	(48,773)	(45,692)	(114,226)	(109,902)
<b>Total Net Revenue</b>	<b>1,281,658</b>	<b>1,086,000</b>	<b>2,585,834</b>	<b>2,120,480</b>
Total Operating Costs	713,902	505,370	1,311,044	937,447
<b>Total Operating Margin</b>	<u><b>567,756</b></u>	<u><b>580,630</b></u>	<u><b>1,274,790</b></u>	<u><b>1,183,033</b></u>
<b>Expenses</b>				
General and administration	347,120	148,259	664,515	333,745
Stock compensation	1,880	23,814	49,563	27,697
Interest	41,171	33,188	82,591	63,891
Loss on sale of assets	-	-	-	242
Depletion, depreciation, accretion	286,626	235,398	683,497	444,779
<b>Total Expenses</b>	<u><b>676,797</b></u>	<u><b>440,659</b></u>	<u><b>1,480,166</b></u>	<u><b>870,354</b></u>
<b>Net Profit (Loss) Before Tax</b>	<b>(109,041)</b>	<b>139,971</b>	<b>(205,376)</b>	<b>312,679</b>
Provision For Taxes	(6,480)	55,845	(29,792)	115,049
<b>Net Profit (Loss)</b>	<u><b>(102,561)</b></u>	<u><b>84,126</b></u>	<u><b>(175,584)</b></u>	<u><b>197,630</b></u>
<b>Earnings per share</b>				
Basic	(0.004)	0.004	(0.007)	0.009
Fully Diluted	(0.004)	0.004	(0.007)	0.009
Weighted Average Number of Shares In Thousands	25,733,000	21,930,000	25,733,000	21,930,000
<b>Funds Flow From Operations</b>	<b>172,283</b>	<b>267,025</b>	<b>431,968</b>	<b>527,571</b>
Funds Flow Per Share	0.007	0.012	0.017	0.024

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

	2nd Quarter 2006	1st Quarter 2006	4th Quarter 2005	3rd Quarter 2005
<b>Net Revenue (1)</b>	<b>\$ 1,281,658</b>	<b>\$ 1,304,176</b>	<b>\$ 1,468,205</b>	<b>\$ 1,385,924</b>
Oil and gas operating margin	608,887	738,797	816,797	770,611
Midstream operating margin	(41,131)	(31,763)	42,207	97,415
<b>Net Profit (Loss)</b>	<b>(102,561)</b>	<b>(73,023)</b>	<b>123,907</b>	<b>126,492</b>
<b>Earnings (loss) per share</b>				
Basic	(0.004)	(0.003)	0.006	0.006
Fully Diluted	(0.004)	(0.003)	0.006	0.006
Weighted Average Number of Shares In Thousands	25,733	23,865	22,191	21,979
<b>Funds Flow From Operations</b>	<b>172,283</b>	<b>259,685</b>	<b>640,120</b>	<b>485,967</b>
Funds Flow Per Share	0.007	0.011	0.029	0.022

	2nd Quarter 2005	1st Quarter 2005	4th Quarter 2004	3rd Quarter 2004
<b>Net Revenue (1)</b>	<b>\$ 1,086,000</b>	<b>\$ 1,034,480</b>	<b>\$ 973,465</b>	<b>\$ 811,099</b>
Oil and gas operating margin	585,696	557,295	358,115	308,113
Midstream operating margin	(5,177)	45,108	148,250	81,505
<b>Net Profit</b>	<b>84,126</b>	<b>113,504</b>	<b>147,586</b>	<b>71,254</b>
<b>Earnings per share</b>				
Basic	0.004	0.005	0.008	0.004
Fully Diluted	0.004	0.005	0.008	0.004
Weighted Average Number of Shares In Thousands	21,930	21,930	17,970	17,380
<b>Funds Flow From Operations</b>	<b>267,025</b>	<b>260,546</b>	<b>340,849</b>	<b>240,252</b>
Funds Flow Per Share	0.012	0.012	0.018	0.014

(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 of 229 boepd in the second quarter of 2006 was consistent with the first quarter and 19% higher than the first six months of 2005.

