



Anterra Energy Inc.
Condensed Interim Financial Statements
FOR THE THREE AND SIX MONTHS ENDED June 30, 2012

**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.

ANTERRA ENERGY INC

Condensed Interim Statements of Financial Position
(unaudited)

	Note	June 30, 2012	December 31, 2011
Assets			
Trade and other receivables		\$ 2,080,541	\$ 2,043,722
Deposits and prepaid expenses		585,501	445,308
Total current assets		2,666,042	2,489,030
Property, plant and equipment	5	30,735,241	30,763,208
Intangible exploration assets and other intangible assets	6	4,895,416	4,887,788
Total non-current assets		35,630,657	35,650,996
Total assets		\$ 38,296,699	\$ 38,140,026
Liabilities			
Bank debt	8	\$ 5,188,217	\$ 4,603,313
Trade and other payables		2,206,375	2,220,538
Total current liabilities		7,394,592	6,823,851
Decommissioning liabilities	9	4,611,570	4,672,013
Deferred tax liability		1,260,491	1,341,061
Total non-current liabilities		5,872,061	6,013,074
Total liabilities		13,266,653	12,836,925
Equity			
Share capital		31,264,146	31,264,146
Contributed surplus		2,547,324	2,479,901
Deficit		(8,781,424)	(8,440,946)
Total equity		25,030,046	25,303,101
Total equity and liabilities		\$ 38,296,699	\$ 38,140,026

The notes are an integral part of these condensed interim financial statements.

ANTERRA ENERGY INC

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the periods ended June 30, 2012 and 2011
(Unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Revenue		\$ 1,977,603	\$ 2,683,083	\$ 4,228,500	\$ 5,179,134
Royalties		(256,509)	(369,982)	(597,483)	(567,599)
		<u>1,721,094</u>	<u>2,313,101</u>	<u>3,631,017</u>	<u>4,611,535</u>
Production and operating expenses		(985,391)	(850,900)	(1,840,832)	(1,457,858)
Depletion, depreciation and amortization	5	(511,248)	(433,297)	(918,347)	(842,683)
General and administrative		(544,093)	(495,700)	(1,080,601)	(978,163)
Share-based payment expense		(12,099)	(36,265)	(67,423)	(762,016)
Results from operating activities		<u>(331,737)</u>	<u>405,392</u>	<u>(276,186)</u>	<u>479,269</u>
Finance Income (expense)	3	(65,332)	(80,455)	(144,862)	(133,359)
Income (loss) before income tax		<u>(397,069)</u>	<u>416,484</u>	<u>(421,048)</u>	<u>437,456</u>
Deferred tax recovery		(88,406)	(68,831)	(80,570)	(242,926)
Income (loss) and comprehensive income (loss)		<u>(308,663)</u>	<u>480,315</u>	<u>\$ (340,478)</u>	<u>680,382</u>
Earnings (loss) per share					
Basic and diluted	7	\$ (0.001)	\$ 0.002	\$ 0.001	\$ 0.003

The notes are an integral part of these condensed interim financial statements.

ANTERRA ENERGY INC

Condensed Interim Statements of Changes in Equity (Unaudited)

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated deficit	Total equity
Balance at January 1, 2011		245,088,032	\$ 31,085,812	\$ 1,483,148	\$ (9,097,793)	\$ 23,471,167
Exercise of warrants		933,334	140,000			140,000
Share based payments		–	–	762,016	–	762,016
Profit for the period		–	–	–	680,382	680,382
Balance at June 30, 2011		246,021,366	\$ 31,225,812	\$ 2,245,164	\$ (8,417,411)	\$ 25,053,565
Balance at January 1, 2012		246,438,032	\$ 31,264,146	\$ 2,479,901	\$ (8,440,946)	\$ 25,303,101
Share based payments		–	–	67,423	–	67,423
Loss for the period		–	–	–	(340,478)	(340,478)
Balance at June 30, 2012		246,438,032	\$ 31,264,146	\$ 2,547,324	\$ (8,781,424)	\$ 25,030,046

The notes are an integral part of these condensed interim financial statements.

