



**Interim Financial Statements
Unaudited**

For the nine months ended September 30, 2009

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of Anterra Energy Inc. (the "Company") have been prepared by and are the responsibility of the management of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying notes are an integral part of these financial statements

Anterra Energy Inc.
Balance Sheets

Unaudited	As at September 30, 2009	As at December 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 199,568	\$ -
Accounts receivable	803,978	1,288,584
Deposits and prepaid expenses	310,201	273,472
	1,313,747	1,562,056
Property and equipment (Note 4)	24,335,893	25,902,617
Intangible assets (Note 5)	10,001	10,001
	\$25,659,641	\$ 27,474,674
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 2,362,529	\$ 3,338,729
Bank loan (Note 6)	5,082,035	5,376,763
	7,444,564	8,715,492
Long term debt (Note 7)	483,924	-
Asset retirement obligation (Note 8)	1,985,009	1,859,564
Future income taxes	2,207,470	2,331,802
	12,120,967	12,906,858
Share capital (Note 9)	15,946,092	15,677,369
Contributed surplus (Note 10)	1,092,825	1,008,452
Deficit	(3,500,243)	(2,118,005)
	13,538,674	14,567,816
	\$ 25,659,641	\$ 27,474,674
Going Concern (Note 2)		
Commitments and Contingencies (Note 13)		

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Anterra Energy Inc.
Statements of Operations, Comprehensive Loss and Deficit

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Revenues				
Revenue	\$ 1,062,210	\$ 2,239,604	\$ 3,088,176	\$ 6,811,610
Royalties	(34,424)	(179,778)	(101,830)	(490,726)
	<u>1,027,786</u>	<u>2,059,826</u>	<u>2,986,346</u>	<u>6,320,884</u>
Expenses				
Operating	621,786	798,619	1,803,112	2,699,526
Transportation	53,215	70,539	149,842	199,487
General and administrative	567,812	482,093	1,237,567	1,290,664
Stock compensation	-	60,189	84,373	160,182
Interest	156,114	71,280	264,786	185,311
Asset retirement accretion	41,815	38,420	125,445	114,876
Depletion, depreciation and amortization (note 4)	483,628	638,095	1,590,881	1,820,301
Creditor restructuring	(332,930)	-	(332,930)	-
	<u>1,591,440</u>	<u>2,159,235</u>	<u>4,923,076</u>	<u>6,470,347</u>
Loss before taxes	(563,654)	(99,409)	(1,936,730)	(149,463)
Income taxes				
Current	-	-	20,323	-
Future	(167,361)	(30,386)	(574,815)	(46,669)
	<u>(167,361)</u>	<u>(30,386)</u>	<u>(554,492)</u>	<u>(46,669)</u>
Net loss and comprehensive loss	(396,293)	(69,023)	(1,382,238)	(102,794)
Deficit, beginning of the period	<u>(3,103,950)</u>	<u>(287,045)</u>	<u>(2,118,005)</u>	<u>(253,274)</u>
Deficit, end of period	(3,500,243)	(356,068)	(3,500,243)	(356,068)
Basic loss per share				
	\$ (0.009)	\$ (0.002)	\$ (0.034)	\$ (0.003)
Diluted loss per share				
	\$ (0.009)	\$ (0.002)	\$ (0.034)	\$ (0.003)
Weighted average Class A shares outstanding				
	44,760,255	32,169,040	40,279,108	32,169,040

The accompanying notes are an integral part of these financial statements

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**Anterra Energy Inc.
Statements of Cash Flows**

