

Management's Discussion and Analysis

The following discussion is management's analysis of Anterra Energy Inc.'s ("Anterra" or the "Company") operating and financial data for the three months ended September 30, 2009 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 financial statements and notes for the year ended December 31, 2008. The Management's Discussion and Analysis ("MD&A") was prepared as of November 27, 2009.

Overall Performance Summary

During the third quarter of 2009, oil prices continued to improve but gas prices continued to decline. As a result of price volatility and production declines, net revenues declined from over \$2.0 million in the third quarter of 2008 to \$1.04 million in the second quarter of 2009 and \$1.03 million in the third quarter of 2009. In response, during the nine months ended September 30, 2009 the Company has reduced operating and administrative costs by 24% compared to the same period in 2008; shut-in uneconomic production and suspended Company funded capital expenditures. As a result of postponed maintenance on certain wells and significant declines in gas production, the Company's average production rate declined in the third quarter to an average 157 boepd from the second quarter at 177 boepd. Cash flow constraints delayed normal maintenance procedures in the third quarter but the Company expects to repair and workover several wells during the fourth quarter and increase production to 200 boepd by the end of the year. The average sale price per boe for the third quarter improved to \$51.57 from \$48.62 in the second quarter but is reduced from \$92.55 in the third quarter of 2008. Funds flow from operations is expected to remain at break even levels as strengthening oil prices in recent months have been offset by production declines and lower gas prices.

Market conditions during 2009 limited the Company's ability to raise capital through equity financings or dispositions of assets. Earlier in the year, a proposal was submitted to creditors, to settle outstanding debts for a cash payment (20%), a two year debenture (30%), 25% in Class A Shares, and 25% of the debt written down. In parallel with this proposal, in July, 2009, the Company closed a small private placement of equity with insiders and an investment fund for \$400,000 and proceeds from this financing were used to pay the cash portion of the creditor settlement, resulting in an improvement in the working capital deficit. Currently, the Company has settled approximately \$1.5 million outstanding to creditors and continues to work with the remaining creditors who have not so far agreed to the settlement. During the second quarter, the Company's lender notified the Company that it was in default of its obligations to the Bank in respect of the working capital covenant and, in the third quarter, the Company signed a forbearance agreement with the lender, which included specific dates for the Company to complete a restructuring and bring the Company back into compliance with its covenants. As previously announced, during the third quarter, the Company signed an agreement with a new international investor under which, subject to certain conditions, the investor will invest a total of \$15 million. The first installment of this investment closed in early October for \$350,000 and, on November 23, 2009, the Company closed on a further \$2,650,000. The balance of the investment is expected by the end of the year. The Company needs to complete the final installment of the investment transaction in order to complete its arrangements with existing creditors; bring the Company back into compliance with its lender's covenants; provide funding for workovers and recompletions aimed at increasing production levels; and to continue its project development plans. The Company will not be able to achieve a meaningful level of funds flow from operations until all these elements are achieved.

Operating Summary

The Company's primary focus through 2009 is on maintaining maximum production and income from its legacy assets while retaining its potential for future growth through the development of its non-conventional oil and gas resource play opportunities in Alberta and Saskatchewan. Production during the third quarter of 2009 was 157 boe/d compared to 177 boe/d in the second quarter of 2009. The first horizontal oil well into the lower Shaunavon prospect in SW Saskatchewan is on production although performance of the well has been disappointing due to mechanical problems with the well. The Company intends to use funds advanced by the Company's new investor to drill a second horizontal well into this formation in December. PennWest Energy Trust is now the Company's partner in the Lower Shaunavon play in SW Saskatchewan following the takeover of Reece Energy Exploration Corp earlier in the year.

The Company continues to hold over 33,000 gross acres of land and 18,000 net acres of land in Alberta and Saskatchewan. As a result of the current economic conditions and the resulting shortage of working capital, the Company has pursued partnerships to fund development projects aimed at increasing production. Recently, the Company entered into a farmout agreement to fund the drilling of an infill horizontal well on its Matziwin property in Alberta, and this well is now expected to be drilled by the end of the year. Under terms of the agreement the partner funds 100% of the drilling, completion and tie-in costs to earn 60% interest in the well for the first 9 months and 55% thereafter.