	Three Months June 30, 2006	Three Months June 30, 2005	Six Months June 30, 2006	Six Months June 30, 2005
Oil ( bbl/d)	149	143	149	144
Natural Gas (mcf/d)	445	272	442	272
NGLs (bbl/d)	6	5	7	4
Total ( boe/d)	229	193	229	193

## Oil & Gas Revenue and Realized Prices

Commodity prices have remained strong in the first half of 2006. The outlook is for commodity prices to remain strong for the balance of 2006.

	Three Months June 30, 2006	Three Months June 30, 2005	Six Months June 30, 2006	Six Months June 30, 2005
<b>Oil</b>				
Revenues	\$976,952	\$829,687	\$1,839,863	\$1,607,873
Prices \$/bbl	\$72.06	\$63.73	\$68.21	\$61.80
<b>Natural Gas</b>				
Revenues	\$261,946	\$151,891	\$638,558	\$297,671
Prices \$/mcf	\$6.47	\$6.14	\$7.99	\$6.04
<b>NGL's</b>				
Revenues	\$32,676	\$21,848	\$75,093	\$36,526
Prices \$/bbl	\$62.56	\$53.25	\$61.32	\$51.78
<b>Total</b>				
Revenues	\$1,271,574	\$1,003,426	\$2,553,514	\$1,942,070
Price \$/bbl	\$61.07	\$57.17	\$61.50	\$55.59

## 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 \$5,281 for the six months ended June 30, 2006.

## Oil & Gas Royalties Expense

Total royalties including crown royalties were \$111,061 for the second quarter of 2006 and \$257,425 for the six months ended June 30, 2006 as compared to \$71,261 for the second quarter of 2005 and \$144,271 for the six months ended June 30, 2005. This represented \$5.33 per boe for the second quarter of 2006 and \$6.20 per boe for the six months ended June 30, 2006 as compared to \$4.06 per boe for the second quarter of 2005 and \$4.13 per boe for the six months ended June 30, 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

Operating costs for the second quarter of 2006 were \$553,143 or \$26.57 per boe, including \$37,777 for inter-company processing charges and \$ 112,831 for well repairs and maintenance. Operating costs were \$351,428 or \$20.03 per boe in the second quarter of 2005, including \$33,333 for inter-company processing charges and \$70,275 for well repairs and maintenance.

## Oil & Gas Operating Net Back

	Three Months June 30, 2006	Three Months June 30, 2005	Six Months June 30, 2006	Six Months June 30, 2005
Average realized price ( \$/boe)	\$61.07	\$57.17	\$61.50	\$55.59
Royalties, net of ARTC ( \$/boe)	5.33	4.06	6.20	4.13
Operating expenses ( \$/boe)	26.57	20.03	22.97	18.98
Operating net back ( \$/boe)	\$29.17	\$33.08	\$32.33	\$32.48

### Processing

Processing revenue for the second quarter of 2006 was \$168,401 and \$398,690 for the six months ended June 30, 2006 compared to \$194,456 in the second quarter of 2005 and \$424,623 for the six months ended June 30, 2005. Processing revenue in the second quarter dropped considerably as a result of oil losses at Breton. These have since stopped but it is taking some time for business volumes to return to pre-loss levels. In addition, water disposal operations at Suffield were slow due to a combination of unusually wet weather and the slow down in activity in the area due to low gas prices. Late in July 2006, volumes at Suffield returned to more normal levels.

### Processing Operating Costs

The processing operating costs for the second quarter of 2006 were \$209,532 and \$471,585 for the six months ended June 30, 2006 compared to \$199,633 in the second quarter of 2005 and \$384,692 for the six months ended June 30, 2005. Higher operating costs were primarily attributable to uninsured costs associated with the Breton 02-26 salt water line break, and high maintenance costs at Suffield.

### General and Administrative Expenses

General and administrative expenses were \$347,120 for the second quarter of 2006 as compared to \$317,395 for the first quarter of 2006, and \$148,259 for the second quarter of 2005.

### Interest Expense

Interest expense for the second quarter of 2006 was \$41,171 compared to \$41,420 for the first quarter of 2006, and \$33,188 for the second quarter of 2005. The higher interest cost reflects the higher debt level in the company.

### Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense increased to \$286,626 in the second quarter of 2006 and \$683,497 for the six months ended June 30, 2006 compared to \$235,398 for the second quarter of 2005 and \$444,779 for the six months ended June 30, 2005. This increase is due to the increase in capital spending during the last quarter of 2005 and the first six months of 2006 as well as the increase in production volumes.

### Net Profit and Loss

The Company generated a net operating loss of \$102,561 for the second quarter of 2006, compared to an operating profit of \$84,126 for the second quarter of 2005. The loss is due to a reduced contribution from operations, combined with higher general and administrative costs and higher depletion.

### Capital Expenditures and Commitments

Up to June 30, 2006 the Company has spent \$3,131,000 on oil and gas capital expenditures including the cost of the acquisition of Panterra Energy Corp Ltd and \$57,000 on midstream capital expenditures. As at June 30, 2006, the company had incurred \$1million of the qualifying expenditures required to satisfy the terms of the flow through common shares issued during the quarter.

## **Liquidity and Capital Resources**

The Company continues to generate positive funds flow from operations. At June 30, 2006 funds flow of \$431,968 was reduced by the provision for taxes payable of \$95,716. With stable commodity prices and more predictable operating costs, the Company expects improved cash flows in the third and fourth quarter. The Company may need to raise additional capital to fund the planned third and fourth quarter capital program in addition to the funds flow and the available bank debt as noted below.

### **Bank Debt**

The Company has 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. 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 June 30, 2006 there was a balance outstanding on the loan of \$2,750,000.

### **Share Capital**

At June 30, 2006 there were 27,842,833 common shares outstanding. At June 30, 2006 there were 2,300,000 stock options outstanding at a weighted average exercise price of \$0.41.

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.

### **Related Party Transactions**

For the six months ended June 30, 2006 a corporation owned by a director charged \$34,800 (2005 \$29,789) to the Company for office space and related services. A legal firm of which a director is a partner charged the Company \$65,791 (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  
June 30, 2006      As at  
December 31, 2005

**Assets**

**Current**

Cash and cash equivalents	\$ -	\$ 698,602
Accounts receivable	986,964	788,844
Deposits and prepaid expenses	188,945	170,219
	1,175,909	1,657,665

Property and equipment (Note 4)	11,555,878	8,528,573
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Intangible assets	299,774	302,702
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Goodwill	606,017	606,017
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	\$13,637,578	\$ 11,094,957
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**Liabilities and Shareholders' Equity**

**Current**

Bank Indebtedness	\$ 53,072	\$ -
Accounts payable and accrued liabilities	1,905,264	2,070,789
Bank loan (Note 5)	2,750,000	2,050,000
Income taxes payable	92,810	224,058
Current portion of long term debt	-	171,000
	4,801,146	4,515,847

Long term debt	-	-
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Asset retirement obligation (Note 6)	1,305,298	1,083,540
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Future income taxes	1,750,348	1,195,268
	7,856,792	6,794,655

Share capital (Note 7)	5,348,138	3,741,633
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Contributed surplus (Note 8)	263,052	213,489
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Retained earnings	169,596	345,180
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	5,780,786	4,300,302
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	\$ 13,637,578	\$ 11,094,957
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See accompanying notes

Approved on behalf of the Board:

\_\_\_\_\_  
"signed" Director  
Owen Pinnell

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"signed" Director  
James Coleman