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Cash flows from operating activities				
Operations				
Net loss for the period	\$ (396,293)	\$ (69,023)	\$ (1,382,238)	\$(102,794)
Items not involving cash				
Stock compensation	-	60,189	84,373	160,182
Depletion, depreciation and amortization	483,628	638,095	1,590,881	1,820,301
Asset retirement accretion	41,815	38,420	125,445	114,876
Future income taxes	(167,361)	(30,386)	(574,815)	(46,669)
	(38,211)	637,295	(156,354)	1,945,896
Changes in non-cash working capital balances				
Accounts receivable	26,375	101,344	29,618	271,572
Deposits and prepaid expenses	(29,255)	14,681	(36,729)	(37,079)
Accounts payable	26,039	388,515	384,872	187,555
Income taxes recoverable	-	-	-	43,077
Cash flow from operating activities	(15,052)	1,141,835	221,407	2,411,021
Financing activities				
Issue of Class A Shares	400,011	-	400,011	-
Share issue costs	(43,108)	-	(43,108)	-
Bank loan	(49,934)	(250,000)	(294,728)	4,278,018
	306,969	(250,000)	62,175	4,278,018
Investing activities				
Additions to property and equipment	(66,588)	(957,765)	(249,833)	(4,564,073)
Disposal proceeds, property and equipment	225,676	-	225,676	-
Change in non-cash working capital	(251,437)	(83,991)	(59,857)	(2,549,762)
	(92,349)	(1,041,756)	(84,014)	(7,113,835)
Increase (decrease) in cash and cash equivalents				
	199,568	(149,921)	199,568	(424,796)
Cash / (bank indebtedness) and cash equivalents, beginning of the period				
	-	(270,803)	-	4,072
Cash / (bank indebtedness) and cash equivalents end of the period				
	\$ 199,568	\$ (420,724)	\$ 199,568	\$ (420,724)

Supplementary Disclosures (Note 12)

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1. Basis of Presentation

The interim 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 Canadian 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 judgement with reasonable limits of materiality and are based upon accounting policies consistent with those used and described in Note 3 to the audited financial statements for the year ended December 31, 2008. 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, 2008.

In 2008 and the first half of 2009 the global credit market crisis, volatility in the price of oil and natural gas, the recession in Canada and the slowdown of economic growth in the rest of the world has created a substantially more volatile business environment. These conditions will limit certain of the Company's previously planned business development activities and it will continue to provide risk for the Company in the future. Refer to the Company's going concern assessment at Note 2.

2. Going Concern

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company reported a net loss of \$1,382,238 and a negative cash flow from operating activities before changes in non cash working capital balances of \$156,354 for the nine months ended September 30, 2009. The Company had a net working capital deficit, including bank debt, of \$6,130,817 at September 30, 2009.

The Company's ability to continue as a going concern is dependent upon the ability to raise capital, the generation of positive cash flow, the maintenance of its existing reserve and production base, the success of the development and exploration program and the continued support of its lender (Note 6) and creditors. Under the current economic conditions, oil and gas prices declined significantly in the fourth quarter of 2008 and early 2009 and the resulting reduction in the Company's revenue was reflected in negative cash flow from operating activities before changes in non cash working capital balances in the month of December 2008 and the first quarter of 2009. In this environment, the company took steps to reduce operating and administrative costs, suspend all capital expenditures, and shut-in uneconomic production. During the second and third quarters, the Company's cash flow from operating activities before changes in non cash working capital has been close to break even with a negative \$38,211 in the third quarter. However, this has not resulted in a material improvement in the working capital deficit and, during the year, the Company's ability to raise additional capital through equity financing or through the disposition of assets has been limited by the market conditions. The Company was not in compliance with its working capital ratio either at December 31, 2008, or in each of the subsequent quarters (see note 11 "Capital Disclosures") and requested a waiver from its lender as at December 31, 2008. In addition, the Company has allowed

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2. Going Concern - continued

liens with respect to debts, which amounted to \$135,000 at September 30, 2009, to be registered against certain assets. The lender responded by notifying the Company of its default under the terms of its agreement and of the lender's continued support at the sole discretion of the lender. Effective August 1, 2009, the Company entered into a forbearance agreement with the lender, under which the Company was committed to eliminate all long-term defaults by October 30, 2009; and by that date the loan should either be repaid in full or the Company should qualify for replacement financing. Under the terms of the forbearance agreement the Company was required to meet interim deadlines. The Company has since satisfied the primary deadline of having a definitive agreement in place with respect to a transaction for recapitalization of the Company. The terms of the forbearance agreement also provided that the revolving demand loan facility was reduced to \$5,250,000 and the non-revolving acquisition and development facility was cancelled. The interest rate on the operating loan was increased to prime plus 2% and the Company was subject to payment of a forbearance fee. An extension of the forbearance agreement to November 30, 2009 has been requested to accommodate completion of the refinancing transaction, (see note 17 "Subsequent Events"). The Company is progressing with its strategies for reducing the working capital deficit, including the settlement on amounts owed to unsecured creditors; and through pursuing other potential equity financing and corporate transactions (see note 17 "Subsequent Events"). The Company is in communication with the lender on these initiatives with the intent of eliminating all long term defaults by November 30, 2009.