Anterra also offers fee based third party midstream processing services at Breton and Suffield and, during the quarter throughput and revenues improved by 8% and 11% respectively compared to the second quarter of 2009. The following table outlines the operations for these two business segments for the three months and nine months ended September 30, 2009, compared to the same period in 2008 along with the other costs of the Company for the periods.

| | Three Months September 30, 2009 | Three Months September 30, 2008 | Nine Months September 30, 2009 | Nine Months September 30, 2008 |
|--|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Oil and Gas Production | | | | |
| Revenue | 744,418 | 1,823,500 | 2,168,970 | 5,741,478 |
| Royalties | (34,424) | (179,778) | (101,830) | (490,726) |
| Gross overriding royalties | - | 3,761 | - | 7,245 |
| Net revenue | 709,994 | 1,647,483 | 2,067,140 | 5,257,997 |
| Operating costs | 523,399 | 679,948 | 1,460,880 | 2,295,953 |
| Oil and gas operating margin | 186,595 | 967,535 | 606,260 | 2,962,044 |
| Processing | | | | |
| Revenue | 334,682 | 449,238 | 979,487 | 1,193,394 |
| Operating costs | 168,492 | 226,105 | 552,355 | 733,567 |
| Processing operating margin | 166,190 | 223,133 | 427,132 | 459,827 |
| Inter-segment revenue and cost | (16,890) | (36,895) | (60,281) | (130,507) |
| Total Net Revenue | 1,027,786 | 2,059,826 | 2,986,346 | 6,320,884 |
| Total Operating Costs | 675,001 | 869,158 | 1,952,954 | 2,899,013 |
| Total Operating Margin | 352,785 | 1,190,668 | 1,033,392 | 3,421,871 |
| Expenses | | | | |
| General and administration | 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 |
| Depletion, depreciation, accretion | 525,443 | 676,515 | 1,716,326 | 1,935,177 |
| Creditor settlements | (332,930) | - | (332,930) | - |
| Total Expenses | 916,439 | 1,290,077 | 2,970,122 | 3,571,334 |
| Net Loss Before Tax | (563,654) | (99,409) | (1,936,730) | (149,463) |
| Provision For Taxes | (167,361) | (30,386) | (554,492) | (46,669) |
| Net Loss | (396,293) | (69,023) | (1,382,238) | (102,794) |
| Loss per Class A share | | | | |
| Basic | (0.009) | (0.002) | (0.034) | (0.003) |
| Fully Diluted | (0.009) | (0.002) | (0.034) | (0.003) |
| Weighted Average Number of Class A Shares In Thousands | 44,760 | 32,169 | 40,279 | 32,169 |
| Funds Flow From Operations | (38,211) | 637,295 | (156,354) | 1,945,896 |
| Funds Flow Per Class A Share | (0.001) | 0.020 | (0.004) | 0.061 |

Presentation

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 as an indication of cash generated from operations of the Company during a period to fund its capital expenditures without regard to changes in non-cash working capital during the period and, further, it is a commonly accepted measure in the industry which is useful for knowledgeable investors for comparison purposes. For the purposes of funds flow from operations calculations, funds flow is defined as "Funds flow from operations" before changes in non-cash operating working capital. Anterra's determination of funds flow from operations may not be comparable to that reported by other companies. Operating margin is not a recognized measure under GAAP; however management believes it is a useful measure of financial performance for assessing the operations of the Company. Operating margin is defined as revenue less operating costs, both of which are GAAP measures.