**Anterra Corporation**

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

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
<b>Revenues</b>				
Revenue	\$ 1,392,719	\$ 1,157,261	\$ 2,843,259	\$ 2,264,751
Royalties	(111,061)	(71,261)	(257,425)	(144,271)
	<b>1,281,658</b>	1,086,000	<b>2,585,834</b>	2,120,480
<b>Expenses</b>				
Operating	675,352	485,300	1,247,823	895,421
Transportation	38,550	20,070	63,221	42,026
General and administrative	347,120	148,259	664,515	333,745
Stock compensation	1,880	23,814	49,563	27,697
Loss on sale of assets	-	-	-	242
Interest	41,171	33,188	82,591	63,891
Accretion and site restoration	27,530	21,210	52,645	42,420
Depletion, depreciation and amortization	259,096	214,188	630,852	402,359
	<b>1,390,699</b>	946,029	<b>2,791,210</b>	1,807,801
<b>Income (loss) before taxes</b>	<b>(109,041)</b>	139,971	<b>(205,376)</b>	312,679
<b>Income taxes</b>				
Current	7,182	132,158	95,716	257,826
Future	(13,662)	(76,313)	(125,508)	(142,777)
	<b>(6,480)</b>	55,845	<b>(29,792)</b>	115,049
<b>Net Income (loss)</b>	<b>(102,561)</b>	84,126	<b>(175,584)</b>	197,630
Retained earnings, (deficit), beginning of the period	272,157	10,655	345,180	(102,849)
<b>Retained earnings, end of period</b>	<b>169,596</b>	94,781	<b>169,596</b>	94,781
<b>Basic income (loss) per share</b>				
	\$ (0.004)	\$ 0.004	\$ (0.007)	\$ 0.009
<b>Diluted income (loss) per share</b>				
	\$ (0.004)	\$ 0.004	\$ (0.007)	\$ 0.009
<b>Weighted average shares outstanding</b>				
	25,733,000	21,930,000	25,733,000	21,930,000

See accompanying notes

**Unaudited**

**Anterra Corporation  
Consolidated Statements of Cash Flows**

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
<b>Cash flows from operating activities</b>				
Operations				
Net income (loss) for the period	\$ (102,561)	\$ 84,126	\$ (175,584)	\$ 197,630
Items not involving cash				
Stock compensation	1,880	23,814	49,563	27,697
Depletion, depreciation and amortization	259,096	214,188	630,852	402,359
Accretion	27,530	21,210	52,645	42,420
Loss on sale of assets	-	-	-	242
Future income taxes	(13,662)	(76,313)	(125,508)	(142,777)
Funds flow from operations	172,283	267,025	431,968	527,571
Change in non-cash working capital balances				
Accounts receivable	245,513	100,075	(198,120)	49,367
Deposits and prepaid expenses	(47,563)	(40,465)	(18,726)	(8,254)
Accounts payable	408,369	127,811	(165,525)	(2,722)
Income taxes payable	(214,834)	132,158	(131,248)	257,826
	563,768	586,604	(81,651)	823,788
<b>Financing activity</b>				
Issue of Common Shares	2,024,322	-	2,024,322	-
Share Issue Costs	(35,555)	-	(35,555)	-
Bank loan	(850,000)	100,000	700,000	175,000
Payments of long term debt	-	-	(171,000)	-
Payments on capital lease	-	(1,632)	-	(3,231)
	1,138,767	98,368	2,517,767	171,769
<b>Investing activity</b>				
Cash paid on acquisition	-	-	(1,269,854)	-
Additions to long lived assets	(1,687,609)	(607,877)	(1,917,936)	(983,050)
Disposal proceeds, property and equipment	-	-	-	1,100
	(1,687,609)	(607,877)	(3,187,790)	(981,950)
<b>Increase (decrease) in cash</b>	<b>14,926</b>	<b>77,095</b>	<b>(751,674)</b>	<b>13,607</b>
Cash (bank indebtedness) beginning of the period	(67,998)	62,147	698,602	125,635
<b>Cash (bank indebtedness) end of the period</b>	<b>\$ (53,072)</b>	<b>\$ 139,242</b>	<b>\$ (53,072)</b>	<b>\$ 139,242</b>

See accompanying note

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**Anterra Corporation**  
**Selected Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005**

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**1. Basis of Presentation**

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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**

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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.

	<u>Book Value</u>	<u>Fair Value</u>	<u>Difference</u>
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	<u>\$ 975,452</u>	<u>\$ 1,269,854</u>	<u>\$ 294,402</u>
Purchase price			
-Cash		<u>1,269,854</u>	
		<u>\$ 1,269,854</u>	

**3. Related Party Transactions**

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During the period a corporation owned by a director charged \$34,800 (2005 \$29,789) to the Company for office space and related services. A legal firm, of which a director is a partner, charged the Company \$65,791 (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.