Without positive cash flows, the completion of the refinancing transaction and the support of its lenders, the Company may not be able to continue as a going concern.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. Significant Accounting Policies

Recent accounting pronouncements

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 January 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.

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests" which replace CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 carries forward the requirement of Section 1600, "Consolidated Financial Statements," other than those relating to non-controlling interests which would be covered in Section 1602. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be calculated without deducting non-controlling interest and instead net income is allocated between the controlling and non-controlling interests. Section 1601 and 1602 is

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applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011.

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.

4. Property and Equipment

	September 30, 2009			December 31, 2008		
	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	\$ 31,005,761	\$ 8,317,422	\$ 22,688,339	\$ 30,981,604	\$ 6,830,423	\$ 24,151,181
Processing equipment and furniture and fixtures	3,093,078	1,445,524	1,647,554	3,093,078	1,341,642	1,751,436
	\$ 34,098,839	\$ 9,762,946	\$ 24,335,893	\$ 34,074,682	\$ 8,172,065	\$ 25,902,617

Costs aggregating various amounts up to \$Nil (2008 - \$Nil) relating to seismic work on unproved properties, and a salvage value amounting to \$690,000 (2008 - \$690,000) on property and equipment were excluded from the depletion and depreciation calculations during 2009 and 2008.

As at September 30, 2009, certain suppliers have filed liens against the Company's petroleum and natural gas properties in respect of a total amount of \$135,000 owed by the Company.

An impairment test calculation was performed on the Company's petroleum and natural gas properties at December 31, 2008, and the Company performed an updated impairment test calculation at September 30, 2009, and on both dates the estimated undiscounted future net cash flows associated with the proved reserves exceeded the carrying amount of the Company's petroleum and natural gas properties.

An impairment test was also performed on certain processing facilities at December 31, 2008 and a write down of \$543,677 was recorded.

5. Intangible Assets

	September 30, 2009			December 31, 2008		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
Intangible Assets	\$ 319,177	\$ 309,176	\$ 10,001	\$ 319,177	\$ 309,176	\$ 10,001
Goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Intangible assets, consisting of licenses and permits, were added as part of an acquisition in 2004. As a result of the significant adverse changes in the business environment at December 31, 2008, the Company completed an impairment calculation on the intangible assets and, as a result, reflected an impairment loss of \$263,617 at that date.

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As a result of significant adverse changes in the business environment, the Company completed a goodwill impairment calculation at December 31, 2008 and, as a result, reflected an impairment loss of \$606,017 at that date.

6. Bank Loans

At September 30, 2009, the Company had available a \$5,250,000 (December 31, 2008 - \$6,000,000) revolving demand loan facility with a Canadian chartered bank. An additional \$1,000,000 non-revolving acquisition and development demand loan facility was cancelled effective August 1, 2009; (December 31, 2008 - \$1,000,000). The revolving loan bears interest at prime plus 2%, (December 31, 2008 - prime plus 3/4%), an effective rate at quarter end of 4.25% (December 31, 2008 – 3.75%). (At December 31, 2008 the non-revolving loan had an interest rate of prime plus 1% for an effective rate of 4.00%). The loans are secured by a general assignment of book debts and a \$10,000,000 first floating charge debenture over all assets of the Company. At the request of the Bank, the Company has provided additional security by issuing fixed charges, mortgages and security interests over certain of the Company's oil and gas assets. As at September 30, 2009, including bank indebtedness, the Company had drawn \$5,082,035 (December 31, 2008 - \$5,376,763). At September 30, 2009, the Company was not in compliance with its debt covenants; and it had not been in compliance either at December 31, 2008 or in each of the subsequent quarters. The lender has not provided a waiver but has since notified the Company that it is in default of its obligations to the lender with respect to the working capital covenant. Effective August 1, 2009, the Company entered into a forbearance agreement with the lender under which the revolving demand loan facility was decreased to \$5,250,000 and the non-revolving acquisition and development demand loan facility cancelled (see Capital Disclosures Note 11).

7. Long Term Debt

	September 30, 2009	December 31, 2008
5% Unsecured subordinated redeemable debentures	\$ 483,924	\$ -

The 5% unsecured subordinated redeemable debentures were issued with an effective date of July 31, 2009 and mature on July 31, 2011. They bear interest at a rate of 5% per annum compounded annually, calculated and paid semi-annually on June 30 and December 31. The debentures are redeemable, in whole or in part, at the option of the Company, at any time during the term on 30 days written notice to the holder.