In this MD&A, the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of 6,000 cubic feet (mcf) of natural gas for one barrel (bbl) of oil based on an energy equivalency conversion method. Boe's may be misleading particularly if used in isolation. A boe conversion ratio of 6mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Quarterly Financial Information

| | 3rd Quarter 2009 | 2nd Quarter 2009 | 1st Quarter 2009 | 4th Quarter 2008 |
|---|---------------------|---------------------|---------------------|---------------------|
| Net Revenue | \$ 1,027,786 | \$ 1,038,393 | \$ 920,167 | \$ 1,249,398 |
| Oil and gas operating margin | 186,595 | 305,344 | 114,321 | 226,856 |
| Processing operating margin | 166,190 | 131,628 | 129,314 | 135,337 |
| Net Loss | (396,293) | (439,964) | (545,981) | (1,761,937) |
| Loss per Class A share | | | | |
| Basic | (0.009) | (0.012) | (0.014) | (0.048) |
| Fully Diluted | (0.009) | (0.012) | (0.014) | (0.048) |
| Weighted Average Number of Class A Shares In Thousands | 44,760 | 38,001 | 38,001 | 37,050 |
| Funds Flow From Operations | (38,211) | 25,315 | (143,458) | (35,010) |
| Funds Flow Per Class A Share | (0.001) | 0.001 | (0.004) | (0.001) |
| Cash flow from operating activities | (15,052) | 183,420 | 53,039 | 95,001 |

| | 3rd Quarter 2008 | 2nd Quarter 2008 | 1st Quarter 2008 | 4th Quarter 2007 |
|---|---------------------|---------------------|---------------------|---------------------|
| Net Revenue | \$ 2,059,826 | \$ 2,204,524 | \$ 2,056,534 | \$ 2,016,578 |
| Oil and gas operating margin | 967,535 | 1,081,690 | 912,819 | 956,023 |
| Processing operating margin | 223,133 | 101,246 | 135,448 | 134,968 |
| Net Income (Loss) | (69,023) | 18,994 | (52,765) | 157,413 |
| Earnings (Loss) per Class A share | | | | |
| Basic | (0.002) | 0.001 | (0.002) | 0.005 |
| Fully Diluted | (0.002) | 0.001 | (0.002) | 0.004 |
| Weighted Average Number of Shares In Thousands | 32,169 | 32,169 | 32,169 | 28,856 |
| Funds Flow From Operations | 637,295 | 690,022 | 618,579 | 471,947 |
| Funds Flow Per Class A Share | 0.020 | 0.021 | 0.019 | 0.016 |
| Cash flow from operating activities | 1,141,835 | (120,328) | 1,389,514 | 1,421,428 |

Oil & Gas Production

Production during the third quarter of 2009 was 157 boe/d compared to 177 boe/d in the second quarter of 2009 and 214 boe/d in the third quarter of 2008. Production volumes continue to decline due to lack of maintenance and development activity, and reductions in the Company's gas production. Efforts to restore production in the third quarter have been delayed because of the Company's financial position. Fourth quarter production is expected to increase to 200 boepd as a result of maintenance work undertaken late in the third quarter and the drilling of the Matziwin well. Production levels at Breton in central Alberta are 100 boe/d, comprised of 65 bbls/d of oil and 200 mscf/d of natural gas. Breton production increased at the end of the third quarter as a result of workovers on three wells. In southwest Saskatchewan, the first horizontal oil well into the Lower Shaunavon formation is on production but performance of the well has been disappointing due to mechanical problems with the well. During the third quarter the down hole pump was changed and the well responded by the end of the quarter, achieving the designed daily fluid volumes. Due to capital constraints, there has been no new development drilling in 2009. During the third quarter, the Company entered into a joint venture agreement under the terms of which a partner will drill a new infill well at Matziwin in the fourth quarter. Further drilling of horizontal wells on the Company's SW Saskatchewan property is scheduled with one well planned late in 2009 to satisfy flow through obligations, and with 13 wells and a processing facility presently budgeted for 2010.