ANTERRA ENERGY INC

Condensed Interim Statements of Cash Flow

For six months ended June 30, 2012 and 2011
(Unaudited)

	Note	2012	2011
Cash flow from operating activities:			
Income (Loss) for the period		\$ (340,478)	\$ 680,382
Adjustments for:			
Depletion, depreciation and amortization	5	918,347	842,683
Accretion of decommissioning obligations	9	45,007	59,263
Share based payments		67,423	762,016
Deferred income tax (recovery)		(80,570)	(242,926)
Change in non-cash working capital	4	(120,997)	455,725
Net cash from operating activities		488,732	2,557,143
Cash flow from investing activities:			
Property, plant and equipment expenditures	5	(995,830)	(4,459,050)
Additions to intangible exploration assets	6	(7,628)	(748,017)
Change in non-cash working capital	4	(70,178)	1,127,638
Net cash (used in) investing activities		(1,073,636)	(4,079,520)
Cash flow from financing activities:			
Proceeds from issue of share capital		-	140,000
Settlement of debenture		-	(487,455)
Proceeds from loans and borrowings		584,904	1,826,449
Net cash from financing activities		584,904	1,478,994
Change in cash and cash equivalents		-	(43,293)
Cash and cash, equivalents beginning of period		-	43,293
Cash and cash, equivalents end of period		-	-

The notes are an integral part of these condensed interim financial statements.

ANTERRA ENERGY INC

Notes to Condensed Interim Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share information)

1. Reporting entity:

Anterra Energy Inc. (the "Company" or "Anterra") is engaged in the exploration for and development and production of oil and natural gas and conducts many of its activities jointly with others; these financial statements reflect only the Company's proportionate interest in such activities. The address of the office is #1420, 1122 4th Street SW, Calgary, Alberta.

The Company's parent company, holding 77% of the Company's common shares, is Alliance Success Group Holding Ltd ("Alliance"). Alliance is a Hong Kong based Investment Company.

The Company has two reportable operating segments and corporate segment. 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.

Segmented Financial Information:

For six months ended June 30, 2012	Oil and Gas Production \$	Midstream Processing \$	Corporate Segment \$	Eliminations \$	Total \$
Revenue	2,979,969	1,286,838	-	(38,307)	4,228,500
Royalties	597,483	-	-	-	597,483
	2,382,486	1,286,838	-	(38,307)	3,631,017
Production and operating expenses	1,416,016	463,123	-	(38,307)	1,840,832
Depletion, depreciation and amortization	858,397	59,950	-	-	918,347
General and administrative expenses	-	-	1,080,601	-	1,080,601
Share-based payments	-	-	67,423	-	67,423
Finance expense	-	-	144,862	-	144,862
Deferred income tax (recovery)	-	-	(80,570)	-	(80,570)
Net income	108,073	763,765	(1,212,316)	-	(340,478)
Capital expenditures:					
Exploration and evaluation assets	7,628	-	-	-	7,628
Property, plant and equipment	893,146	102,684	-	-	995,830
Total Assets	34,345,987	1,284,670	-	-	38,296,699

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

For six months ended June 30, 2011	Oil and Gas Production \$	Midstream Processing \$	Corporate Segment \$	Eliminations \$	Total \$
Revenue	3,947,135	1,297,839	--	(65,840)	5,179,134
Royalties	567,599	--	--	--	567,599
	<u>3,379,536</u>	<u>1,297,839</u>	<u>--</u>	<u>(65,840)</u>	<u>4,611,535</u>
Production and operating expenses	1,132,297	391,401	--	(65,840)	1,457,858
Depletion, depreciation and amortization	803,084	124,156	6,989	--	934,229
General and administrative expenses	--	--	978,163	--	978,163
Finance expense	--	--	41,813	--	41,813
Deferred income tax expense (recovery)	--	--	(242,926)	--	(242,926)
Share-based payments	--	--	762,016	--	762,016
	<u>1,444,155</u>	<u>782,282</u>	<u>(1,546,055)</u>	<u>--</u>	<u>680,382</u>
Capital expenditures:					
Exploration and evaluation assets	748,017	--	--	--	748,017
Property, plant and equipment	4,550,597	--	--	--	4,550,597
	<u>31,695,727</u>	<u>1,352,361</u>	<u>--</u>	<u>--</u>	<u>33,048,088</u>
Total Assets					