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8. 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.

	September 30, 2009	December 31, 2008
Asset retirement obligation, beginning of year	\$ 1,859,564	\$ 1,689,965
Change in future cash flows	-	(26,806)
Liabilities incurred	-	43,067
Accretion expense	125,445	153,338
Asset retirement obligation, end of year	\$ 1,985,009	\$ 1,859,564

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 \$4,541,000 (December 31, 2008 - \$4,541,000). 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 2011 and 2023.

9. 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.

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(b) Issued

Nine Months Ended September 30, 2009

	Class A Shares	Class B Shares	Warrants	Amount
Balance, beginning of year	38,001,398	753,014	-	\$ 15,677,369
Tax benefits renounced on flow-through shares	-	-	-	(463,671)
Private placement of Units including one flow through Class A share and one Class A share for cash	5,333,480	-	-	400,011
Class A Share warrants issued to brokers for private placement	-	-	133,333	6,667
Class A shares issued in settlement with Creditors	3,623,014	-	-	362,301
Share issue costs, net of tax of \$13,190	-	-	-	(36,585)
Balance, end of period	46,957,892	753,014	133,333	\$ 15,946,092

Year Ended December 31, 2008

	Class A Shares	Class B Shares	Warrants	Amount
Balance, beginning of year	32,169,040	753,014	2,500,000	\$ 15,275,854
Tax benefits renounced on flow-through shares	-	-	-	(1,006,245)
Private Placement of Flow Through Class A shares for cash	5,832,358	-	-	1,749,707
Share issue costs, net of tax of \$34,290	-	-	-	(81,947)
Expired warrants	-	-	(2,500,000)	(260,000)
Balance, end of year	38,001,398	753,014	-	\$ 15,677,369

On July 17, 2009 the Company closed a private placement of Units, each Unit being priced at \$0.15 and comprising one Class A Share priced at \$0.05 per share and one Flow-Through Class A Share priced at \$0.10 per share. The closing resulted in the receipt of \$400,011 from the sale of 2,666,740 Class A shares and 2,666,740 Flow-Through Class A Shares.

As part of the Company's settlement with trade creditors, the Company authorized the issue up to \$5,000,000 Class A Shares at a deemed price of \$0.10 in satisfaction of 25% of the outstanding obligation to each creditor which agreed to the settlement terms. At September 30, 2009, 3,623,014 Class A Shares were issued in satisfaction of creditor settlements, with a deemed value of \$362,301.

Between October 7, 2008 and November 4, 2008, the Company issued 5,832,358 Class A shares, in four tranches, under a private placement flow-through financing at a price of \$0.30 per share for aggregate gross proceeds of \$1,749,707.

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 September 30, 2009, 555,900 Class A Shares remained in escrow pursuant to these conditions.

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(c) Stock options

The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. At September 30, 2009 Nil Class A shares (December 31, 2008 – 3,113,333 Class A 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. All outstanding options were cancelled effective April 27, 2009.

A summary of the status of the Company's stock option plan as at September 30, 2009 and December 31, 2008 and changes during the periods ending on those dates is presented below.

Stock Options	Nine months Ended September 30, 2009		Year Ended December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding beginning of year	3,113,333	\$0.57	2,060,000	\$0.57
Granted	-	-	1,355,000	\$0.43
Forfeited	(116,666)	\$0.53	(301,667)	\$0.58
Cancelled	(2,996,667)	\$0.51	-	-
Outstanding end of period	-	-	3,113,333	\$0.51
Exercisable, end of period	-	-	2,147,499	\$0.53

d) Warrants

On July 17, 2009, the Company issued 133,333 broker warrants providing the right to purchase units, each unit being comprised of one Class A Share issued at a price of \$0.05 per share and one Flow-Through Class A Share issued at a price of \$0.10 per share. Each broker warrant is exercisable until July 17, 2010 at an exercise price of \$0.15 per warrant; and at \$0.20 per warrant until July 17, 2011. The warrants have been fair valued and the value estimated at \$6,667 included in share issue costs. The value was estimated using the Black-Scholes option pricing model with a current share price of \$0.08; a strike price of \$0.175 per warrant; a risk free rate of return of 1.86%; expected volatility of 70%; and an 18 month average life,