Oil & Gas Production

| | Three Months September 30, 2009 | Three Months September 30, 2008 | Nine Months September 30, 2009 | Nine Months September 30, 2008 |
|---------------------|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Oil (bbl/d) | 107 | 141 | 116 | 165 |
| Natural Gas (mcf/d) | 284 | 403 | 320 | 354 |
| NGLs (bbl/d) | 3 | 6 | 3 | 5 |
| Total (boe/d) | 157 | 214 | 172 | 229 |

Oil & Gas Revenue and Realized Prices

Continuing recession and volatility in commodity prices is making price forecasting very difficult. At current commodity price levels of approximately CA\$80.00 for oil and under CA\$5.00 for gas, revenues are expected to remain considerably lower in 2009 compared to 2008. Although oil prices have been increasing throughout the year, the benefit of this increase in commodity price has been offset by production declines and lower gas prices. With prices continuing at these levels, the Company expects to generate breakeven funds flow from operations during the fourth quarter, assuming no unforeseen increase to operating expenses or further reduction in production.

| | Three Months September 30, 2009 | Three Months September 30, 2008 | Nine Months September 30, 2009 | Nine Months September 30, 2008 |
|--------------------|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Oil | | | | |
| Revenues | \$652,959 | \$1,480,574 | \$1,797,369 | \$4,781,233 |
| Prices \$/bbl | \$66.59 | \$113.91 | \$56.72 | \$105.78 |
| Natural Gas | | | | |
| Revenues | \$79,380 | \$294,184 | \$337,695 | \$847,969 |
| Prices \$/mcf | \$3.04 | \$7.93 | \$3.86 | \$8.74 |
| NGL's | | | | |
| Revenues | \$12,079 | \$48,742 | \$33,906 | \$112,276 |
| Prices \$/bbl | \$43.45 | \$93.73 | \$41.00 | \$88.34 |
| Total | | | | |
| Revenues | \$744,418 | \$1,823,500 | \$2,168,970 | \$5,741,478 |
| Price \$/bbl | \$51.57 | \$92.55 | \$46.06 | \$91.66 |

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 \$nil for the nine months ended September 30, 2009, (2008 – \$7,245).

Oil & Gas Royalties Expense

Total royalties including crown royalties were \$34,424 for the third quarter of 2009 as compared to \$26,260 for the second quarter and \$179,778 for the three months ended September 30, 2008. This represented \$2.38 per boe for the third quarter of 2009 as compared to \$1.63 per boe for the second quarter and \$9.12 per boe for the three months ended September 30, 2008. For the nine months ended September 30, 2009 total royalties amounted to \$101,830 compared to \$490,726 in the previous year, resulting in a rate of \$2.16 per boe in 2009 compared to \$7.83 per boe in 2008. Even with the unfavorable adjustments to Alberta royalty rates as of January 1, 2009, the Company's royalty rates have decreased with the decrease in commodity prices, declining production and also as the ratio of oil to gas has increased in the quarter.

Oil & Gas Operating Costs

Total operating costs for the third quarter of 2009 were \$523,399 or \$36.26 per boe, including \$12,594 for inter-divisional processing charges and \$43,067 for well repairs and maintenance. Operating costs were \$452,165 for the second quarter of 2009 or \$28.05 per boe, including \$13,245 for inter-divisional processing charges and \$59,226 for repairs and maintenance. Operating costs for the third quarter of 2008, were \$679,948 or \$34.51 per boe, including \$23,719 for inter-divisional processing charges and \$84,877 for well repairs and maintenance. Inter-divisional charges were eliminated for consolidation purposes. For the nine months ended September 30, 2009 total operating costs amounted to \$1,460,880 compared to \$2,295,953 in the previous year, resulting in a rate of \$31.03 per boe in 2009 compared to \$36.65 per boe in 2008. During the first nine months of 2009, the operating cost per boe reduced by 36%, compared to the previous year, as the Company took action to reduce its operating costs in response to low commodity prices. The Company anticipates that it will be able to achieve an overall reduction in operating cost in excess of \$500,000 for the year, primarily related to field payroll, maintenance costs and fuel costs. However, the Company's unit oil and gas operating costs are still high due to low production rates per operating well at the Company's producing properties. The unit operating costs are budgeted to improve in 2010 with the addition of new production from the Company's Lower Shaunavon horizontal wells.