**Anterra Corporation**  
**Selected Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005**

**4. Property and Equipment**

	June 30, 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	\$ 11,149,020	\$ 2,133,264	\$ 9,015,756	\$ 7,484,139	\$ 1,512,158	\$ 5,971,981
Processing equipment and furniture and fixtures	2,912,757	372,635	2,540,122	2,856,277	299,685	2,556,592
	<b>\$ 14,061,777</b>	<b>\$ 2,505,899</b>	<b>\$ 11,555,878</b>	<b>\$ 10,340,416</b>	<b>\$ 1,811,843</b>	<b>\$ 8,528,573</b>

Pursuant to a flow through financing completed in April 2006, the Company is committed to spending \$1,124,300 on qualified exploration and development expenditures by December 31, 2006. As at June 30, 2006 the Company had expended \$1,000,000 on qualified expenditures related to the April 2006 financing.

**5. Bank Loan**

The Company has a \$4,500,000 (2005 \$3,000,000) 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. 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 June 30, 2006 there was a balance outstanding on the loan of \$2,750,000 (2005 - \$1,950,000).

**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.

	June 30 2006	December 31 2005
Asset retirement obligation, beginning of period	\$ 1,083,540	\$ 994,073
Liabilities assumed on asset purchases	169,113	-
Liabilities incurred	-	-
Accretion expense	52,645	89,467
Asset retirement obligation, end of period	<b>\$ 1,305,298</b>	<b>\$ 1,083,540</b>

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.

**Anterra Corporation**  
**Selected Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005**

**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 June 30, 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	2,104,000	1,052,000	1,280,000	640,000
Private placement of flow through shares for cash	1,873,833	1,124,300		
Tax Benefits renounced on flow through shares	-	(382,262)	-	-
Shares issued for acquisition	-	-	-	-
Share issue costs	-	(187,533)	-	(3,814)
Balance, end of period	27,842,833	\$ 5,348,138	23,865,000	\$ 3,741,633

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.

(g) Stock options

The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. At June 30, 2006 2,300,000 (2005 1,771,257) 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.

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 having varying vesting periods 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.

**Anterra Corporation**  
**Selected Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005**

A summary of the status of the Corporation's stock option plan as at June 30, 2006 and December 31, 2005 and changes during the periods ending on those dates is presented below.

<b>Stock Options</b>	<b>Number of options</b>	<b>Period Ended</b>	<b>Number of options</b>	<b>Year Ended</b>
		<b>June 30, 2006</b>		<b>December 31, 2005</b>
		<b>Weighted average exercise price</b>		<b>Weighted average exercise price</b>
Beginning of period	<b>2,210,000</b>	<b>\$0.39</b>	1,285,000	\$0.15
Granted	<b>465,000</b>	<b>\$0.48</b>	1,700,000	\$0.47
Exercised	-		(655,000)	\$0.15
Cancelled	<b>(375,000)</b>	<b>\$0.39</b>	(120,000)	\$0.24
End of period	<b>2,300,000</b>	<b>\$0.41</b>	2,210,000	\$0.17
Exercisable, end of period	<b>1,680,000</b>	<b>\$0.38</b>	1,186,667	\$0.16

**8. Contributed Surplus**

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

	<b>Six months ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
Contributed surplus, beginning of year	<b>\$ 213,489</b>	\$ 24,566
Exercised stock options	-	(12,500)
Stock compensation expense	<b>49,563</b>	201,423
Contributed surplus, end of year	<b>\$ 263,052</b>	\$ 213,489

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## CORPORATE INFORMATION

### Directors

James H. Coleman  
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  
Hugh Stewart -- Vice President, Oil & Gas  
Sheila McKinley – Vice President Administration and Controller of the Company's subsidiaries  
Marlene Stewart -- Corporate Secretary

### Head Office

1420 – 1122 4<sup>th</sup> Street S.W.  
Calgary, Alberta  
T2R 1M1

Phone 403-215-3280  
Fax 403-261-6601

### Transfer Agent

Olympia Trust  
2300, 125 Ninth Avenue S.E.  
Calgary, Alberta T2G 0P6

### Stock Exchange

TSX Venture Exchange  
Trading Symbol: ATR

### Auditors

Deloitte & Touche LLP

### Bankers

National Bank of Canada

### Web Site

[www.anterra.org](http://www.anterra.org)

### Abbreviations

ARTC Alberta Royalty Tax Credit  
bbls/d barrels per day  
boe barrels of oil equivalent  
mbbl thousand barrels  
mmbbl 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