The following is a continuity of the warrants outstanding:

	Nine Months Ended September 30, 2009		Year Ended December 31, 2008	
	Number of warrants	Weighted average Class A exercise price	Number of warrants	Wghtd avg exercise price
Beginning of year	-	-	2,500,000	\$0.93
Broker warrants issued in Private Placement	133,333	\$0.05		
Expired	-	-	(2,500,000)	\$0.93
End of period	133,333	\$0.05	-	\$ -
Exercisable, end of period	133,333	\$0.05	-	\$ -

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10. Contributed Surplus

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

	<u>Nine Months ended September 30, 2009</u>	<u>Year ended December 31, 2008</u>
Contributed surplus, beginning of year	\$ 1,008,452	\$ 561,357
Expired warrants	-	260,000
Stock compensation expense	84,373	187,095
Contributed surplus, end of year	<u>\$ 1,092,825</u>	<u>\$ 1,008,452</u>

11. Capital Disclosures

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company's objectives in managing the capital structure are to maintain a flexible financial structure to preserve the Company's access to capital markets, and to finance the Company's growth and continue to meet its financial obligations. The capital structure of the Company consists of bank credit facilities (Note 6), working capital, long term debt (note 7), and Shareholder's equity comprised of issued share capital, contributed surplus and deficit. The Company's ability to meet these objectives for managing the Company's capital has been severely challenged by the current economic conditions, and in particular by the pace at which oil and gas prices declined and the availability of new sources of capital has diminished.

The capital structure is as follows:

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Current assets	\$1,313,747	\$ 1,562,056
Accounts payable	(2,362,529)	(3,338,729)
Current portion of bank loans	<u>(5,082,035)</u>	<u>(5,376,763)</u>
Net debt and working capital deficiency	<u>\$(6,130,817)</u>	<u>\$(7,153,436)</u>
Long term debt	<u>\$ 483,924</u>	<u>\$ -</u>
Shareholder's equity	<u>\$13,538,674</u>	<u>\$ 14,567,816</u>
 <u>Bank Facilities</u>		
Revolving demand loan facility	<u>\$5,250,000</u>	<u>\$6,000,000</u>
Non-revolving acquisition and demand loan facility	<u>\$ -</u>	<u>\$1,000,000</u>

In a normal economic environment, the Company is able to manage its capital structure and makes adjustments to it in light of market and economic conditions as well as the risk characteristics of the Company's underlying assets. The Company monitors capital and its financing requirements through the annual budget process and monthly updates to the budget forecast and working capital projections. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, the use of bank credit facilities, adjusting capital spending, or by undertaking other strategies as deemed appropriate under the specific circumstances.

However, as a result of the current economic environment during 2009, the Company has worked on alternative strategies to deal with the working capital deficit, including the disposition of non-core assets and considering alternative financing opportunities. In addition, the Company made an

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informal approach to its unsecured trade creditors proposing to settle all debts with an element of cash, a two year debenture and an equity component, treating all creditors equally.

Under its credit facility agreement, the Company is required to maintain a working capital ratio, after adding the unused portion of the revolving demand loan and after excluding outstanding bank debt under the facility, of not less than 1:1. The Company was not in compliance with this covenant either at December 31, 2008, or at any of the subsequent quarter ends including September 30, 2009. The Company requested a waiver from its lender at December 31, 2008; however the lender did not provide a waiver but instead responded by notifying the Company that it is in default of its obligations to the lender with respect to the working capital covenant. In addition, the Company has allowed liens with respect to debts, which amount to \$135,000 at September 30, 2009, to be registered against certain assets. The Company agreed to sign a forbearance agreement with the lender, effective August 1, 2009 (see Bank Loans, note 6) under which the Company was committed to eliminate all long-term defaults by October 30, 2009; and by that date the loan should either be repaid in full or the Company should qualify for replacement financing. In addition to the ongoing initiative with creditors, the Company would undertake to refinance or recapitalize the Company to achieve this objective. The proposed terms of the agreement required the Company to meet interim deadlines, the most significant being the closing of a definitive investment agreement for recapitalizing the Company. Under the terms of the forbearance agreement, the revolving demand loan facility was reduced to \$5,250,000 and the non-revolving acquisition and development facility has been cancelled. The interest rate on the operating loan has been increased to prime plus 2% and the Company is subject to payment of a forbearance fee.