Oil & Gas Operating Net Back

The operating net back for the third quarter was \$12.93 per boe compared to \$18.94 per boe for the three months ended June 30, 2009, and \$48.92 per boe for the three months ended September 30, 2008. Although oil prices continued to rebound in the third quarter, after the significant declines in pricing in late 2008 and early 2009, operating expenses increased during the quarter as production declined resulting in the net back reducing during the quarter. The Company incurs high unit operating costs due to the low productivity of most of its wells. Oil and Gas operating net back is a non-GAAP measure but it is derived entirely from GAAP measures and management believes it is commonly used in the industry and for comparison purposes by investors.

| | Three Months September 30, 2009 | Three Months September 30, 2008 | Nine Months September 30, 2009 | Nine Months September 30, 2008 |
|----------------------------------|--|--|--------------------------------------|--------------------------------------|
| Average realized price (\$/boe) | \$51.57 | \$92.55 | 46.06 | 91.66 |
| Royalties, net of ARTC (\$/boe) | 2.38 | 9.12 | 2.16 | 7.83 |
| Operating expenses (\$/boe) | 36.26 | 34.51 | 31.03 | 36.65 |
| Operating net back (\$/boe) | \$12.93 | \$48.92 | 12.87 | 47.18 |

Processing

Processing revenue for the third quarter of 2009 was \$334,682 compared to \$301,038 for the second quarter and \$449,238 for the third quarter of 2008. For the nine months ended September 30, 2009, revenue amounted to \$979,487 compared to \$1,193,394 the previous year. The Company continued to experience stronger third party volumes at Breton during the quarter, and overall volumes increased 8% over the second quarter. The Company anticipates the current business conditions continuing in the fourth quarter.

Processing Operating Costs

Processing operating costs for the third quarter of 2009 were \$168,492 (including \$4,295 of inter-divisional charges) compared to \$169,410 (including \$6,909 of inter-divisional charges) in the second quarter and \$226,105 (including \$13,176 of inter-divisional charges) for the three months ended September 30, 2008. Inter-divisional charges were eliminated for consolidation purposes. For the nine months ended September 30, 2009 operating costs amounted to \$552,355 compared to \$733,567 in the previous year. The reduction compared to 2008, reflected the Company's action to reduce operating costs in response to the current economic conditions. Operating margin for processing operations for the third quarter of 2009 was \$166,190 compared to \$131,628 for the second quarter and \$223,133 for the third quarter of 2008.

General and Administrative Expenses

General and administrative expenses for the third quarter of 2009 totaled \$567,812 and \$1,237,567 for the nine months ended September 30, 2009; compared to \$338,165 for the second quarter, \$482,093 for the three months ended September 30, 2008 and \$1,290,664 for the nine months ended September 30, 2008. During 2009, the Company responded to economic conditions, encouraging management to reduce administrative expenditures; however in the third quarter these savings were offset by a write down of \$113,500 in amounts owing to the Company. In particular, consulting costs and business development costs have been reduced although auditing, legal, engineering and other public company related expenses remain high. There is also a risk of other unforeseen costs offsetting the potential savings.

Interest Expense

Interest expense for the third quarter of 2009 was \$156,114 compared to \$53,169 in the second quarter and \$71,280 for the third quarter of 2008. Compared to 2008, interest rates have been lower in 2009, however, pursuant to a forbearance agreement with its lender, the Company has been recently subject to increased interest rates due to an increase in the bank's lending rate to prime + 2%. In addition, for the third quarter of 2009, the Company has reflected the lender's forbearance fee of \$100,000; accrued interest on the debentures issued in settlement of the Company's payables; and accrued \$11,758 in the quarter for Part XII.6 tax on flow-through commitments renounced for 2008.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense was \$525,443 in the third quarter of 2009 compared to \$567,442 in the second quarter and \$676,515 for the third quarter of 2008. The expense for the nine months ended September 30, 2009 was \$1,716,326 compared to \$1,935,177 during the same period in 2008. The reduction compared to second quarter of 2009 reflects lower production rates in the third quarter; and overall to the prior year; and also the impact of the impairment of certain assets at December 31, 2008.