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

2. Basis of preparation:

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" using the accounting policies disclosed in the financial statements for the year ended December 31, 2011. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2011 and do not include all of the information required for full annual financial statements.

The interim condensed financial statements were authorized for issuance by the Corporation's Board of Directors on August 19, 2012.

3. Finance income and expenses:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Finance income:				
Interest income on bank deposits	\$ (6,597)	(901)	(3,298)	(4,037)
Financial expenses:				
Interest on loans and borrowings	48,938	51,502	103,153	78,133
Accretion of decommissioning Liabilities	22,991	29,852	45,007	59,263
	71,929	81,354	148,160	137,396
Net finance expenses	65,332	80,455	144,862	133,359

4. Supplemented cash flow information:

Changes in non-cash working capital is comprised of:

For the six months ended June 30	2012	2011
Source/ (use) of cash:		
Trade and other receivables	\$ (36,819)	\$ (660,670)
Deposit and prepaid expenses	(140,193)	853,123
Trade and other payables	(14,163)	1,390,910
	\$ (191,175)	\$ 1,583,363
Related to operating activities	\$ (120,997)	\$ 455,725
Related to investing activities	(70,178)	1,127,638
	\$ (191,175)	\$ 1,583,363

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

5. Property, plant and equipment:

	Petroleum and natural gas properties	Processing facilities and furniture and fixtures	Total
	\$	\$	\$
Cost			
At January 1, 2011	25,726,108	3,138,545	28,864,653
Additions	5,061,721	31,805	5,093,525
Transfer from E&E assets	926,406	-	926,406
Decommissioning provisions	860,474	36,607	897,082
At December 31, 2011	32,574,709	3,206,957	35,781,666
Additions	875,200	120,630	995,830
Decommissioning provisions	(119,864)	14,414	(105,450)
At June 30, 2012	33,330,045	3,342,001	36,672,046
Accumulated Depreciation			
At January 1, 2011	1,284,987	1,824,266	3,109,253
Charge for the period	1,736,090	173,115	1,909,205
At December 31, 2011	3,021,077	1,997,381	5,018,458
Charge for the period	858,397	59,950	918,347
At June 30, 2012	3,879,474	2,057,331	5,936,805
Net book value			
31-Dec-11	29,553,632	1,209,576	30,763,208
30-Jun-12	29,450,571	1,284,670	30,735,241

Future development costs on proved plus probable reserves totaling approximately \$21,415,300 (2010 - \$23,426,800) are included in the depletion calculation. No impairment triggers were identified for the three month period ended at June 30, 2012.

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

6. Intangible exploration assets and other intangible assets:

	E&E assets	License and permits	Total
Cost:			
Balance at January 1, 2011	\$ 2,867,639	\$ 10,001	\$ 2,877,640
Additions	2,946,555	–	2,946,555
Transfers to property, plant and equipment	(926,406)	–	(926,406)
Balance at December 31, 2011	\$ 4,887,788	\$ 10,001	\$ 4,897,789
Additions	7,628	–	7,628
Balance at June 30, 2012	\$ 4,895,416	\$ 10,001	\$ 4,905,417
Amortization and impairment losses:			
Balance at June 30, 2012 and December 31, 2011	\$ –	\$ (10,001)	\$ (10,001)
Carrying amounts:			
At December 31, 2011	\$ 4,887,788	\$ –	\$ 4,887,788
At June 30, 2012	\$ 4,895,416	\$ –	\$ 4,895,416

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

7. Earnings per share:

	For the three months ended at June 30,		For the six months ended at June 30,	
	2012	2011	2012	2011
Income / (Loss) for the period	\$ (308,663)	\$ 485,315	\$ (340,478)	\$ 680,382
Weighted average number of common shares – basic and diluted	246,438,032	246,021,366	246,438,032	246,021,366

Excluded from diluted earnings per share is the effect of 20,200,000 options (2011-20,350,000) as their effect is anti-dilutive.