On July 20, 2009 the Company closed the first tranche of a private placement of Units, each Unit being priced at \$0.15 and comprising one Class A Share priced at \$0.05 per share and one Flow-Through Class A Share priced at \$0.10 per share. The initial closing resulted in the receipt of \$400,011 from the sale of 2,666,740 Class A shares and 2,666,740 Flow-Through Class A Shares.

Following completion of the private placement, the Company commenced the settlement process with creditors who had agreed to the proposed settlement terms of 20% of the amount due in cash, 30% in a two year debenture, and 25% in Class A Shares. As at September 30, 2009, the Company has settled approximately \$1.5 million outstanding to creditors and continues to work with the remaining creditors to reach agreement. The Company is authorized to issue up to 5,000,000 Class A Shares at a deemed price of \$0.10 in satisfaction of 25% of the outstanding obligation to each creditor. The Company has also authorized issuance of up to \$600,000 of debentures, paying an interest rate of 5%, which can be fully redeemed at the option of the Company at any time up to the twenty four month anniversary of the issuance and will, in any event, be fully redeemed on the twenty four month anniversary of the issuance of the debentures. At September 30, 2009, \$483,924 of 5% unsecured subordinated redeemable debentures was outstanding.

The Company continues to progress with its strategies for reducing the working capital deficit, including the settlement on amounts owed to unsecured creditors and pursuing other potential equity financing and corporate transactions (see Subsequent Events, note 17), and is in communication with the lender on these initiatives with the intent of eliminating all long term defaults.

12. Supplementary Information – Statement of Cash Flows

During the quarter ended September 30, 2009, the Company paid \$156,114 in interest, including \$100,000 for a forbearance fee to the Company's lender, (September 30, 2008 - \$185,311), and \$20,323 in income taxes (2008 - \$Nil). Cash and cash equivalents at September 30, 2009 include cash amounting to \$199,568 from the proceeds of a private placement of shares which is available for the specific purposes defined under the terms of the private placement. At December 31, 2008 it includes only nominal cash equivalents.

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The change in non-cash working capital for the nine month periods ended September 30 is allocated between operating and investing activities as follows:

	September 30, 2009	September 30, 2008
Accounts receivable	\$ 484,606	\$ 377,609
Deposits and prepaid expenses	(36,729)	(37,079)
Income tax recoverable	-	43,077
Accounts payable and accrued liabilities	(976,200)	(2,468,244)
Non-cash financing transactions	846,227	-
Net change in non-cash working capital balances	\$ 317,904	\$(2,084,637)
Net change in operating activities	\$ 377,761	\$ 465,125
Net change in investing activities	(59,857)	(2,549,762)
	\$ 317,904	\$(2,084,637)

Non-cash financing transactions relate to shares and long-term debt issued to trade creditors in settlement of outstanding amounts due.

13. Commitments and Contingencies

The Company is involved in various claims arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour, the Company does not currently believe that the outcome of adverse decisions in any proceedings related to these matters or any amount which it may be required to pay would have a material adverse impact on its financial position, results of operations or liquidity.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. As disclosed in note 8, the Company has recognized a liability at September 30, 2009 of \$1,985,009 (December 31, 2008 - \$1,859,564) 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 entered into a lease arrangement for office space and related services for five years commencing January 1, 2008. The minimum lease payments total \$931,166 which will be expended equally over 5 years ending December 31, 2013.

Pursuant to a flow-through financing completed by the Company during 2008, at September 30, 2009 the Company had an outstanding commitment of approximately \$1,180,000 to spend on qualified exploration expenditures by December 31, 2009. The Company intends to meet these commitments through the investment funds (see note 17 "Subsequent Events") being deployed on the Saskatchewan property. However, because of the Company's working capital deficit and the timing of the project being close to the end of the year, there is no certainty of sufficient expenditures being incurred to satisfy the total commitment, and in that event the Company could be liable to Canada Revenue Agency ("CRA") for certain amounts renounced as deductions to investors.

Pursuant to a flow-through financing completed by the Company during 2009, at September 30,

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2009, the Company has a further outstanding commitment of approximately \$267,000 to spend on qualified exploration expenditures by December 31, 2010.

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 payments ranging from 6 months to 18 months of compensation for termination without cause or in the event of a change of control.