Net Income and Loss

The loss in the third quarter of 2009 was \$396,293, which included a future tax recovery of \$167,361, compared to net loss of \$439,964 in the second quarter of 2009, which included a tax recovery of \$157,048; and a net loss of \$69,023 in the third quarter of 2008. The net loss for the period is after reflecting a recovery of \$332,930 related to restructuring payables. The operating margin for the third quarter of 2009 of \$352,785 compared to \$436,972 in the second quarter of 2009, and \$1,190,668 in the third quarter of 2008.

The losses during 2009 reflect the fall in oil and gas prices since the third quarter of 2008 combined with declining production; resulting in negative impacts on revenues and funds generated from operations. While oil prices have risen during the second and third quarters, these have been offset by lower production at marginal wells and lower gas prices. The actions of the Company to reduce operating and administrative costs since the beginning of the year have mitigated the impact of the lower commodity prices on the Company's loss.

Capital Expenditures and Commitments

The Company incurred \$66,588 on capital expenditures during the third quarter and a total of \$249,833 for the first nine months of the year. Offsetting these amounts, during the quarter, the Company received \$225,000 from a lease payment on certain rights at one of the Company's properties. As prices have improved, the focus is to pursue development opportunities at Judy Creek and Matziwin through funding from joint venture partners. In addition, the Company intends to continue development of its resource plays in Saskatchewan after funds become available from the new investment and the Company is released from the Bank's forbearance agreement. Anterra remains committed to this future opportunity, subject to improving economic conditions, and believes it has an inventory of over seventy development drilling locations in Alberta and Saskatchewan.

Pursuant to flow-through financings completed by the Company in October and November 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; and pursuant to a flow-through financing completed by the Company during July 2009, at September 30, 2009, the Company has a further outstanding commitment of approximately \$267,000 to spend on qualified exploration expenditures by December 31, 2010. The Company intends to meet the 2009 commitments through the new investment funds 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.

The Company has been reassessed by CRA for 2004 and 2005 taxation years. The Company has filed a notice of objection respecting the reassessment and, while the outcome is unknown, the Company expects any net changes resulting to the financial statement to be immaterial.

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. Completion of the final installment of the new investment transaction described in the section on Share Capital will trigger a change of control and, under the provisions of the agreements, the employees would have the option to elect to terminate their agreements, which could result in aggregate payments up to \$350,000.

Liquidity and Capital Resources

Funds flow from operations for the third quarter of 2009 totaled a negative \$38,211 compared to a positive \$25,315 for the second quarter of 2009 and positive funds flow from operations of \$637,295 for the third quarter of 2008.

During the first quarter, the Company made an informal proposal to its unsecured trade creditors to settle the liability due to them with 20% of the amount due in cash, 30% in a two year debenture, and 25% in Class A Shares, treating all creditors equally. In July the Company raised \$400,000 through a private placement of equity with directors and key shareholders of the Company, and the proceeds were used to pay the cash portion of the creditor settlement. Currently, the Company has settled approximately \$1.5 million outstanding to creditors and continues to work with the remaining creditors to reach agreement.

At September 30, 2009 the outstanding amount under the Company's revolving demand loan facility (see Bank Debt below) was \$5,082,035. The net working capital deficit, including bank debt, is approximately \$6.13 million, which is significantly reduced from \$7.45 million at June 30, 2009. The improvement in the working capital deficit results from the July private placement of Class A Shares and the settlement arranged with creditors of the Company. The Company's steps to reduce operating and administrative costs, and suspend all Company funded capital expenditures until economic conditions improve, coupled with some strengthening in oil price have created the opportunity to return to positive funds flow from operations as soon as the Company can use new funds to bring production back on stream.

At the end of the quarter, the Company was out of compliance with the working capital covenant and will

remain so until the completion of the new investment transaction described in the section on Share Capital, at which time the forbearance agreement will be terminated. The Company needs to complete the final installment of the investment transaction in order to complete its arrangements with existing creditors; bring the Company back into compliance with its lender's covenants; provide funding for workovers and recompletions aimed at increasing production levels; and to continue its project development plans. The Company will not be able to achieve a meaningful level of funds flow from operations until all these elements are achieved.