8. Bank Debt:

At June 30, 2012, the Company had a \$12,000,000 (December 31, 2011 - \$12,000,000) revolving demand loan facility, of which \$5,188,217 was drawn at June 30, 2012. The revolving loan bears interest at prime plus 0.75% in 2012 (2011 - prime plus 0.75%), with an effective rate at June 30, 2012 of 3.75% (December 31, 2011 – 3.75%). Bank facilities are secured by a single first floating charge debenture in the amount of \$35 million over all assets of the Company.

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 in compliance with this covenant at June 30, 2012.

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

9. Decommissioning provisions:

	\$
At January 1, 2011	3,850,300
Changes to estimate	855,698
Provision made during the year	41,384
Decommissioning expenditure	(111,900)
Accretion expense	36,531
At December 31, 2011	4,672,013
Changes to estimate	(105,450)
Accretion expense	45,007
At June 30, 2012	4,611,570

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning obligations to be \$4,611,570 as at June 30, 2012 (December 31, 2011 - \$4,672,013) based on an undiscounted, inflation adjusted total future liability of \$5,001,409. These payments are expected to be made over the next 25 years with the majority of costs to be incurred between 2015 and 2025. The discount factor, being the risk free rate related to the liability, is 2.22% (2011 - 2.5%).

10. Related party transactions:

The Company had the following related party transactions for the three months ended at June 30, 2012:

- (a) During the three and six months ended June 30, 2012, an accounting firm, of which an officer is a shareholder, charged the Company \$Nil and \$1,700 respectively (2011 - \$18,370 and \$18,370) for accounting services. There is no accounts payable at June 30, 2012.
- (b) During the three and six months ended June 30, 2012, a consulting company, of which an officer is related to, charged the Company \$19,290 and \$38,580 respectively (2011 - \$22,860 and \$45,720) for consulting services. There is accounts payable of \$6,430 at June 30, 2012.

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

ANTERRA ENERGY INC

Notes to Financial Statements

For the periods ended June 30, 2012 and 2011

(tabular amounts are in Canadian dollars except share and per share information)

CORPORATE INFORMATION

Directors

Gary Chang;	Vancouver BC Canada	(1) (2)
James H. Coleman;	Calgary AB Canada	(1) (3)
Ross O. Drysdale;	Calgary AB Canada	(1) (3)
Gang Fang;	Calgary AB Canada	(2) (3)
Hong Lei;	Beijing P.R. China	
Owen C. Pinnell;	Calgary AB Canada	(2)
Zhen Xiang Huo;	Beijing P.R. China	

Notes: (1) Member of the Audit and Reserves Committee
(2) Member of the Environment and Safety Committee
(3) Member of the Compensation and Governance Committee.

Officers

Owen C. Pinnell	– Chairman
Gang Fang	– President and Chief Executive Officer
Bob D. McCuaig	– Executive Vice President
Qiping Men	– Chief Financial Officer

Head Office

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Stock Exchange

TSXV Venture Exchange
Trading Symbol: AE.A

Auditors

KPMG LLP

Registrar and Transfer Agent

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

Bankers

Canadian Western Bank

Legal Counsel

Norton Rose Canada LLP

Securities filings

www.sedar.com

Information request and other investor relations inquiries can be directed to menq@anterraenergy.com or by telephone at (403) 215 0860. Additional corporation information can be obtained through Anterra's website at www.anterraenergy.com.