14. Related Party Transactions

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

(a) In July 2009, the Company completed a private placement of Units, each Unit comprising one Class A Share and one flow-through Class A Share, for a total of 2,666,740 Class A Shares and 2,666,740 flow-through Class A Shares, at a price of \$0.15 per Unit. Directors and officers of the Company subscribed for an aggregate of 1,000,040 Class A Shares and 1,000,040 flow-through Class A Shares.

(b) The Company completed a private placement of 5,832,358 flow-through Class A Shares in October and November 2008, at a price of \$0.30 per share. Directors and officers of the Company subscribed for an aggregate of 636,358 Class A Shares.

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

(c) During the nine months ended September 30, 2009, a legal firm, of which a director is a partner, charged the Company \$36,764 (2008 - \$35,314) for legal fees and services. The firm also agreed to settlement of amounts owing by the Company of \$34,819, which included a write down of the amount owing by \$8,704, the issuance of 87,050 Class A Shares, and the issuance of 10,446 5% unsecured subordinated debentures.

(d) During the period ended September 30, 2009, another legal firm, of which a director is a partner, charged the Company \$19,897 (2008 - \$Nil) for legal fees and services.

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.

15. Financial Instruments and Risk Management

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to fair value, commodity price, foreign currency, interest rate, industry credit and liquidity 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 cash, accounts receivable and accounts payable approximates their fair

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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 based on current bank prime rates.

(b) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Company is subject to commodity price risk for the delivery of natural gas and crude oil, the price of which is subject to world economic events that dictate the levels of supply and demand. The Company had no financial derivative contracts in place as at or during the nine months ended September 30, 2009.

(c) Foreign currency risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. Although all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company had no financial instruments denominated in foreign currencies and no forward exchange contracts in place at or during the nine months ended September 30, 2009.

(d) Credit risk

Credit risk represents the risk that a counterparty to a financial asset will default, resulting in the Company incurring a financial loss. 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. Approximately 85% of the Company's monthly revenue is receivable from the marketing arm of a major energy company. The Company also attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure or through cash calling a partner in advance of completion of work. Additionally the Company has the ability to withhold production or net payables from joint venture partners in the event on non-payment. Maximum credit risk is calculated as the total recorded value of accounts receivable.

During the three months and nine months ended September 30, 2009, an amount of \$113,560 in receivables was written off. The carrying amount of accounts receivable represents the maximum exposure. The aging of accounts receivable, including cash call receivables is as follows:

<u>Aging</u>	<u>September 30, 2009</u> <u>\$,000</u>
Current (0-30 days)	\$449
31 – 60 days	108
61 – 90 days	55
More than 90 days	192
Total	\$804

When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Company considers all amounts greater than 90 days to be past due. As at September 30, 2009 \$192,000 of accounts receivable are past due, excluding amounts described above, all of which are considered to be collectible.

(e) Interest rate risk management

Interest rate risk is the risk that fair values or future cash flows will fluctuate as a result of changes in market interest rates. 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

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the debt will fluctuate as a result of changes in market rates. As at September 30, 2009, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$50,800 (December 31, 2008 - \$53,800). The related disclosures regarding the debt instruments are included in Note 6 of these financial statements. The Company had no interest rate swap or financial contracts in place as at or during the three months ended September 30, 2009.

(f) Liquidity risk

Liquidity risk represents the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company monitors its financial obligations and its ability to meet those obligations through an annual budget process and monthly updates to the budget forecast and working capital projections. In addition, the Company requires authorizations for expenditures on its capital projects and defers timing of capital expenditures as necessary.

In the current economic conditions, the pace at which oil and gas prices declined in the fourth quarter of 2008 and have remained low in the first three quarters of 2009 has increased the liquidity risk. As discussed in Note 2, "Going Concern", and Note 11 "Capital Disclosures", without additional sources of capital from equity financing or dispositions of assets, the Company will not be able to pay its outstanding accounts payable in a timely manner until oil and gas prices increase significantly.