Bank Debt

At September 30, 2009, under the terms of the lender's forbearance agreement, the Company's revolving demand loan facility with a Canadian chartered bank had been reduced to \$5,250,000 and the non-revolving acquisition and development demand loan facility had been cancelled. The revolving loan bears interest at prime plus 2 %; (prior to the forbearance agreement the revolving demand loan facility bore interest at prime plus ¾% and the non-revolving loan at prime plus 1%); and the loans are secured by a general assignment of book debts and a \$10,000,000 first floating charge debenture over all assets of the Company. 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. At September 30, 2009, the Company was not in compliance with its working capital covenant. The Company had not been in compliance with the covenant at December 31, 2008 or in the subsequent quarters and, accordingly, it requested a waiver from the Bank (See Note 11 "Capital Disclosures" to Financial Statements). The Bank responded by notifying the Company that it is in default of its obligations to the Bank in respect of 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 Bank is entitled to make demand of the credit facilities at any time but, currently, has not notified the Company of a desire to demand loan repayment. The Company continues to progress with the settlement on amounts owed to unsecured creditors and is in communication with the Bank on this initiative. The Company signed a forbearance agreement with the Bank effective August 1, 2009, under which the Company is committed to eliminate all long-term defaults by October 30, 2009; and the loan shall either be repaid in full or the Company shall qualify for replacement financing. The forbearance agreement also required the Company to meet interim deadlines and pay a forbearance fee. The forbearance agreement has since been extended to November 30, 2009 to allow the Company to complete the terms of its new investment agreement described in the section on Share Capital and bring the Company back into compliance with the Bank's covenants. The loans are shown as a current liability due to their demand nature despite the lender having not demanded repayment of the loan.

Share Capital

At September 30, 2009, there were 46,957,892 Class A Shares and 753,014 Class B Shares outstanding. At September 30, 2009, there were no stock options outstanding, following consent from all option holders and ratification from the Board for the cancellation of all stock options effective April 27, 2009. The Company proposed a resolution at the Annual General Meeting, granting the board of directors the option to issue new stock options within the existing Stock Option Plan, but this did not receive the approval of the shareholders at the meeting. No additional options have been issued since September 30, 2009. At September 30, 2009, there were 133,333 warrants outstanding, which were issued to brokers in regard to private placement of units in July 2009.

On October 6, 2009, under the terms of an investment agreement with an international investor, the Company closed the initial tranche of a private placement of Class A Shares. The initial closing resulted in the receipt by the Company of gross proceeds of \$350,000 from the sale of 4,666,666 Class A Shares at a price of \$0.075 per share. In conjunction with this transaction, the Company issued 166,666 broker warrants as part of a finder's fee, each warrant entitling the holder to purchase one Class A Share at a price of \$0.15 per share exercisable until October 5, 2011. On November 23, 2009, a second closing resulted in the receipt by the Company of gross proceeds of \$2,650,000 from the sale of 35,333,334 Class A Shares at a price of \$0.075 per share. In conjunction with this transaction, the Company issued 766,667 broker warrants as part of a finder's fee, each warrant entitling the holder to purchase one Class A Share at a price of \$0.15 per share exercisable until November 22, 2011. In addition, under the terms of the investment agreement and, subject to the terms of certain conditions precedent, on or before December 31, 2009, a

further 150,000,000 Class A Shares may be purchased at a price of \$0.08 per share for gross proceeds of \$12,000,000. On closing the final installment, a further 1,600,000 broker warrants to purchase Class A Shares at a price of \$0.15 per share would be issued as part of a finder's fee.

On July 20, 2009, the Company closed the first tranche of a private placement of units, each unit comprised of 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 by the Company of gross proceeds of \$400,011, from the sale of 2,666,740 Class A Shares and 2,666,740 Flow-Through Class A Shares. In conjunction with this transaction, the Company issued 133,333 broker warrants as part of a finders fee entitling the holder to purchase units, each unit comprising 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, being exercisable until June 17, 2010 at an exercise price of \$0.15 per warrant and at \$0.20 per warrant until July 17, 2011.

On July 23, 2009, the Company issued 3,131,381 Class A Shares of the Company at a price of \$0.10 per share as part of the consideration in the settlement agreement with the Company's creditors.

Pursuant to the rules of the TSXV, 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

The Company has not paid dividends on its common shares to date.

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 period 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.

Changes in Accounting Policies including initial adoption

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 1601 and 1602 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. See Note 3 to the interim financial statements.

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 Company will need to begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP, but there could be significant differences in recognition, measurement, and disclosures that will need to be addressed.

The Company has been reviewing the requirements to IFRS but progress on adoption has been delayed due to limitations on the Company's available resources under the current economic conditions. Position papers are being prepared on issue-specific accounting differences between Canadian GAAP and IFRS and the impact on financial reporting. As a number of the IFRS standards are still changing, the position papers will have to be updated to reflect any changes from the final standards. The Company will continue to assess the impact of the proposed standards on its financial statements and disclosure as additional information becomes available. Financial impacts cannot be reasonably determined at this time.

Based on the initial assessments the Company has identified that the following areas have the greatest potential impact to the Company's accounting: property, plant and equipment, asset retirement obligations and employee benefits. There will also be a significant amount of effort to comply with IFRS' requirements for initial adoption of IFRS.

A more detailed analysis and evaluation of the financial impact of these issues and the impact on financial covenants, business contracts and computer systems is expected to be undertaken by the Company during the balance of 2009 and early 2010.

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.

The Company relies on access to capital markets for new equity to supplement internally generated cash flow and debt to finance its growth plans. Periodically, these markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placement or public offerings. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. Periodic fluctuations in energy prices may also affect lending policies of

the Company's bankers, whether for existing loans or new borrowings. This in turn could limit growth prospects over the short run or may even require the Company to dedicate cash flow, dispose of properties or raise new equity to reduce bank borrowings under circumstances of declining energy prices or disappointing drilling results.

The Company is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

Regulatory risks include changes to Canadian federal and provincial laws, which are beyond the Company's control. The Government of Alberta has completed a comprehensive review of the province's oil and natural gas royalty structure. Anterra is currently evaluating how the potential changes may impact the Company's operations.

Forward Looking Statements

This MD&A contains forward looking information related to the Company's planned drilling program, production, revenue, commodity prices, royalties, capital expenditures and commitments, operating costs, general and administrative expenses, funds flow from operations, financing plans, liquidity and capital resources, and debt settlement. Forward-looking information is based on expectations and estimates as of the date of this document, and is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "should", "could", "may", "objective", "projection", "forecast", "continue", "strategy", "position" or the negative of those terms or other variations of them or comparable terminology.

Further examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions, which may prove to be incorrect including: the amounts recorded for depletion, depreciation and accretion, the provision for asset retirement obligations and the ceiling test, which are based on estimates of reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Stock-based compensation expense is based upon estimates using the Black-Scholes option pricing model.

Risks include, but are not limited to, the availability and costs of financing, general economic conditions and risks associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the financial health of the Company's joint venture partners; health, safety and environmental risks; and the uncertainty of dealing with government and obtaining regulatory approvals).

At this time, the most significant risk relates to the uncertainty of future oil and gas prices and the current volatility in these markets. Revenues and funds flow from operations will be impacted positively or negatively depending on the ultimate variance to the Company's forecast assumptions. Furthermore, the outcome of commodity price changes are expected to impact the Company's capital spending plans and the ability of joint venture partners and other sources of capital funding to provide financing for the Company's projects.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost effective basis, commodity and marketing risk and seasonality. The Company is subject to significant drilling risk and uncertainties including the ability to find oil and gas reserves on an economic basis. The Company is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operational risks.

Financial risks that Anterra is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate.

It is anticipated that subsequent events and developments may cause a change to the assumptions made by the Company. The Company does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents the Company's views as of the date of this document and such information should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. The Company has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of factors that could affect the Company.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.anterraenergy.com.