16. 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 nine months ended September 30, 2009	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 2,168,970	\$ 979,487	\$ -	\$ (60,281)	\$ 3,088,176
Other revenue	-	-	-	-	-
Total Revenue	2,168,970	979,487	-	(60,281)	3,088,176
Royalties	(101,830)	-	-	-	(101,830)
Net Revenue	2,067,140	979,487	-	(60,281)	2,986,346
Operating expenses	1,460,880	552,355	-	(60,281)	1,952,954
Depletion, depreciation	1,486,999	103,882	-	-	1,590,881
Asset retirement accretion	111,987	13,458	-	-	125,445
Income (loss) before corporate items	(992,726)	309,792	-	-	(682,934)
General and administrative	823,340	371,813	42,414	-	1,237,567
Stock compensation	-	-	84,373	-	84,373
Creditor restructuring	-	-	(332,930)	-	(332,930)
Interest	192,165	72,621	-	-	264,786
Income taxes	(598,692)	(41,502)	85,702	-	(554,492)
Net profit (loss)	\$ (1,409,539)	\$ (93,140)	\$ 120,441	\$ -	\$ (1,382,238)
Capital expenditures, net	\$ 24,157	\$ -	\$ -	\$ -	\$ 24,157
Total Assets	\$23,593,378	\$ 2,026,982	\$ 39,281	\$ -	\$25,659,641

Anterra Energy Inc.
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For the nine months ended September 30, 2008	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 5,741,478	\$ 1,193,394	\$ -	\$ (130,507)	\$ 6,804,365
Other revenue	7,245	-	-	-	7,245
Total Revenue	5,748,723	1,193,394	-	(130,507)	6,811,610
Royalties	(490,726)	-	-	-	(490,726)
Net Revenue	5,257,997	1,193,394	-	(130,507)	6,320,884
Operating expenses	2,295,953	733,567	-	(130,507)	2,899,013
Depletion, depreciation	1,661,049	159,252	-	-	1,820,301
Asset retirement accretion	102,529	12,347	-	-	114,876
Income before corporate items	1,198,466	288,228	-	-	1,486,694
General and administrative	1,000,962	208,055	81,647	-	1,290,664
Stock compensation	-	-	160,182	-	160,182
Interest	156,950	28,361	-	-	185,311
Income taxes	(12,999)	(9,584)	(24,086)	-	(46,669)
Net Profit (loss)	\$ 53,553	\$ 61,396	\$ (217,743)	\$ -	\$ (102,794)
Capital expenditures, net	\$ 4,479,254	\$ 102,128	\$ -	\$ -	\$ 4,581,382
Total Assets	\$ 24,344,037	\$ 3,402,237	\$ 60,205	\$ -	\$ 27,806,479

17. Subsequent Events

The Company entered into an investment agreement with an international investor, dated September 10, 2009, under which the investor agreed to invest, subject to the satisfaction of certain conditions, up to \$15 million in the Company. At a special meeting of shareholders on October 6, 2009, the Company's shareholders approved the agreement. Also, on October 6, 2009, the Company closed the first tranche of the investment whereby the investor acquired 4,666,666 Class A Shares for gross proceeds of \$350,000. On November 23, 2009, a further 35,333,334 Class A Shares were acquired for gross proceeds of \$2,650,000. Also, under the terms of the agreement, on or before December 31, 2009 the investor shall, subject to the satisfaction of further conditions precedent, purchase a further 150,000,000 Class A Shares for gross proceeds of \$12 million. In conjunction with the two closings, the Company paid finder's fees to two agents in an aggregate amount of \$180,000 and issued an aggregate of 933,334 warrants, each warrant entitling the holder to purchase one Class A Share at a price of \$0.15 per share exercisable for two years from the date of the respective closing.

The Company's lender has extended the Forbearance agreement from October 30, 2009 to November 30, 2009 to accommodate completion of the investment transaction.

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**ANTERRA ENERGY INC.
CORPORATE INFORMATION**

Directors

Gary Chang (2,3)
James H. Coleman (3)
Ross O. Drysdale (1,2)
Hong Lei (3)
Owen C. Pinnell (2)
J. Ronald Woods (1)
Zhen Xiang Huo (1)

Notes: (1) Audit and Reserves Committee; (2) Environment and Safety Committee; (3) Compensation Committee
Committee memberships for new board members will be ratified at the next directors meeting.

Officers

Owen Pinnell – Executive Chairman and CEO
William Johnson – President and COO
Giles Parker – Vice President, Finance and CFO
Bob McCuaig – Executive Vice President and General Manager
Alastair Robertson – Treasurer and Corporate Secretary
Marlene Stewart – Assistant Corporate Secretary

Head Office

1420 – 1122 4th 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

Web Site

www.anterraenergy.com

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
mdbl thousand barrels
mmbse 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